Township of Augusta - Financial Planning & Service Level Analysis

Final Report

—

July 11, 2022

Disclaimer

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This report may include or make reference to future oriented financial information. Readers are cautioned that since these financial projections are based on assumptions regarding future events, actual results will vary from the information presented even if the hypotheses occur, and the variations may be material.

Comments in this report are not intended, nor should they be interpreted, to be legal advice or opinion.

KPMG has no present or contemplated interest in the Township of Augusta nor are we an insider or associate of the Township of Augusta. Accordingly, we believe we are independent of the Township of Augusta and are acting objectively.

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01

Project Overview

Financial Planning & Service Level Analysis
Final Report

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Project Overview

Project Objectives

The purpose of this review was to undertake a financial planning and service level analysis to assess if the Finance department is operating efficiently and effectively and is positioned to meet the needs of the Township of Augusta (the “Township”). The specific objectives included:

1. Assessing the Finance department’s current organizational structure including the current distribution of responsibilities, and reporting framework while accounting for leading practices, experience in other municipalities, and the direction of the municipal sector in general;
2. Identifying any gaps in skill sets required with consideration given to succession planning;
3. Providing recommendations on the organizational structure of the Finance department, including the rationale and implications of such recommendations;
4. Providing recommendations and identifying potential strategies on various matters including automating and digitizing processes;
5. Developing process maps for key financial processes; and
6. Reviewing the Township’s finance-related policies and long-term financial plan

Project Drivers

The project was expected to result in recommendations and considerations on how to:

- Increase operating efficiencies that create capacity for Township staff to address additional areas of focus, including higher value activities (e.g., strategic planning, risk management etc.);
- Reduce operating costs resulting from reduction in printing and other costs associated with the use of hard copy documentation, reduction in errors, etc.
- Enhance risk management and internal control processes

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Project Overview

Project Principles

The knowledge and expertise of Township staff was fully engaged and built upon, to arrive at recommended actions through a transparent, participative and inclusive process facilitated by KPMG.

- The project was conducted in a way that engaged Township employees.
- The aim was to, wherever possible, transfer knowledge and necessary “tools” to Township staff to enable them to better develop their own solutions to operational and process issues and challenges over time.
- The framework and approach was based on leading practices from other municipalities, or other levels of government experience and/or private sector.
- Lastly, this was not an audit. This was a review to build on successes and identify opportunities to improve the efficiency and effectiveness of how the Township delivers its financial services.

Project Timing

The project began on May 4th, 2022 and will be completed when the Final Report is presented to Council in July 2022.

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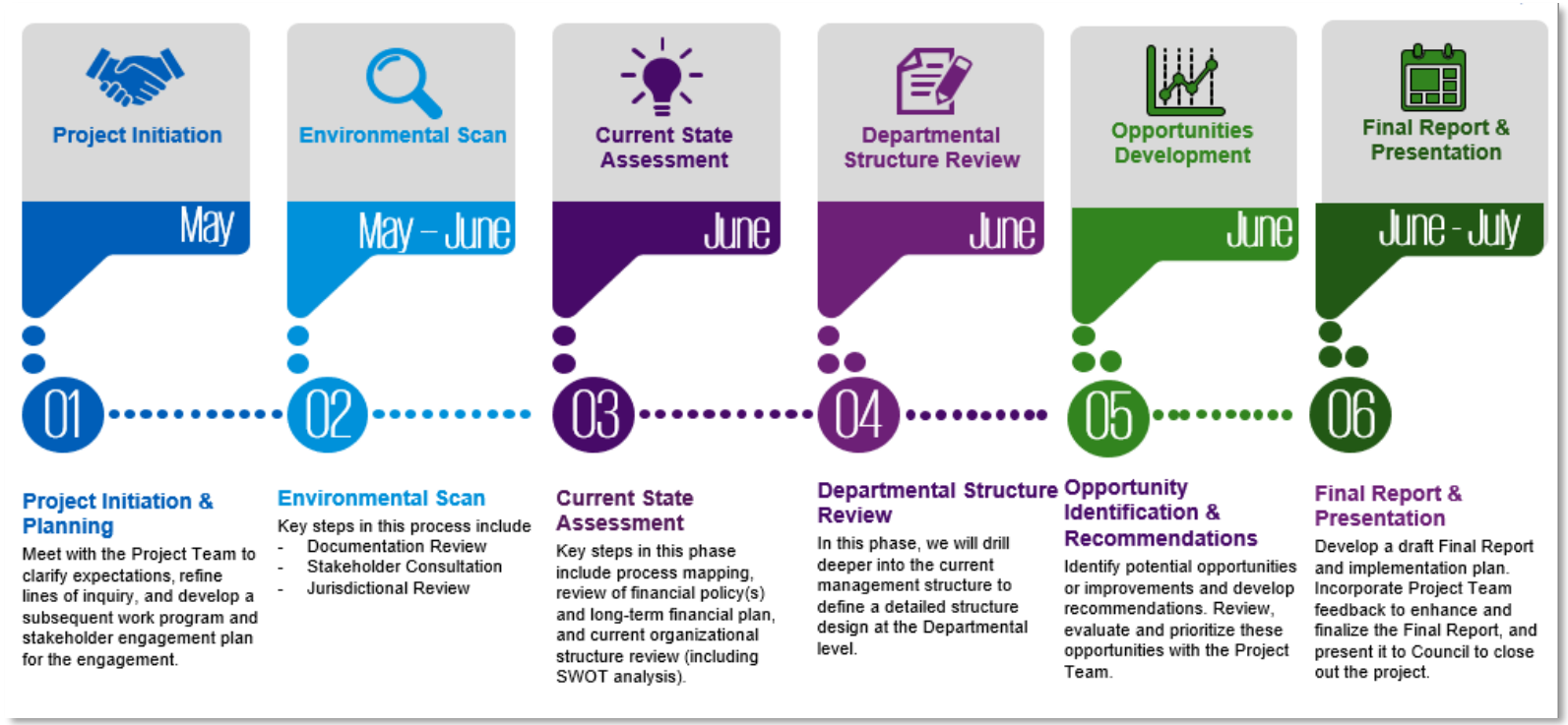
Project Overview

Project Work Plan

The project began on May 4th, 2022 and will be completed when the Final Report is presented to Council, if necessary, in July 2022. KPMG executed the project in six (6) phases presented below:



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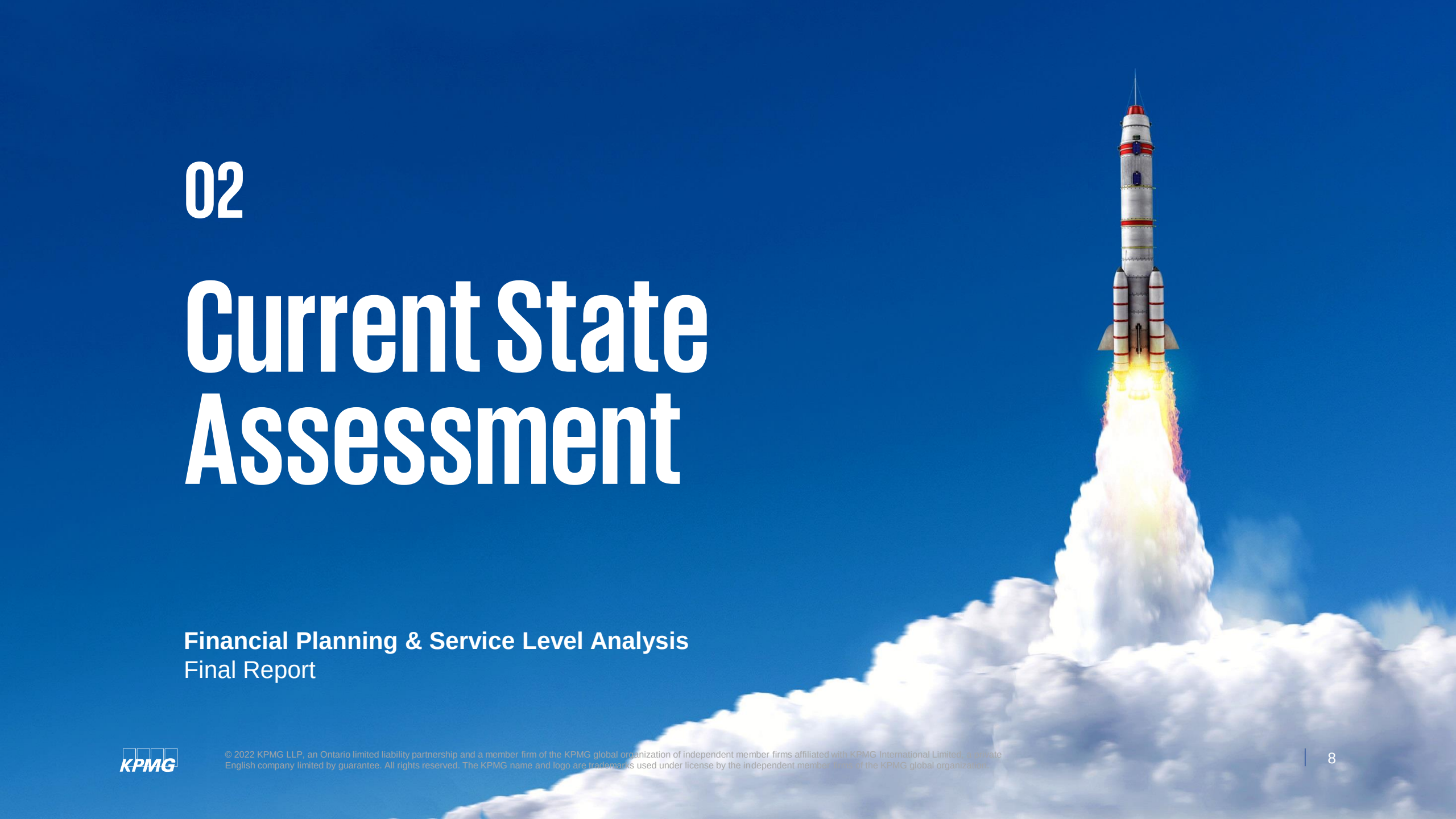
02

Current State Assessment

Financial Planning & Service Level Analysis
Final Report



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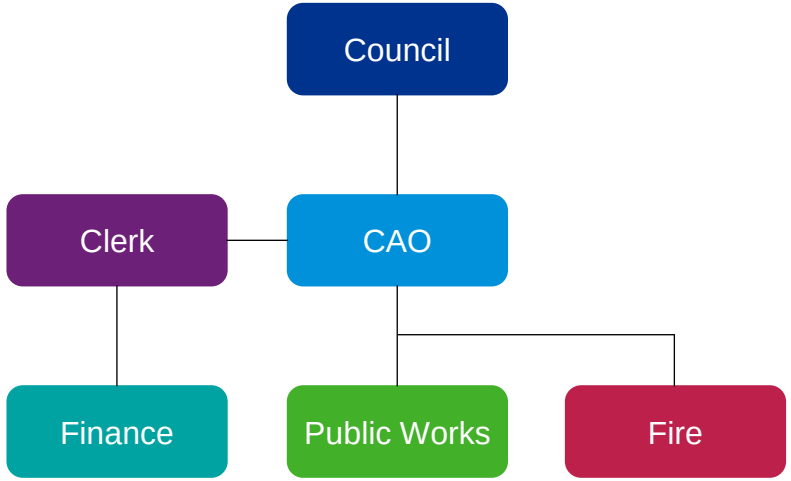
The Engagement Process

8 Interviews

- Mayor
- Deputy Mayor
- Chief Administrative Officer
- Treasurer (Interim)
- Deputy Treasurer (Interim)
- Clerk
- Public Works Manager
- Fire Chief

Engaging Internal Stakeholders

As part of the project, KPMG held eight (8) one-on-one interviews with councillors, senior leadership, managers and staff to obtain an understanding of the Finance department's organizational structure, skill sets, service levels, policies and financial plans. The interviews also served to identify challenges and opportunities for financial and operational efficiencies including technology and innovation.



Note: this image represents only a portion of the Township's organization structure including stakeholders interviews by KPMG.

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Organizing Stakeholder Reponses

KPMG's Target Operating Model

Stakeholder responses were organized using KPMG's Target Operating Model (TOM) presented below. The TOM is a model to drive organizational change and features the following six (6) layers:

Functional Process

Everything that happens is part of a process.

Service Delivery Model

What will get done and where. Identification of what capabilities are delivered and how.

Performance Insights & Data

What will be reported and how. Defines information requirements and the KPI framework to optimize decision-making.

People

Who does what, the reporting lines, skills sets, roles and responsibilities.

Technology

The environments, applications and integrations that enable and automate processes.

Governance

How it will be overseen. Defines risks and controls for every process, plus segregation of duties, access rule and policies.

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Summary of Interview Themes

The key themes that emerged from the one-on-one interviews are summarized below:

Service Delivery Model

- Customer service is a key objective for the Finance department
- Overall, the Finance department is meeting service delivery requirements but not in an efficient manner
- The Township does not have a long-term financial plan nor an asset management plan (currently in progress)
- The Township's current policies on variance analysis and procurement require updates and the Township could benefit from other financial policies such as tax collections, account receivables, reserve funds etc.
- Office space was identified as a constraint
- The Township does not have dedicated resources nor a streamlined process to apply, receive and manage grant funding

Governance

- In 2021, the CAO managed the budget process, with support from the Treasurer
- Invoices are received across all Township departments and routed to the Finance department for payment
- The Township's auditors have noted control issues during past audits related to segregation of duties
- Developing a reserve fund policy and reporting of tax arrears and drainage receivables are priorities
- Reporting to Council could be streamlined (i.e. identifying what reports need to be provided and at what frequency)
- Bi-weekly Finance/Admin Committee meetings between the Mayor, Deputy Mayor and CAO has enhanced communication and brought forward key issues

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Summary of Interview Themes

The key themes that emerged from the one-on-one interviews are summarized below:

People

- Job descriptions for Finance staff, including qualifications and experience, are out-of-date
- The Finance staff requires additional resources to efficiently meet service level requirements.
- The Treasurer reports to the Clerk to manage conflict of interest. The Clerk may not have the background necessary to understand the responsibilities and legislative requirements of the Finance department
- The skills within the Finance department are not aligned with the job responsibilities
- Despite changes in roles for the Treasurer and Deputy Treasurer, the tasks performed by each have not changed. The Treasurer is currently performing transactional activities, e.g. processing payroll and accounts payable
- The roles and responsibilities and overall governance pertaining to asset management is unclear between Public Works and Finance

Functional Process

- There is high reliance on manual processes as the Township does not leverage key Munisoft functionalities
- Tax installments and payments are manually entered one-by-one; banks do not provide electronic records that could be uploaded to the Township's finance software
- The overall banking relationship needs improvement

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Summary of Interview Themes

The key themes that emerged from the one-on-one interviews are summarized below:

Technology

- The Finance department uses the financial system Munisoft; however many of the system functionalities are not employed
- There is no system integration between payroll software and Munisoft leading to duplication of effort, i.e. entering payroll data twice
- FileHold, a new document management system, is now available to store documents and process A/P using automated workflows with approvals
- The Finance department is currently exploring the use of Electronic Funds Transfer (EFT) technology and pre-authorized payment plans to accept invoice and tax payments
- Public Works staff will receive iPads later in 2022 which may present an opportunity to submit timesheets electronically
- The Township does not use any job-costing software in the Public Works department
- The Finance Department issues cheques for staff re-imbursements (e.g., travel, cell phone etc.)

Performance Insights & Data

- Public works timesheets are driven to the Town Hall on a weekly basis, requiring approximately 10.5 hours of transit time per year, and are hand-written
- There are unused and similar GLs in the Finance department's chart of accounts; moreover, the GLs could be better organized and grouped together logically
- The frequency to review budget-to-actuals is inconsistently practiced across the Township
- Managers cannot generate financial reports on their own (self-service)
- There are no formalized performance measures for the Finance department

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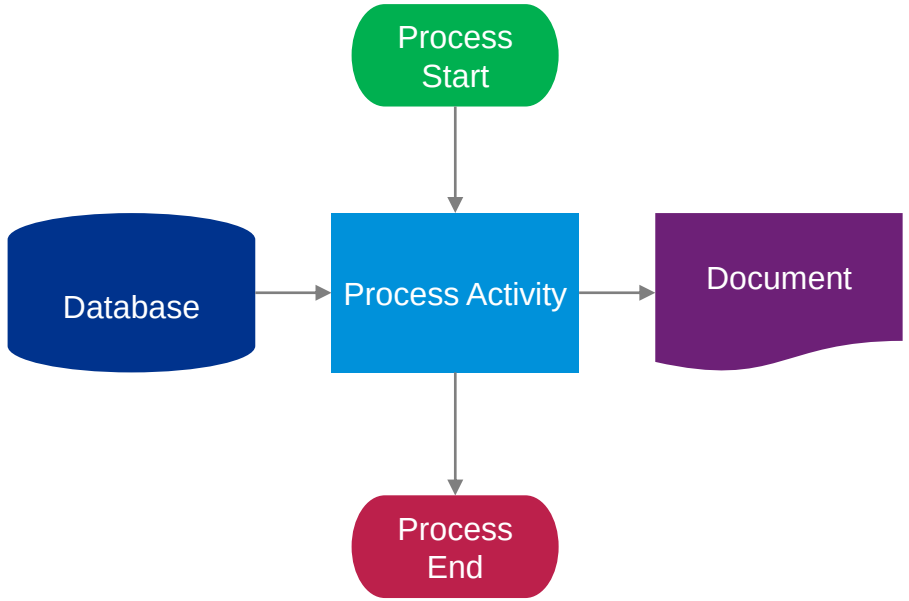
Process Mapping Workshops

9 Workshops

- Accounts payable
- Accounts receivable
- Taxation
- Payroll
- Banking & reconciliations
- Municipal drainage invoicing
- Budgeting
- Grants
- Financial analysis & reporting

Engaging Internal Stakeholders

As part of the project, KPMG held nine (9) process mapping workshops to understand key financial processes that span across the Township's departments. The workshops helped to identify process inefficiencies, manual activities, existing technologies and to understand how finance responsibilities are split amongst the Finance team. The process maps are included in Appendix A.



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Summary of Process Mapping Workshops

KPMG identified the following opportunities and improvements after conducting the 8 process mapping workshops with Township staff. The process maps are included in Appendix A.

	Opportunities & Improvements	Functionality available in Munisoft	Functionality Utilized
01 Reconciliations	**General Reconciliations:** 1. Implement the Reconciliation functionality within Munisoft to realize process efficiencies 2. Digitally approve documents using the Town's FileHold software 3. Consolidate 5 of 7 lesser-used bank accounts and reconcile quarterly **Police Service Board Reconciliations:** 4. The reconciliation should be performed by the Assistant Financial Analyst, and approved by Deputy Treasurer. The CAO should not be responsible for transactional review. 5. CAO can review and forward the reconciliation electronically – without the need to print it.	Yes	No
02 Municipal Drains Invoicing	1. Implement the A/R module functionality within Munisoft to realize billing efficiencies, enable reporting capabilities, improve the audit trail and history of billing 2. Assess if there is a need to inform the public about estimated costs of maintenance work, as previously done 3. Create action plan formalizing reporting to Council to collect $350k outstanding in drainage dues, monitor overdue accounts, and address the auditors' concerns (audit management letters, 2018-20) Consider adding drainage dues directly to the tax rolls to improve collection rates.	Yes	No

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	Opportunities & Improvements	Functionality available in Munisoft	Functionality Utilized
03 Budgeting	• Finance can send operating and capital budget templates to the department leads • Explore the need and benefits of multi-year operating and capital budgeting • Send variance reports to Managers on a monthly basis consistently • CAO/Treasurer can conduct semi-annual check-in with Managers to review variance analysis	Yes	Partially
04 Grants	• Consider alternate service delivery model (for example, outsource grant writing or share a resource with a neighboring municipality to write grant applications) • Develop a process to identify an inventory of potential grants • Dedicate one staff to maintain a database of all grants applied for across the organization. The database should be centrally located. Ensure CAO is updated on all grant applications as required. • Maintain a shared calendar that can be used for project management purposes and coordination of grant writing	No	N/A

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	Opportunities & Improvements	Functionality available in Munisoft	Functionality Utilized
05 Financial Analysis & Reporting	• Enter and track Planning invoices in Munisoft • Develop formal quarterly reporting to Council regarding A/Rs for taxes, drainage and permits • Develop tax collection policy for timely collection of taxes, e.g., frequency of tax reminders etc. • Generate A/R reports based on property roll numbers to see all amounts owing in addition to taxes • Use Munisoft to produce variance reports instead of producing them manually in MS Excel • Investigate whether previous accounting periods can be closed and only re-opened with approval • Explore the opportunity to invest excess cash and generate better financial returns	Yes	Partially
06 Accounts Payable	• Determine where invoices should be received and send notifications to vendors (in Finance vs. individual departments) • Use FileHold for uploading all invoices and initiating an approval workflow (scanned copies can be retained, physical copies can be discarded). • Train all departments on the FileHold system • Consider the opportunity to pay through EFT's/online banking versus cheques (approximately 70-100 cheques and 10-100 online payments are made on a monthly basis).	FileHold: to be determined	No

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Summary of Process Mapping Workshops

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	Opportunities & Improvements	Functionality available in Munisoft	Functionality Utilized
07 Accounts Receivable	• Use the A/R module in Munisoft to record invoices in the system as they are received • Consider centralizing the issuance of invoices from the Finance department in order to simultaneously create A/Rs in Munisoft and begin tracking/reporting them to Council • Create a policy for Accounts Receivable • Education and training across the organization to communicate policy updates and promote compliance	Yes	No
08 Payroll	• Investigate whether the Paymate software has timesheet functionality or consider purchasing/implementing electronic timesheet software to automate timesheet processing and eliminate duplication of effort (double entry of timesheet data) • Implement segregation of duties control (Treasurer can create and post entries)	Yes	Yes

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Summary of Process Mapping Workshops

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	Opportunities & Improvements	Functionality available in Munisoft	Functionality Utilized
09 Taxation	**Tax Collections:** • Develop a policy or procedure to govern tax sales, e.g., timelines before the process can begin etc. • Implement the Munisoft module to enable pre-authorized tax collection payment plans **Tax Adjustments:** • Communicate farmer rebate applications through the municipality's quarterly newsletter • Implement segregation of duties control to enable an appropriate review and timely processing of all tax adjustments, including maintaining the Taxation Workbook, and better customer services for the public (timely issuance of credits)	Yes	No

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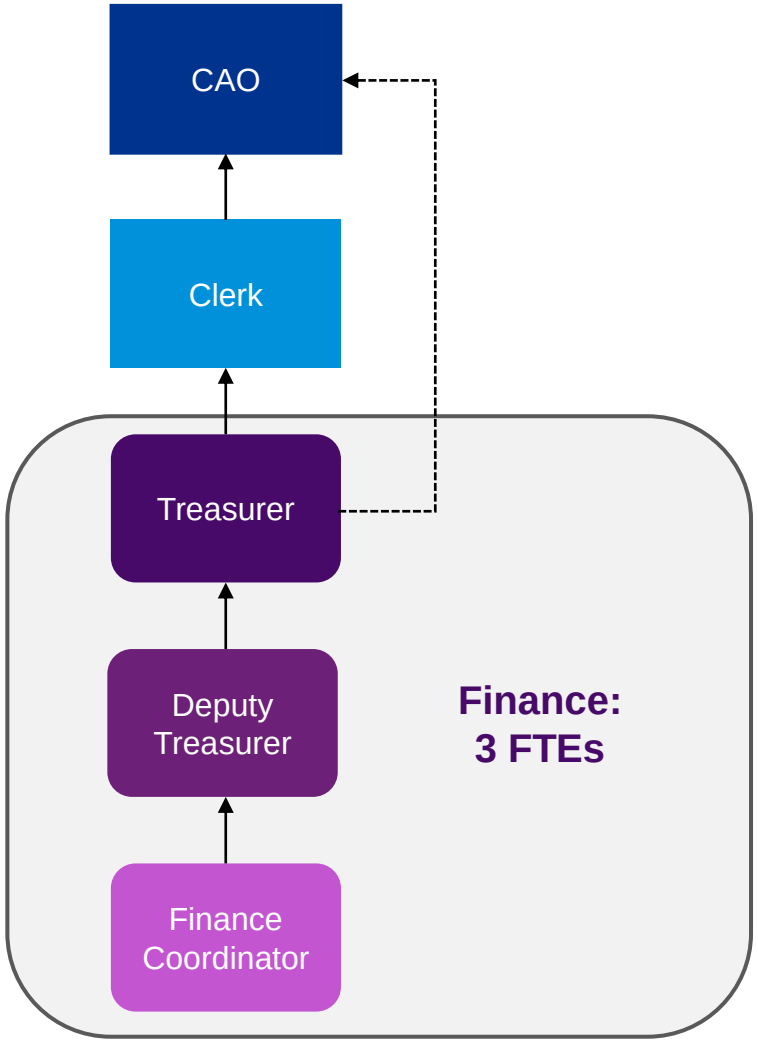
The Current Organizational Structure



KPMG noted the following observations regarding the Finance department's current organizational structure:

1. The Treasurer reports directly to the Clerk with a dotted line to the CAO
2. The Treasurer and Deputy Treasurer both perform similar tasks, e.g., A/R and A/P processing, payroll etc.
3. Job descriptions for the Deputy Treasurer and Financial Coordinator have not been updated in 13 and 5 years respectively
4. The department has 1 vacancy in the Finance Coordinator role

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SWOT Analysis: Finance Organizational Structure

KPMG performed a SWOT analysis of the Finance department's organizational structure. Currently, the organizational structure presents more weaknesses than strengths with the opportunity to increase the staffing complement.

Strengths

- The structure is lean compared to neighbouring municipalities in terms of staffing complement and cost of salaries/benefits
- The team works well together and has built a strong culture of meeting service delivery requirements despite unclear role descriptions

Weaknesses

- The Treasurer reports to the Clerk with a dotted line to the CAO
- The CAO conducted the budget process for the FY22
- Requires the Treasurer and Deputy Treasurer to perform more junior-level duties, e.g., processing A/P, payroll, A/R etc.
- Leads to more segregation of duties issues
- Increased workload and overtime for the Treasurer and Deputy Treasurer
- No succession plan in place
- Office space is insufficient to meet current requirements

Opportunities

- Increase the staffing complement from three to four FTEs
- Direct reporting line from the Treasurer to the CAO
- Increase the Treasurer's role to provide strategic guidance on the budget process
- Allocate junior-level duties and responsibilities to junior-level roles
- Increase segregation of duties controls
- Enable the Treasurer and Deputy Treasurer to perform higher-level duties including strategic planning, key priorities, and asset management

Threats

- Small pool of Finance professionals in the area/community
- Salary competition with neighbouring municipalities
- Inflation leading to potential issues with tax affordability/collections
- Increased Finance costs with the purchase of additional Munisoft modules

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Review of Financial Policies

The Finance department has two financial policies at present

KPMG also performed a gap analysis to identify gaps within the Township's existing financial policy framework. The gap analysis was performed by evaluating the policies against legislative requirements, the practices of neighbouring comparators and KPMG's experience working with municipalities in the public sector.

Area	Policy	Current State	Observation/Gap
Financial Policies	Procurement Policy	1. Manager may approve expenditures with a value of less than or equal to $5,000 and are required to obtain three (3) quotes and document reasons for any inability to do so. 2. Formal tendering practices apply for the purchase of all goods/services where the estimated value will exceed $10,000. 3. Tenders are required to be received in a sealed envelope; electronic tenders are not permitted. 4. RFQs for purchases between $5,000 and $10,000. 5. RFPs are required for purchases greater than $10,000 where the expertise for developing proper specifications lies in the hands of the supplier, or where additional information is required and it is impractical to call tenders.	1. Approval limits need to be reviewed/updated to expedite approvals process and reduce administrative burden 2. There is an opportunity to explore electronic bids
	Variance Analysis Policy	1. Requires three levels of financial analysis: identifying variances, conducting analysis of why variances occurred and conducting analysis of projected year-end variances. 2. Requires the Coordinator, Financial Services to send budget-to-actuals to the Department heads. 3. Requires all variance analysis to be summarized in a regular Treasurer's Report for Council review. 4. Refers to 'Attachments 1 and 2' which are not appended to the policy.	1. Compliance to the policy requires improvement and consistency 2. Management needs to determine when the variance reports should be circulated, who they should be circulated to and in what format/level of detail.
	Other	1. The Township does not have key financial policies	1. The Township could benefit from the following key policies: surplus and reserves, budgeting, financial principles, tax collection and accounts receivable

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Review of Job Descriptions

Job descriptions require updating to accommodate the newly proposed org. structure

Likewise, KPMG performed a gap analysis to identify gaps within the Township's existing job descriptions for the Finance department. The gap analysis was performed by evaluating the job descriptions against the practices of neighbouring comparators and KPMG's experience working with municipalities and Finance departments in the public sector.

Area	Job Description	Current State	Observation/Gap
Finance Job Descriptions	Director of Finance / Treasurer	1. Currently listed as a part-time, not a full-time, position 2. Contains responsibilities that are better suited for junior-level roles, e.g. updating the Municipal Tax Roll, maintaining grant application database etc. 3. An accounting designation is not required but the candidate should be eligible	1. The format of all job descriptions need to be updated on a standardized template 2. Job descriptions of Treasurer, Deputy Treasurer and Finance Coordinator position require updates, specifically clarity around • Roles and responsibilities • Skills required • Experience and education required
	Deputy Treasurer	1. Does not follow the same comprehensive format as the Treasurer's job description; last updated in 2009 2. Contains responsibilities that are better suited for junior-level roles, e.g. processing A/P invoices for payment 3. Does not stipulate the Deputy Treasurer's working relationship with the Finance Coordinator 4. Does not list education and working experience requirements	
	Finance Coordinator	1. Has greater involvement with the CAO/Treasurer with limited collaboration with the Deputy Treasurer 2. Has duties that are better suited for the Deputy Treasurer position, e.g. prepare monthly financial reports including summaries, projections and analysis 3. An accounting designation is not required but the candidate should be eligible	

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03

Environmental Scan

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Comparator Analysis

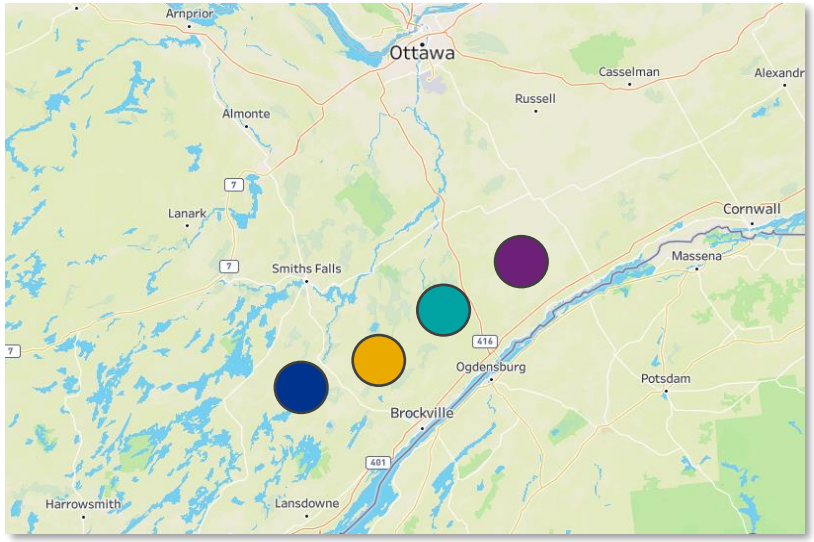
Why compare to other municipalities?

As part of the project, KPMG benchmarked the Finance department's Finance department, processes and organizational structure against those of comparator Townships. The Township selected three (3) comparator Finance departments based upon a number of factors including: similarities in size, rural/urban characteristics and geographical proximity.

The comparator analysis was performed to understand and identify leading practices and opportunities to optimize the Township's organizational structure and financial processes.

For example, Finance departments with similar benchmarks offer insight into operating efficiencies while those with different benchmarks present opportunities to change and improve existing processes, plans and structures.

Note: the Township's population of 7,353 remained flat from 2016 to 2021.



Source: Google Maps

Township	Population[1]	FY20 Expenses[2]
Augusta	7,353	$6.7M
Elizabethtown-Kitley	9,854	$8.1M
Edwardsburgh/Cardinal	7,093	$10.4M
South Dundas	10,833	$13.6M

Source: 1-Canada Census Data (2016); 2-2020 FIR Data (SLC 40 9910 11)

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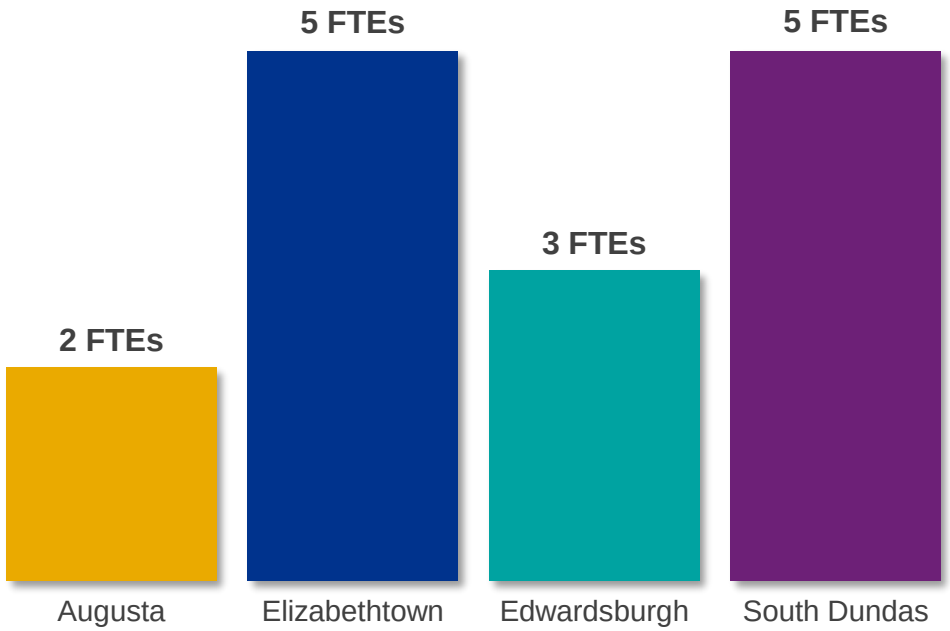
FTE Counts

Augusta Township's Finance department requires greater staffing support

The department has the smallest staffing complement relative to its peers. Moreover, the Finance department lost one FTE, leading to great strain upon staff and service levels. For example, the tax adjustments process and municipal drainage invoicing has been delayed due to staffing capacity. The department also does not have capacity to improve and streamline processes with the current staffing complement.



Data Insights

1. The Augusta Finance department has the smallest staffing complement within the comparator group[1].
2. Edwardsburgh/Cardinal also has a strong business case to increase the complement from 3 to 4 FTEs[1].

Sources: 1- KPMG Comparator Interviews

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Department Structure

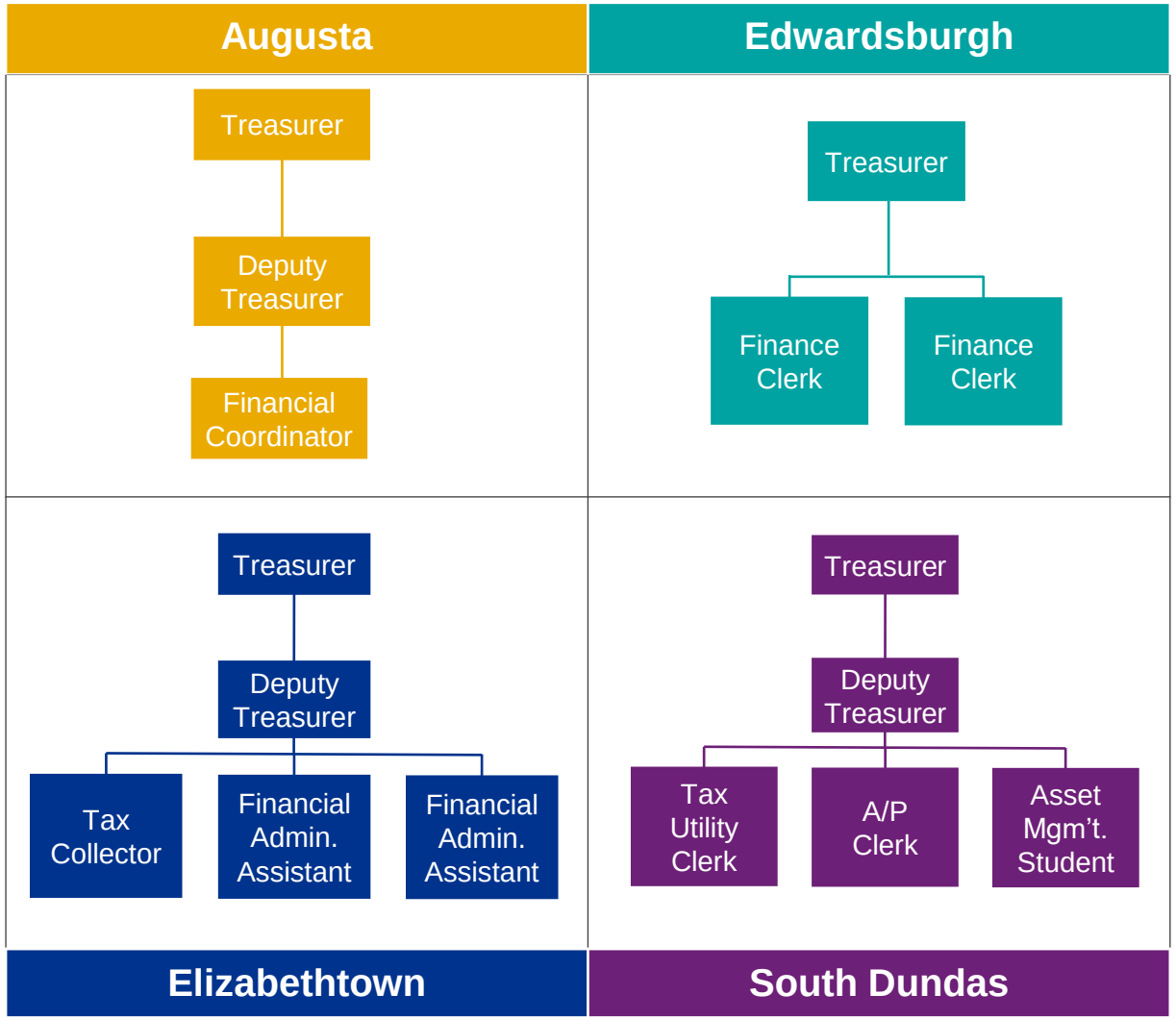
The Finance department has less junior roles compared to its peers

The department has no junior roles dedicated to payroll and accounts payable relative to the comparator group.

Data Insights

1. The comparators' junior roles include clerks, financial administrative assistants and one student-level role[1].
2. Junior-level roles are responsible for either A/P and payroll, or A/R and taxation[1].

Sources: 1- KPMG Comparator Interviews



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Financial Systems

Munisoft is an adequate software solution

Comparators are using this system with varying degrees of functionality and have no intention of obtaining a new system in the near future.

Data Insights

1. Elizabeth-Kitley has planned to implement Munisoft in the near future[1].
2. Comparators are planning to add more functionality within Munisoft and integrate it with other applications.

Sources: 1- KPMG Comparator Interviews

Township	Financial System	System Functionality & Usage
Augusta	Munisoft	• Used for the GL and payroll • Not used to bill utilities, dog tags, municipal drains etc. • Has budget for a new financial software, if required
Elizabethtown-Kitley	Assist	• Plans to implement Munisoft in the near future for direct input of payroll data
Edwardsburgh/ Cardinal	Munisoft	• Uses EasyPay software to process payroll with a Munisoft integration • Would like to integrate the township's booking software with Munisoft for revenue analysis
South Dundas	Vadim	• Exploring integrations with e-timesheets • Not using Vadim to invoice municipal drains • Exploring the automation of A/P using machine learning technology with Process Fusion, a Canadian company with its head office in Toronto

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Recent Automations

Automation of payments

The comparators have taken great strides to automate payments through online channels including EFTs, e-transfers and websites.

Data Insights

1. The Townships have focused their automation efforts on payment automation technologies, driven primarily by the pandemic[1].
2. All 3 comparators have implemented CityWide, an asset management software, to automate asset management[1].

Sources: KPMG Comparator Interviews

Augusta	Elizabethtown
• Implementing CityWide in Q3-Q4 of 2022 • Currently implementing EFT payments and added the option to pay by e-transfer • Investigating the use of pre-authorized payment plans for property taxes using Munisoft	• Uses CityWide software for asset management including service requests, management of POs and data supporting the financing strategy for asset management
Edwardsburgh	**South Dundas**
• Uses Munisoft's pre-authorized payment plan to increase cash flow and relieve customer service pressure at the front desk • Added the option to pay by credit card on the Township's website • Uses CityWide software for asset management including service request and management of POs • Purchased the Capital Module in CityWide in order to track asset conditions and replacement costs – but requires data clean up before it can be put to use	• Providing electronic pay stubs via email • Uses CityWide software for asset management covering 80% of core assets as at June 2022 • Previously investigated the possibility of one bank consolidating all citizen bank payments and sending a spreadsheet for GL upload (estimated cost of $12,000 per year paid to the bank, offset with savings of 0.5 FTEs)

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A Summary

KPMG noted the following key observations from the comparator analysis. Additional notes from the comparator interviews are found in Appendix B.

1. Augusta has the lowest staffing level (per population) as compared to its peers; all municipalities agreed that this function can not be understaffed
2. None of the comparators have long-term financial plans
3. Implementation of pre-authorized payments and online payments significantly improves cash flow and liquidity
4. Segregation of duties was an issue across the comparator group due to the departments' size
5. All other municipalities perform a bi-weekly payroll
6. Timesheets are completed manually across the comparator group
7. South Dundas and Elizabethtown-Kitley have more financial policies than Augusta
8. Office space is a constraint across the comparator group (Edwardsburg, Augusta, Elizabethtown)
9. Role definitions and distribution of work could be improved (Augusta, Elizabethtown)
10. Staff might not necessarily have the skills and experience required for the role (Augusta, Elizabethtown)

Sources: KPMG Comparator Interviews

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04

Opportunities & Implementation Plan

Financial Planning & Service Level Analysis
Final Report

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Opportunities: Service Delivery Model

Obs. #	Observations
1.1	The Finance department is not appropriately staffed and structured to provide efficient and effective service delivery. Staff noted that office space is limited, especially if additional resources were to join the department.
1.2	The Treasurer reports to the Clerk who may not have the necessary background to understand the responsibilities and legislative requirements of the Finance department.
1.3	The Township does not have dedicated resources or a streamlined process to apply, receive and manage grant funding

Recommendation

Increase the Finance department's staffing complement from 3 to 4 FTEs and consider ways to increase office space at the Township's Head Office. Consider outsourcing grant funding application writing to a third party provider.

Prioritization	
Effort	**3**
Impact	**5**

Timeline for Implementation: 1-3 Months | **4-6 Months** | 7-12 Months | +12 Months

Rationale: There is an opportunity to increase the Finance department's staffing complement from 3 to 4 FTEs and add additional office space in order to:

- ✓ Meet increasing service level expectations and distribute the workload more equitably within the Finance department
- ✓ Enable the Treasurer and Deputy Treasurer to perform higher-level strategic work (e.g. asset management, long-term financial planning, reporting to Council)
- ✓ Address segregation of duties issues, identified by the Municipality's auditors
- ✓ Accommodate future growth in the Township's administration

There is also an opportunity to have the Treasurer report directly to the CAO, not the Clerk, in order to:

- ✓ Improve communication of key financial information to the CAO
- ✓ Reduce unnecessary communication to the Clerk who may not have the requisite skill, knowledge and experience to review and supervise the Finance department .

The Township can explore outsourcing grant funding applications to a third party vendor relieving the Township of time and efforts in writing grants and remain focused on delivery.

Implementation: Increasing the staffing complement from 3 to 4 FTEs would require approximately 4-6 months assuming the Township's head office could accommodate another office space. This timeline would be necessary to perform the following activities:

- Obtain Council approval for the position
- Write the job description and advertise it through the appropriate channels
- Recruit and train a suitable candidate for the role

Detailed Organizational Design

KPMG developed an organizational structure for the Finance department based upon stakeholder consultations, conversations with the Finance department and observations from the Current State Assessment. In particular, KPMG focused its analysis upon the work effort required to carry out functions and processes; issues of over- and under-capacity with the department; meeting the Township's priorities; work flow and process handoffs; appropriate spans of control; reporting lines of authority and the skills and experience needed to carry out each function and process.

KPMG's analysis of these items provided the evidence needed to inform the design of roles, work alignment, distribution of responsibilities, FTE allocation and span of control within the Finance department.

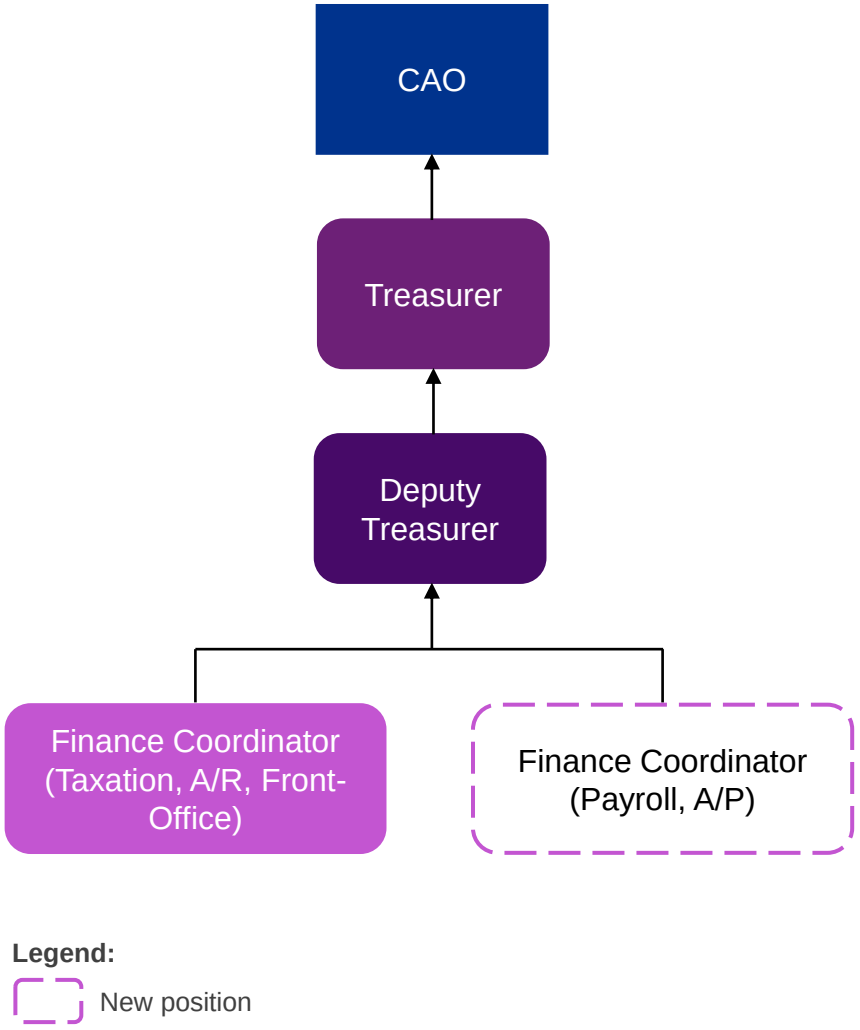
Opportunities:

1. Change the Treasurer's direct reporting line from the Clerk to the CAO.
2. Add an Accounting Clerk to perform Accounts Payable and Payroll processing.
3. Modify responsibilities for each role.

Rationale:

1. Improved communication between Treasurer, CAO and Council
2. Better segregation of duties controls
3. Equitable distribution of workload throughout the department
4. Enables the Treasurer and Deputy Treasurer to focus on the following key priorities: the long-term financial plan, asset management plan, budgeting process and formal reporting to Council

Figure 2: The Proposed Organizational Structure



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Opportunities: People

Obs. #	Observations
2.1	Job descriptions for the Deputy Treasurer and Finance Coordinator positions, including qualifications, are out-of-date.
2.2	The Treasurer and Deputy Treasurer are currently performing transactional processing activities, e.g. processing payroll, accounts payable and accounts receivable. Maintaining service standards is a challenge in a small department when one or both staff members are unavailable.

Recommendation

Re-assign and update job responsibilities based upon a staffing complement of 4 FTEs and leading practices in municipal finance. In addition, create a direct reporting line from the Treasurer to the CAO.

Prioritization	
Effort	**2**
Impact	**4**

Timeline for Implementation: 1-3 Months | **4-6 Months** | 7-12 Months | +12 Months

Rationale: There is an opportunity to re-assign and re-write job responsibilities within the Finance department in order to:

- ✓ Meet municipal Finance leading practices
- ✓ Enable the Treasurer and Deputy Treasurer to perform higher-level strategic work (e.g. asset management, long-term financial planning, reporting to Council)
- ✓ Address segregation of duties issues (dividing preparation versus review of work)

The opportunities would require approximately 4-6 months. This timeline would be necessary to perform the following activities:

- Obtain Council's approval to have the Treasurer report to the CAO
- Re-write job descriptions for Finance roles

Refer to Appendix C for a summary of organizational structure changes including cost estimates for the new Finance Coordinator position.

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Detailed Organizational Design

Legend:
New position

KPMG proposed the following high-level job duties and responsibilities based upon leading practice, legislative requirements, improving segregation of duties and the proposed organizational structure for the Township's consideration. It is important to note that the revised organizational chart is based on the role required, not the people currently performing them.

	Processes	Tasks
Treasurer	• Long-term financial plan • Asset management plan • Budgeting process • Formal reporting to Council	• The creation of policy and procedures • The implementation of modules/functionality within Munisoft • Other department and Township priorities and objectives • Continuity schedules – debt and reserves
Deputy Treasurer	• Approve payroll, invoices • Approve reconciliations • Support budgeting • Review A/R reports to Council	• Support on budgeting process • Support grant process • Review financial analysis and reporting • Tax adjustments
Finance Coordinator (Taxation, A/R, Front-Office)	• Taxation • Invoicing • Front-Desk Service	• Performs bank reconciliations • Creates invoices (tax, municipal drainage etc.) • Posts tax receipts • Responds to customer service requests at the Township's front desk
Finance Coordinator (Payroll, A/P)	• Accounts Payable • Payroll • Financial analysis and reporting	• Processes accounts payable, POs, cheques etc. • Processes payroll and bank submissions • Perform financial analysis to support Council reporting, grants, budgeting etc.

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Opportunities: Functional Process

Obs. #	Observations
3.1	Process and system changes are required to perform key tasks efficiently (refer observations under process mapping section).
3.2	Many tasks are managed manually as the Township is not leveraging some key banking tools; the overall banking relationship could be improved.

Recommendation

- Expand Munisoft's functionality and add modules for A/R, bank reconciliations and pre-authorized tax collection payment plans.
- Implement the process changes recommended under the process mapping section.
- Explore the use of EFT's, pre-authorized and online payments to expedite processes and facilitate customer service.

Prioritization	
Effort	**5**
Impact	**5**

Timeline for Implementation: 1-3 Months | 4-6 Months | 7-12 Months | **+12 Months**

Rationale: The Munisoft system functionalities and integrations are not fully used and staff have little time to explore the system. These issues have resulted in a collection of "Technical Debt" leading to manual workarounds, process inefficiencies, re-work and pressure to choose a new solution instead of a better approach.

There is an opportunity to add modules to the existing Munisoft software in order to:

- ✓ Realize process efficiencies with respect to the entry of A/Rs and bank reconciliations
- ✓ Track receivables using a proper sub-ledger at the tax-roll level
- ✓ Add outstanding receivables to property tax rolls
- ✓ Report key metrics to Council, e.g. taxes owing and A/Rs for drainage, planning, permits etc.
- ✓ Improve the Township's collection of A/Rs and tax receipts with pre-authorized payment plans

Besides enhancing system integration and enabling functionalities, the Township should consider updating workflows and developing standard procedures for the mapped processes.

Implementation: The opportunities would require approximately 12+ months. This timeline would be necessary to perform the following activities:

- Obtain Council's approval to purchase the modules, if necessary
- Initiate discussions with the vendor to develop an implementation plan, timeline and sequencing of module installations
- Initiate discussions with the Township's IT department to understand any IT implications the installations may have
- Schedule module installation dates with the vendor
- Schedule module training sessions with the vendor to train staff on the new modules

Opportunities: Technology

Obs. #	Observations
4.1	Township staff complete their timesheets manually and submit them to the Finance department in MS Excel or on paper. Finance staff use the Paymate Acclaim software to process payroll but it is not integrated with Munisoft leading to manual entry of lengthy payroll journal entries on a weekly basis.
4.2	The Township does not use technology to support asset management activities.

Recommendation

Consider adding timesheet and asset management software to realize efficiencies; eliminate duplicate data entry; manage infrastructure; and improve customer service by enabling public works staff to complete their timesheets from their mobile devices.

Prioritization	
Effort	**4**
Impact	**4**

Timeline for Implementation: 1-3 Months | 4-6 Months | 7-12 Months | **+12 Months**

Rationale: There is an opportunity to implement these software in order to:

- ✓ Realize process efficiencies with respect to the entry and processing of timesheets and payroll activities
- ✓ Use a disciplined and consistent approach to meet asset management regulatory requirements (O. Reg. 588/17)
- ✓ Eliminate the need to manually enter payroll data twice (once by the business, and again by Finance)
- ✓ Improve customer service by enabling public works staff to complete their timesheets from a computer or their mobile devices
- ✓ Eliminate the 10.5 hours of driving time per year to transport Public Works timesheets to the Township's head office

Moreover, the Finance department budgeted funds for software acquisition in FY22.

Implementation: The opportunities would require approximately 12+ months. This timeline would be necessary to perform the following activities:

- Explore software alternatives with potential vendors and select a suitable option
- Obtain Council's approval to purchase the software, if required
- Initiate discussions with the vendor to develop an implementation plan, timeline and sequencing for software installation/integration
- Schedule training sessions with the vendor to train staff on the new software

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Opportunities: Performance Insights & Data

Obs. #	Observations
5.1	Historically, Council has had little visibility over tax and drainage receivables which have gone uncollected for years. Council expressed a desire to receive aged A/R reports to monitor outstanding invoices and ensure timely collection.
5.2	In 2022, Managers did not receive budget-to-actual reports from January to April. Some Managers have created their own budget-to-actual spreadsheets resulting in duplication of efforts.

Recommendation

Report key metrics to Council on a quarterly basis including outstanding taxes owing and accounts receivable (drainage, planning, permits etc.). In addition, send budget-to-actual reports to Managers on a consistent monthly basis.

Prioritization	
Effort	**2**
Impact	**3**

Timeline for Implementation: 1-3 Months | **4-6 Months** | 7-12 Months | +12 Months

Rationale: There is an opportunity to report key metrics to Council in order to:

- ✓ Keep Council informed on outstanding receivables and cash flow in light of a recent unfavourable collection history
- ✓ Identify and track potential properties that may be eligible for tax sales
- ✓ Show progress in the invoicing and collection of amounts owing for drainage

There is also an opportunity to send budget-to-actual reports to Managers on a consistent monthly in order provide them up-to-date cost information.

Implementation: These opportunities would require approximately 4-6 months. This timeline would be necessary to perform the following activities:

- Determine key performance metrics that need to be monitored and reported to Council (see following page)
- Develop an interim process to accrue receivables that are currently settled on a cash basis
- Develop a process to extract financial data from Munisoft and create manual A/R Aging reports in MS Excel
- Send budget-to-actual reports to Managers on a consistent monthly basis

Note: a longer timeline would be required to automate the reporting of key A/R metrics by implementing the A/R module within Munisoft.

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Opportunities: Performance Insights & Data

Example indicators are included on this page. This list of KPIs, based on KPMG leading practice, is an illustrative list is and not meant to be exhaustive.

Service Dimension	Key Performance Indicator (KPI)
Operational Efficiency and Effectiveness	Clean External Audit Opinion
	Amount of tax and drainage receivables
	Number of invoices that are paid within 30 days of the invoice date
	Number of properties ready for tax sale
	How long is the wait to be served at the counter?

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Opportunities: Governance

Obs. #	Observations
6.1	The Procurement and Variance Analysis policies need to be updated.
6.2	The Township does not have key finance policies or a long-term financial plan. Municipalities increasingly use these plans to stabilize year-over-year tax rate increases for the public.
6.3	The roles and responsibilities and overall governance pertaining to asset management is unclear between Public Works and Finance.

Recommendation

Update the current policies and add financial policies including asset management, surplus and reserves, budgeting, tax collection and accounts receivable and financial principles. In addition, consider the development of a long-term financial plan.

Prioritization	
Effort	**3**
Impact	**4**

Timeline for Implementation: 1-3 Months | 4-6 Months | 7-12 Months | **+12 Months**

Rationale: There is an opportunity to update current policies (see 'Review of Financial Policies' section) and develop further policies in order to:

- ✓ Assign roles and responsibilities for asset management throughout the organization (required under O. Reg. 588/17)
- ✓ Develop a process for managing surpluses and setting desirable reserve balances
- ✓ Identify and track potential properties that may be eligible for tax sales
- ✓ Show progress in the invoicing and collection of amounts owing for drainage
- ✓ Address identified gaps for the Procurement and Variance Analysis policies, e.g. delegation of authority limits

Implementation: These opportunities would require approximately 12+ months in order to perform the following activities:

1. Write and review the plans/policies and obtain Council's review and approval, if required
2. Develop a long-term financial plan based upon input from Council and the Township's Senior Management

Note: KPMG provided a sample budgeting process timeline in Appendix D and a sample of Financial Principles in Appendix E for the Township's consideration.

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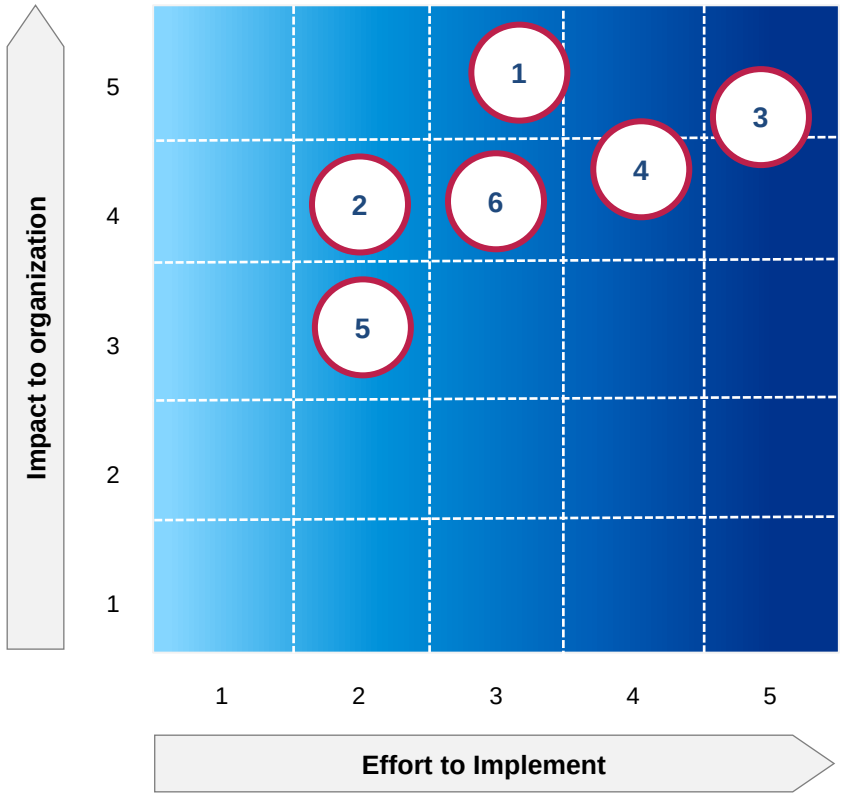
Opportunity Matrix

Using the opportunity matrix below, KPMG ranked the opportunities according to (a) their impact upon the Township and (b) their effort to implement. The matrix can be used to distinguish the opportunities and prioritize the Township's implementation time and effort. KPMG also estimated the annual time and cost savings that the top six opportunities could realize (see Appendix F).



#	Opportunity
1	Increase the Finance department's staffing complement from 3 to 4 FTEs and consider ways to increase office space at the Township's Head Office. Improve grant funding process.
2	Re-assign and update job responsibilities based upon a staffing complement of 4 FTEs and leading practices in municipal finance. In addition, create a direct reporting line from the Treasurer to the CAO.
3	Expand Munisoft's functionality with the addition of modules for A/R, bank reconciliations and pre-authorized tax collection payment plans. Improve procedures and banking relationship.
4	Consider adding timesheet and asset management software to realize efficiencies; eliminate duplicate data entry; manage infrastructure; and improve customer service by enabling public works staff to complete their timesheets from their mobile devices.
5	Report key metrics to Council on a quarterly basis including outstanding taxes owing and accounts receivable (drainage, planning, permits etc.). In addition, send budget-to-actual reports to Managers on a consistent monthly basis.
6	Update and add financial policies including asset management, surplus and reserves, budgeting, tax collection and accounts receivable and financial principles. In addition, consider the development of a long-term financial plan.

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Summary

The top opportunities

Augusta Township engaged KPMG to conduct a financial planning and service level analysis to ensure the Finance department is operating efficiently and effectively and is positioned to meet the needs of the Township. The key objectives of the review included assessing the Finance department's organizational structure, identifying any gaps in skill sets required, identifying opportunities for automation and digitizing processes, developing process maps for key financial processes, and reviewing the Township's financial policies and long-term financial plan.

As part of this work, KPMG performed stakeholder engagement, process mapping and performed various analyses. In collaboration with Municipal staff, KPMG identified the Township's top six (6) opportunities that would meet the project objective: The opportunities include the following:

1. Increase the Finance department's staffing complement from 3 to 4 FTEs and consider ways to increase office space at the Township's Head Office.
2. Re-assign and update job responsibilities based upon a staffing complement of 4 FTEs and create a direct reporting line from the Treasurer to the CAO.
3. Expand Munisoft's functionality with the addition of modules for A/R, bank reconciliations and pre-authorized tax collection payment plans.
4. Consider adding software for timesheet automation and asset management
5. Report key metrics to Council on a quarterly basis including A/R Aged Reports and send Budget-to-Actual reports to Managers on a consistent monthly basis.
6. Update and add financial policies including asset management, surplus and reserves, budgeting, tax collection and accounts receivable and financial principles; and consider the development of a long-term financial plan.

It is important to note that the revised organizational chart is based on the role required, not the people currently performing them. Each opportunity has been supported by an assessment rationale and high-level implementation activities. The implementation activities highlight the governance, change management and communications elements required to successfully implement theses opportunities. Key considerations for the Municipality include:

Is the Municipality ready?
Overall, the Municipality has initiated steps to increase the efficiency and effectiveness of services through automation, digitization, and process improvement. The work completed as part of this review will serve as a foundation to guide the Municipality towards a culture of continuous improvement.

Who will lead the transformation?
The adoption of new ways to doing things will require governance and oversight. The Municipality will have to determine the key personnel and stakeholders to be involved in the process and leading the change.

Is the transformation appropriately funded and resourced?
From our work and engagement with stakeholders, it is apparent that the Municipality has an ambitious and forward thinking agenda. We found that the Municipality is committed to excellence in service delivery and improving customer service. Nonetheless the Municipality will need to review its resourcing model to achieve its ambitious agenda.

Appendix A: Process Maps

Financial Planning & Service Level Analysis
Final Report

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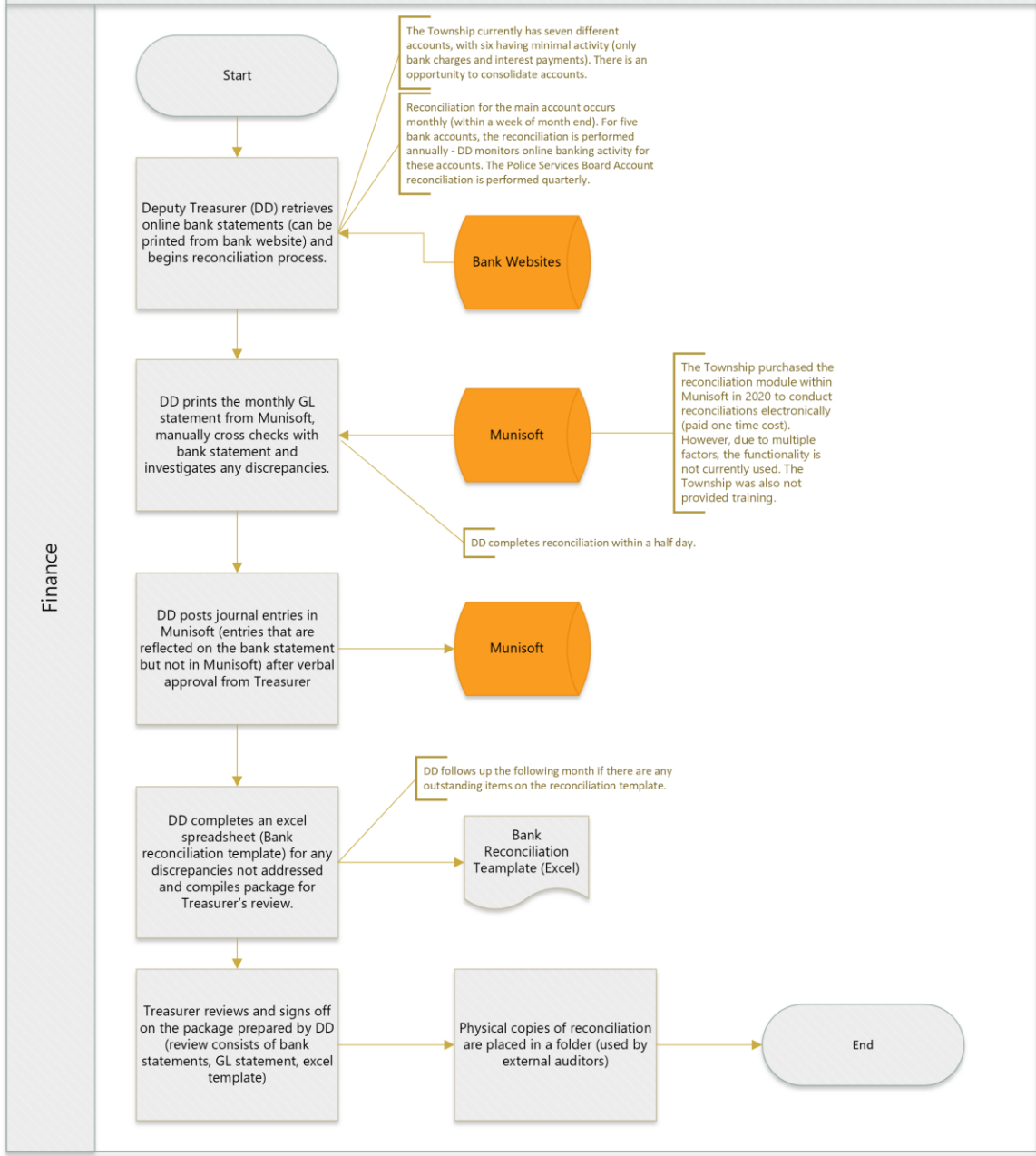
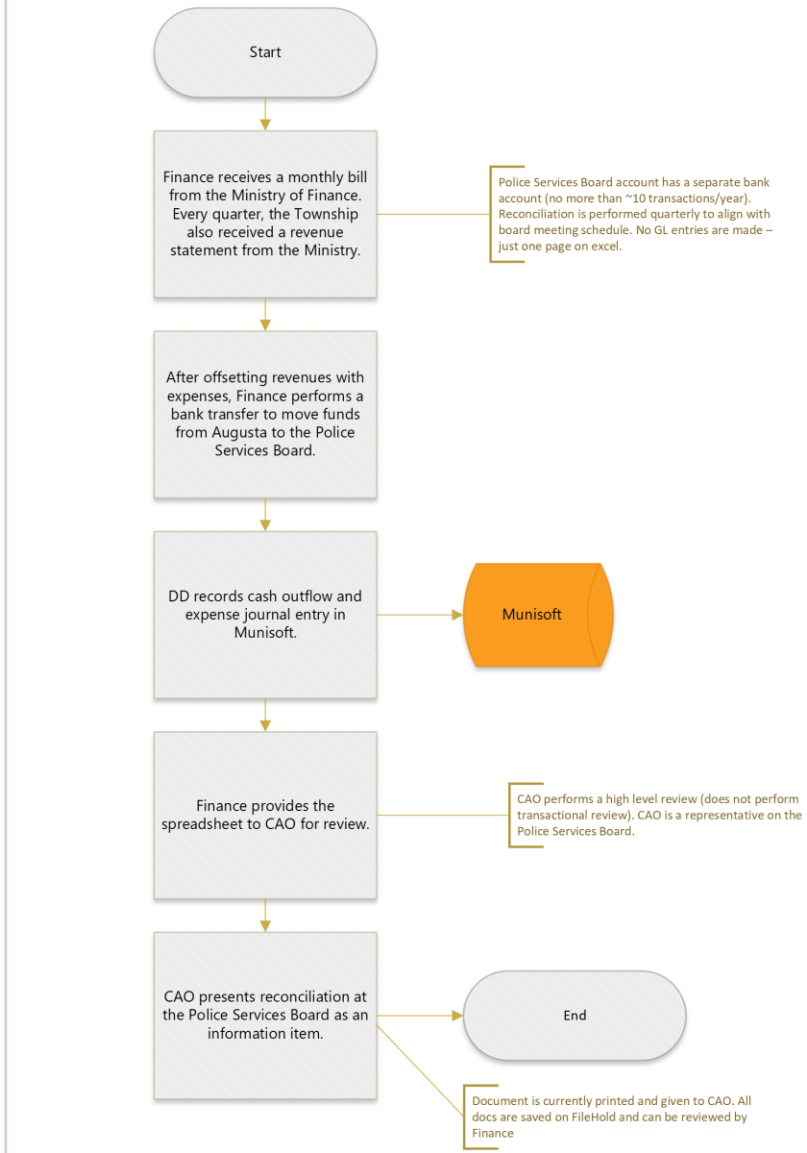
Finance – Reconciliations

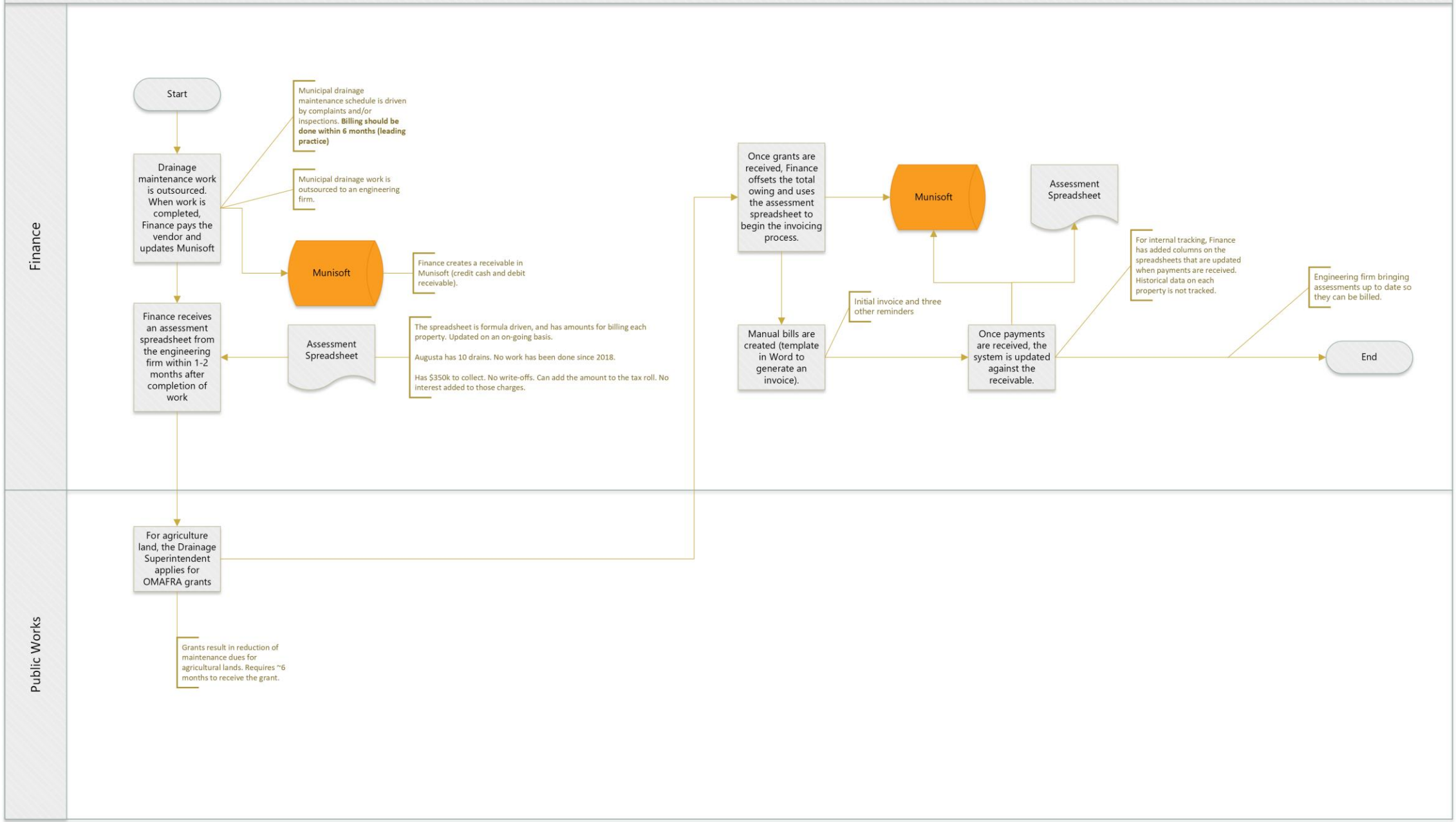
Bank Reconciliation



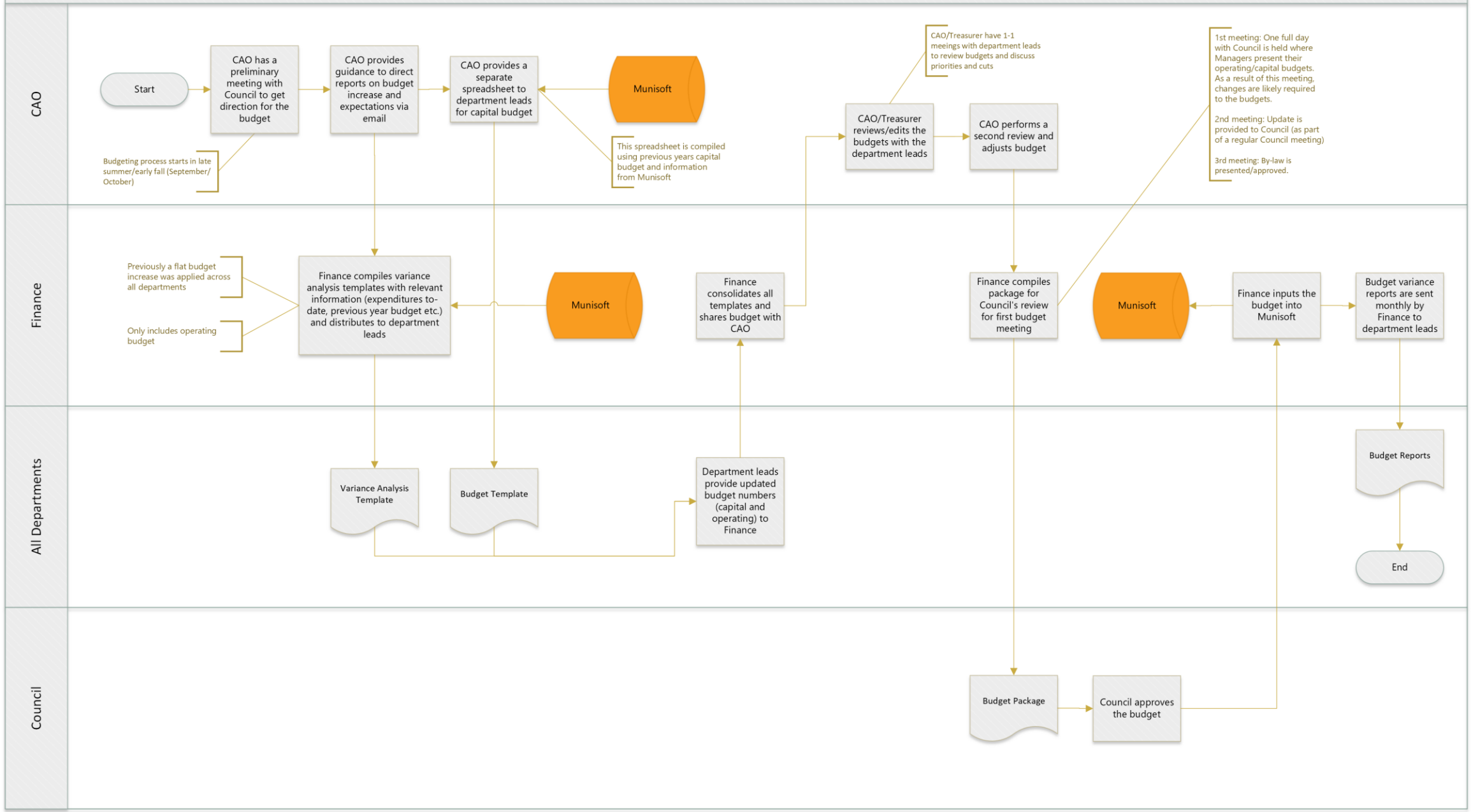
Police Services Board Account Reconciliation



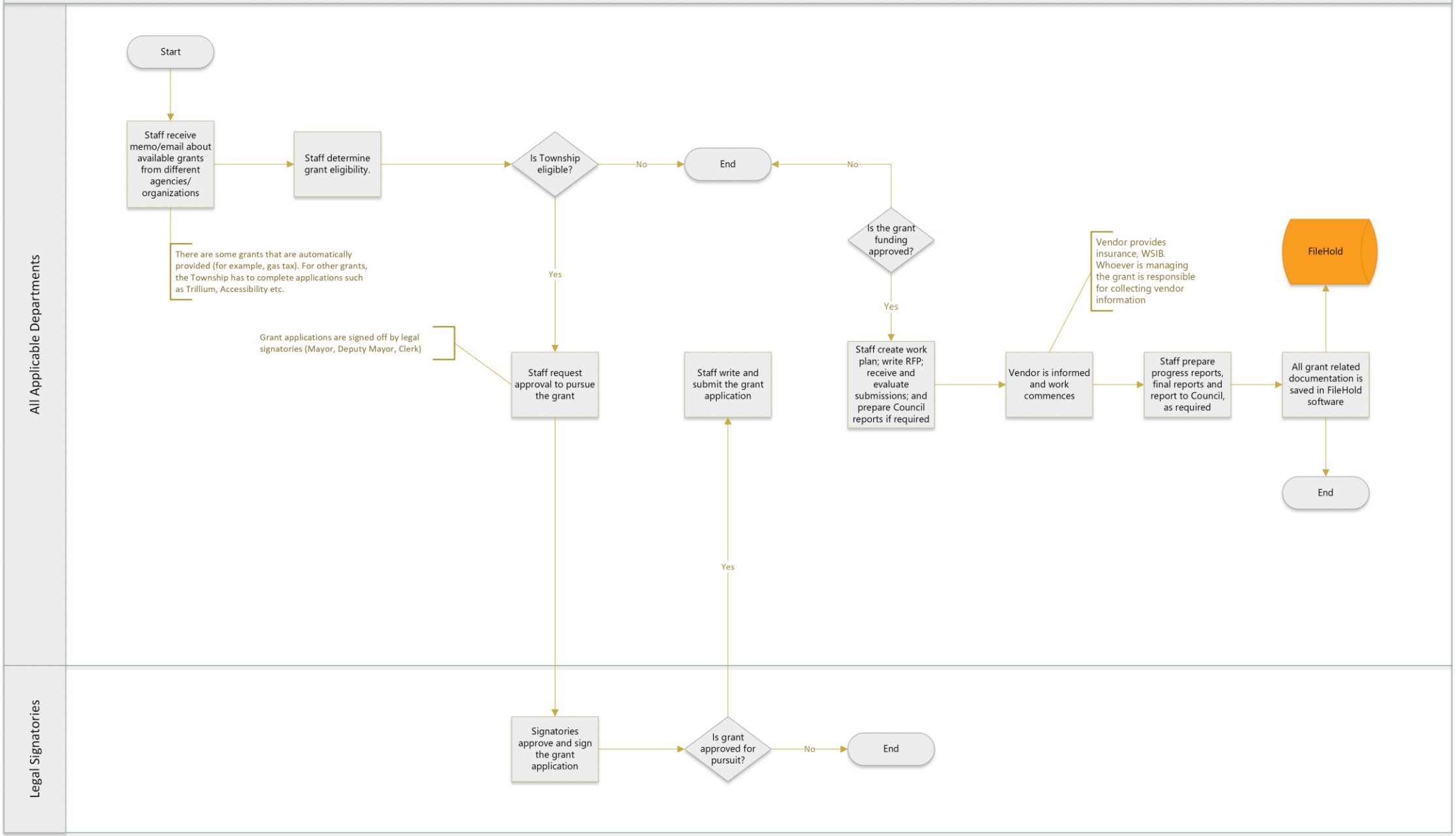
Finance – Municipal Drainage Invoicing



Finance – Budgeting

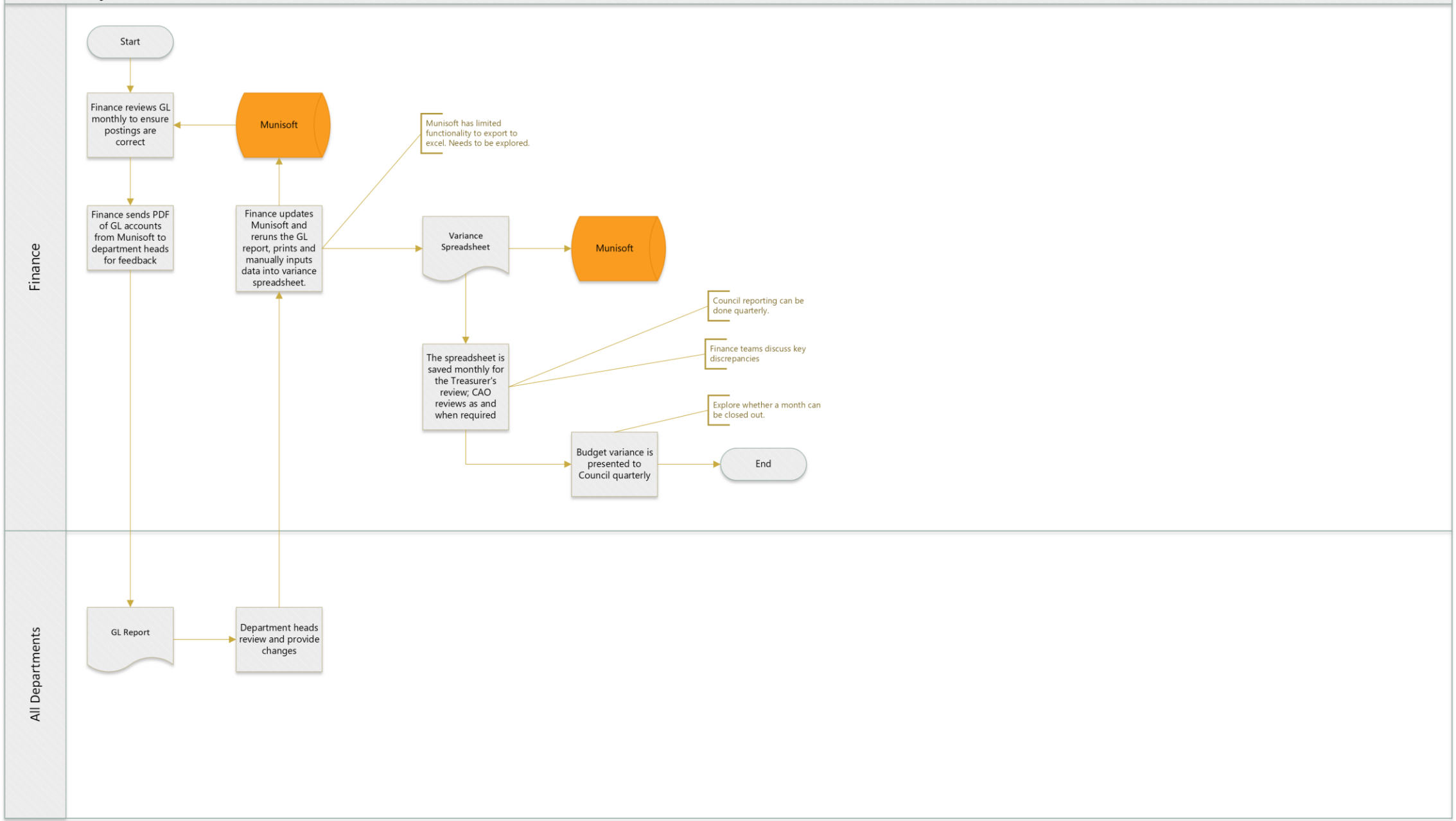


Finance – Grants

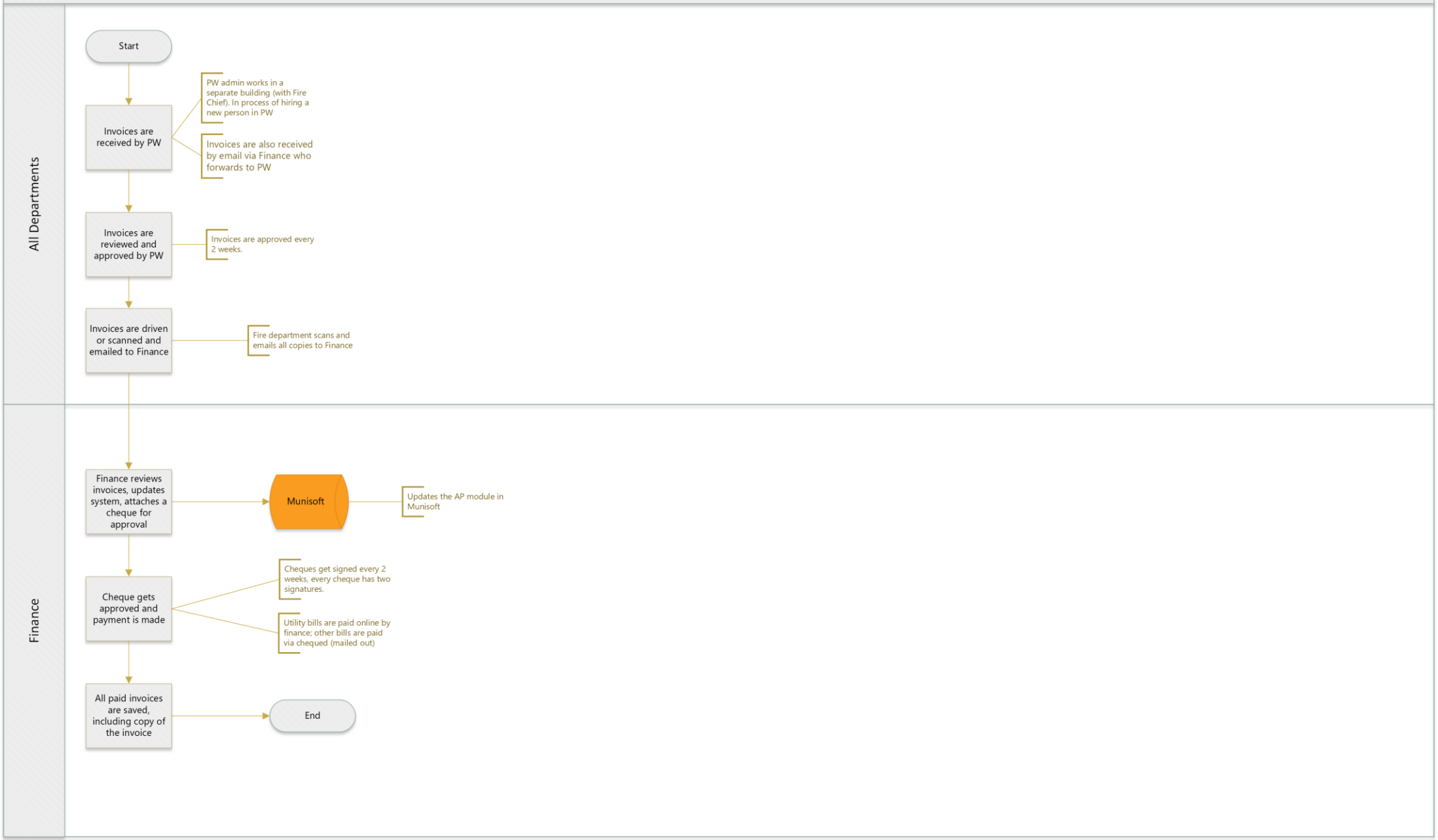


Finance – Financial Analysis and Reporting

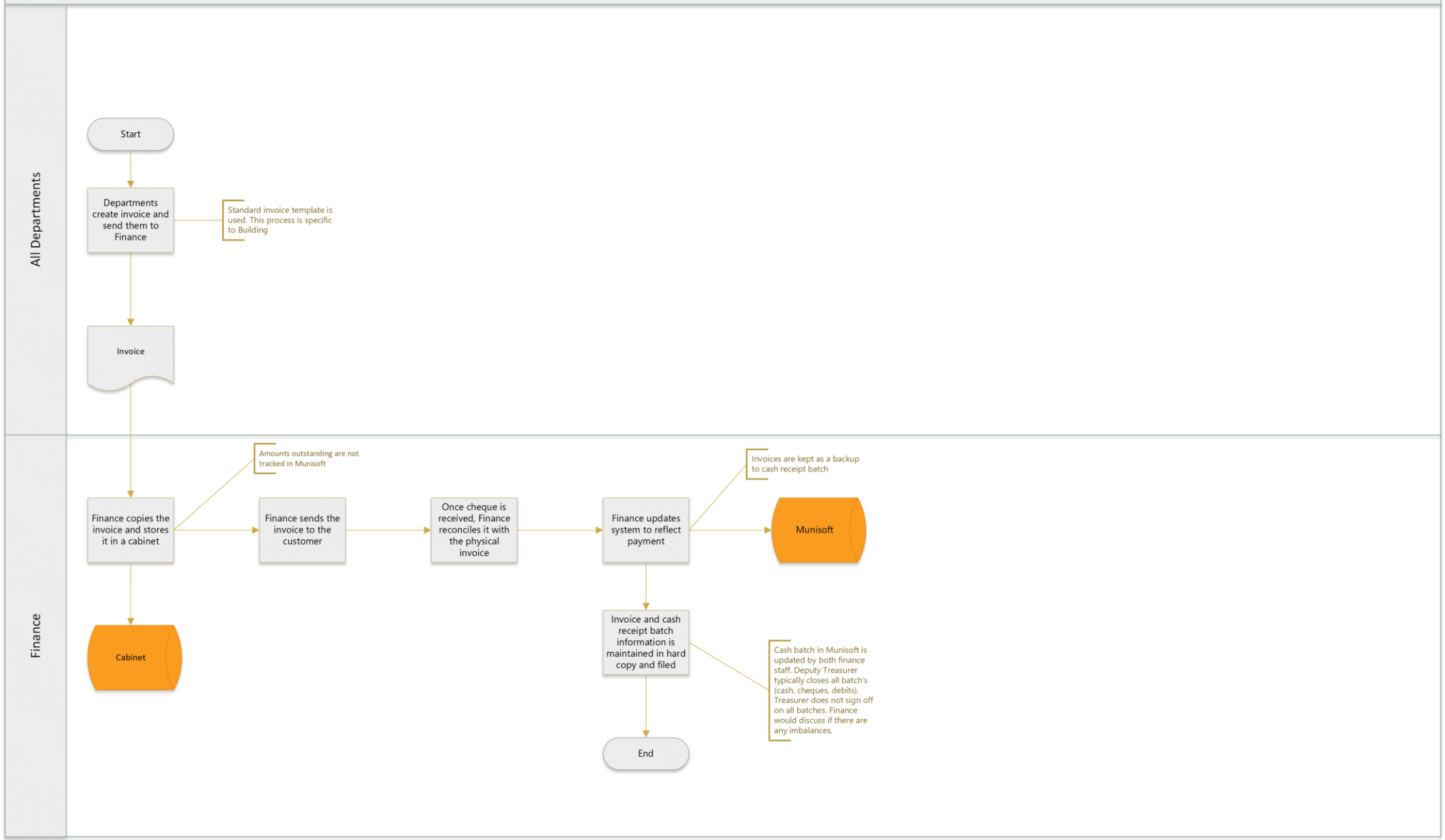
Variance Analysis



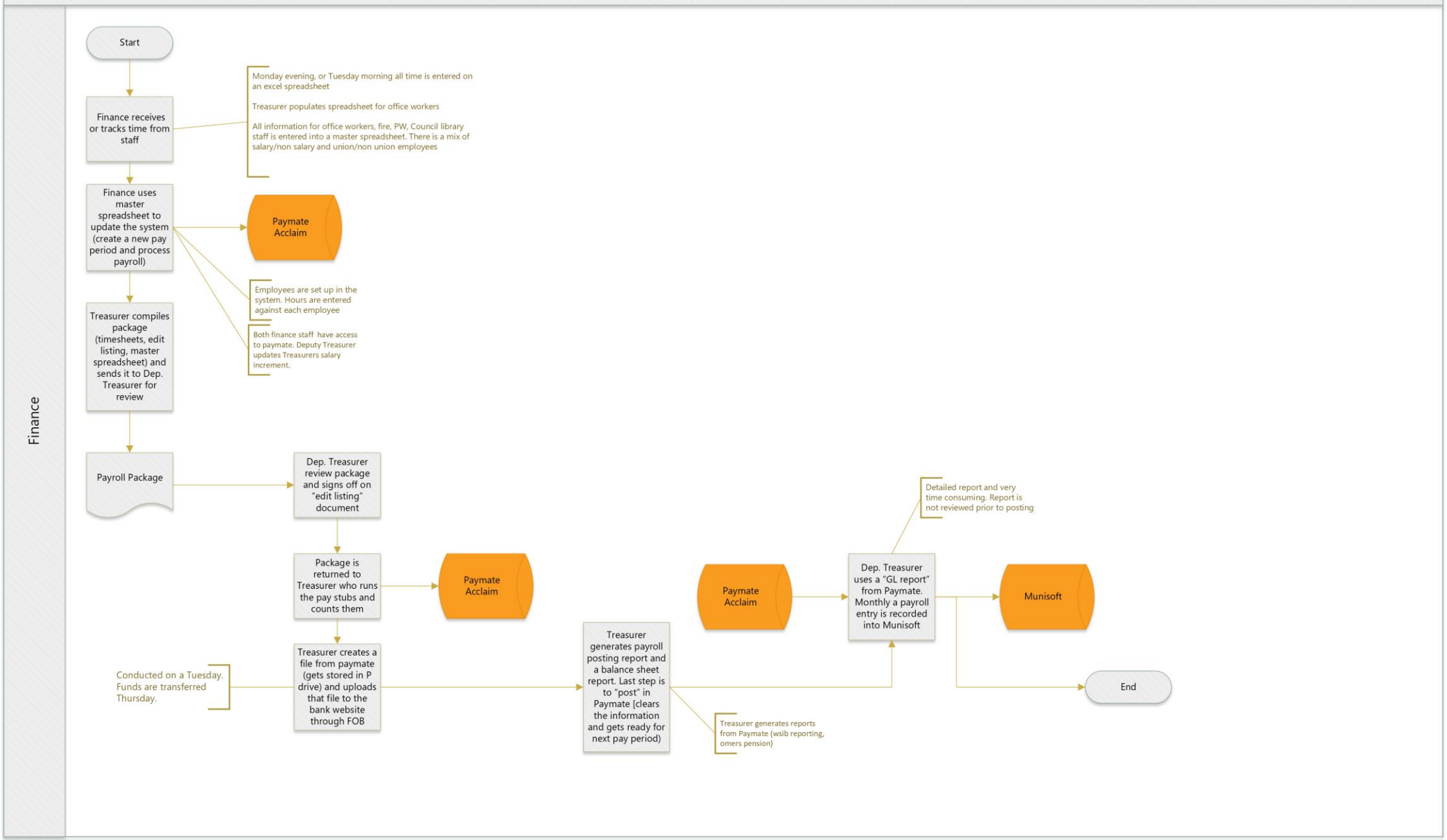
Finance – Accounts Payable



Finance – Accounts Receivable



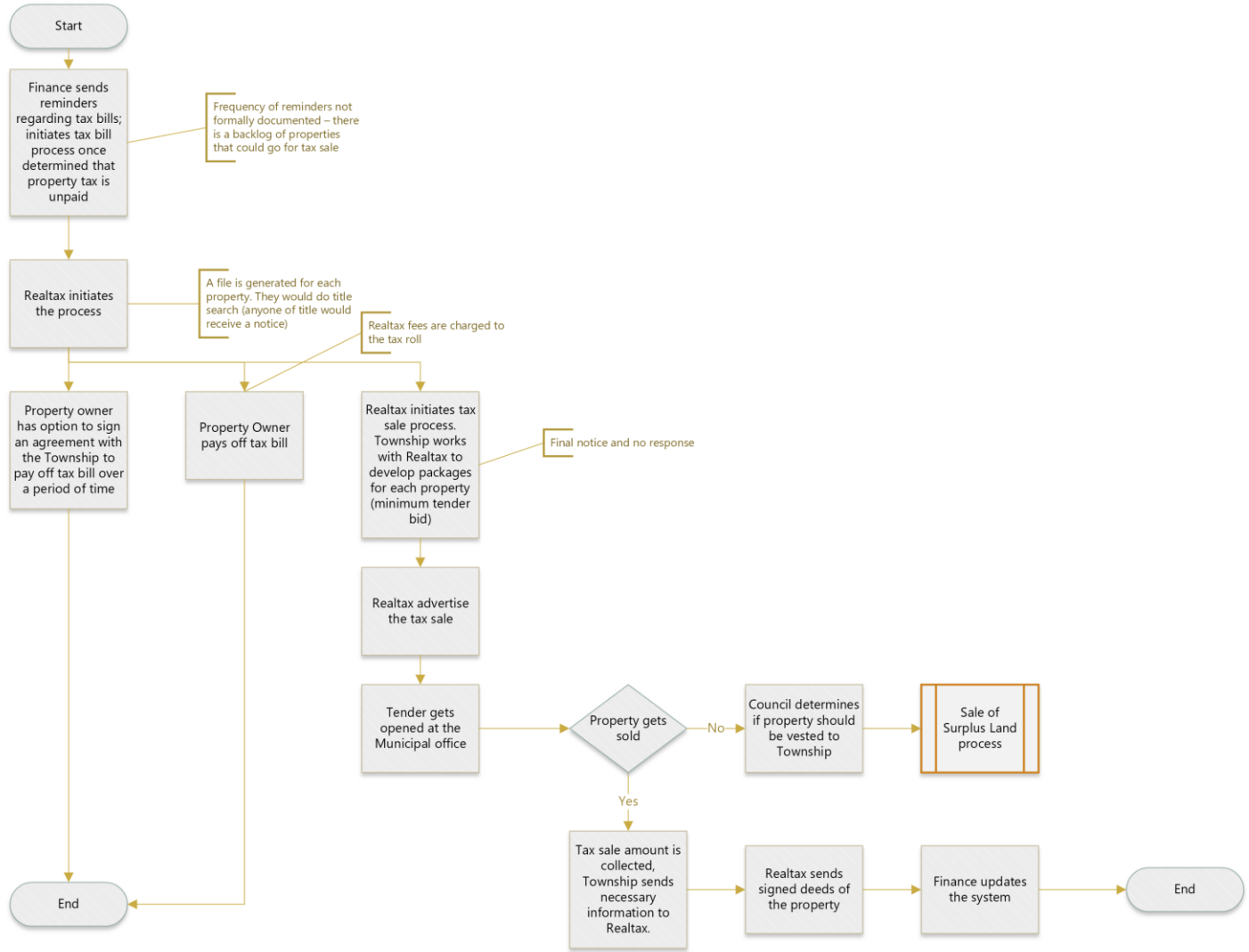
Finance – Payroll



Finance – Tax Collection

Tax Collection

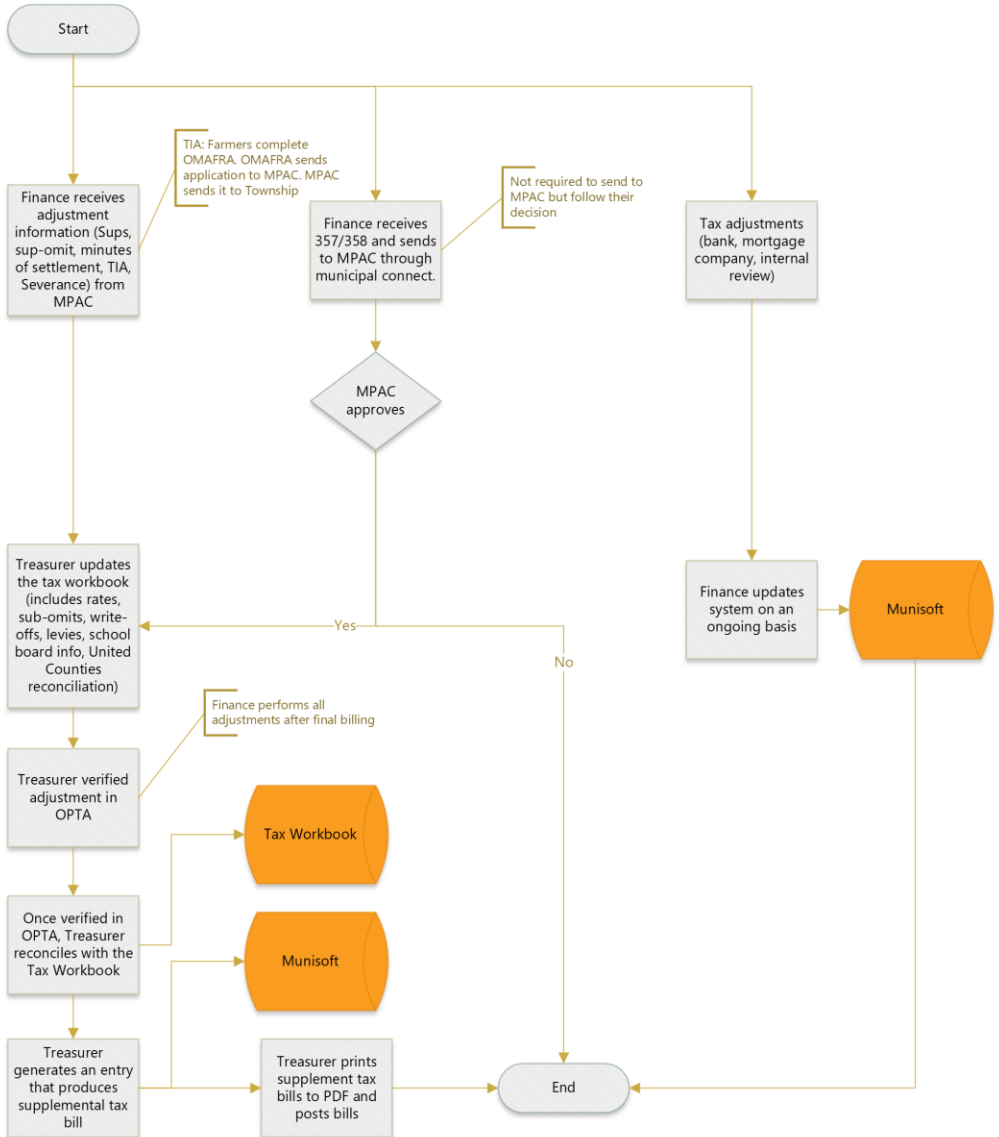
Finance



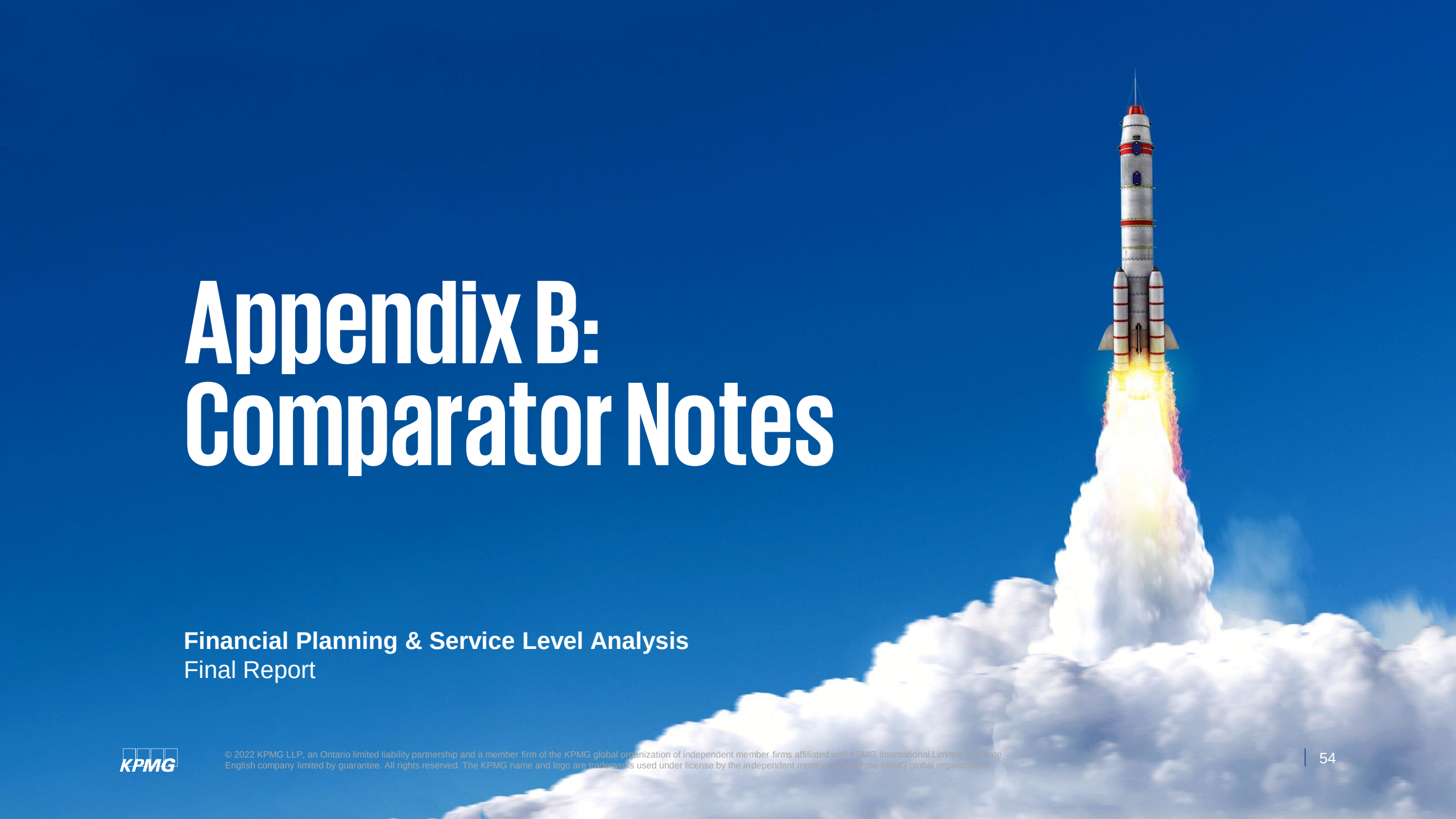
Finance – Tax Adjustment

Tax Adjustments

Finance



Appendix B: Comparator Notes



Financial Planning & Service Level Analysis
Final Report

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Other Notes from Comparator Interviews

Sources: KPMG Comparator Interviews

The comparators also shared the following important information for the Township's consideration:

	Township	Other Notes
	Elizabethtown-Kitley	• Policies include: Finance, Commodity Asset Policy, Tangible Asset Policy, Tax Registration, Treasury Policy and Procedures (Credit Cards, Property Tax and Collections, A/P, Records Retention and Procurement • Intending to create a reserve policy and borrowing policy with the creation of a long-term financial plan
	Edwardsburgh /Cardinal	• Decreased front desk hours from 35 to 30 hours per week in order to increase staff capacity • Expressed desire to have the Finance Clerks cross-trained • Has experienced challenges with meeting minimum reserve requirements • Does not have a long-term financial plan • Held discussions with Council about creating a multi-year budget leading to predictable tax rates • Implemented Munisoft's pre-authorized payment plan leading to approximately $170k per month in deposits • Added ability to pay bills online through the Township's website including permits, dog tags, land fill transfer site tickets etc.
	South Dundas	• The Treasurer stated that Vadim was not a user-friendly software although he intended to keep it and enable its full functionality • Intends to perform succession planning with upcoming retirements • Timesheets are completed in MS Excel • Recently hired an Infrastructure Service Coordinator within Public Works • The Township's Communication Coordinator coordinates and writes grant applications • Have long-term replacement plans for the Township's fleet, fire gear and W/WW equipment • Policies include: A/R, Investments, Tax Collection, Procurement, Procurement Card, Mileage, Vadim PIN, Grants and Donations, Personnel, Reserve Fund, Asset Management, Accountability and Transparency and Leasing.

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Appendix C: Organizational Changes

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Summary of Organizational Changes

The proposed changes below are intended to result in increased effectiveness and efficiency for the Township. The addition of an Accounting Clerk will increase capacity for the Treasurer to focus on the Township's long-term financial plan, asset management plan, the creation of policy and procedures, better segregation of duties and improved communication to the CAO and to Council.

Ref #	Position	Change	Estimated Annual Financial Impact*	Effect on Full-time Staffing Compliment
Proposed changes:				
1	Treasurer	Change the Treasurer's direct reporting line from the Clerk to the CAO.	$0	N/A
2	Finance Coordinator	Addition of an Finance Coordinator to perform Accounts Payable and Payroll processing.	$38,000 - $45,000	+ 1
Total Financial Impact*			**$45,600 - $54,000**	**+ 1**

Financial impacts are estimated based on expected salary levels for an Accounting Clerk position, sourced from www.jobbank.gc.ca as at June, 2022, and includes a 20% benefit premium.

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Appendix D: Sample Budgeting Process Timeline

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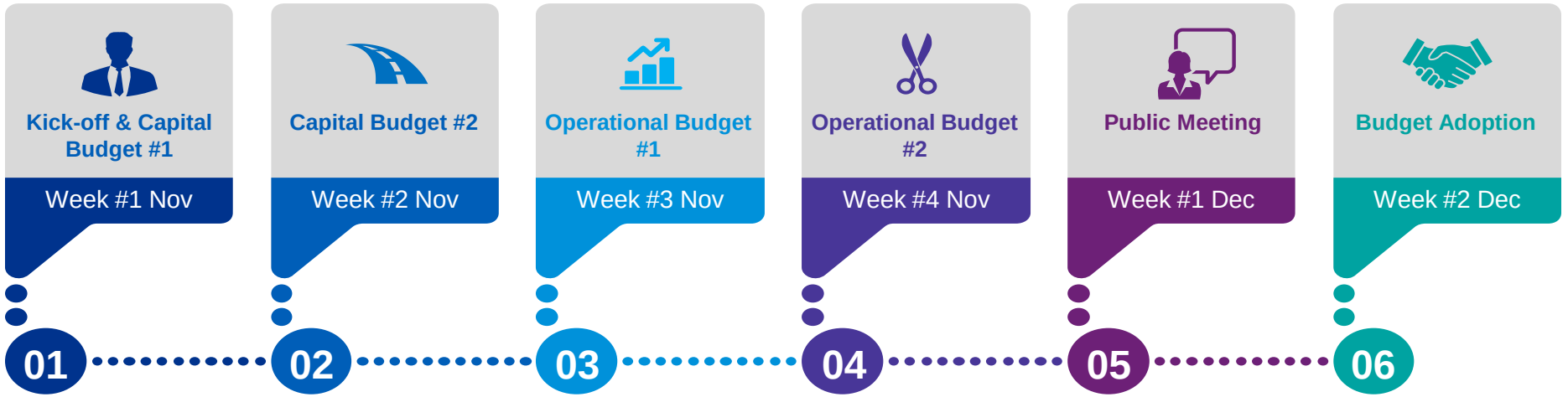
A Sample Budgeting Process



Capital Budget #1

The budget process kicks off with a presentation from an external consultant on the latest trends in municipal finance. This is followed by the CAO presenting on the financial state of the municipality and the key capital projects for the coming year. The capital budget that is presented is balanced, financed and sustainable.

Capital Budget #2

The second capital budget is a chance for Council to respond to the capital budget presentation, ask questions and debate. The goal for Council should be to provisionally adopt the capital budget at the end of the meeting because the capital budget drives the operational budget.

Operational Budget #1

The first operational budget begins with an overview of the operational budget (expenditures, revenues, proposed tax levy increase) and the drivers behind the changes. The operational budget should incorporate the changes to the capital budget and reflect Council's direction on tax levy increases.

Operational Budget #2

The second operational budget is a chance for Council to respond to the operational budget presentation, ask questions and debate. The goal for Council should be to provisionally adopt the operational budget at the end of the meeting allowing the municipality to go forward with a public meeting for public input.

Public Meeting

Open house for the public to provide input on the proposed budget. Recommended structure is an open house with various stations representing the various municipal services that allow citizens to circulate and ask specific questions on services.

Budget Adoption

First meeting in December, Council incorporates the feedback of citizens from the public meeting and formally passes the capital and operating budget by bylaw.

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Appendix E: Sample Financial Principles

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A Sample of Financial Principles

This sample of financial principles, based upon leading practice, is provided for the Township's consideration. The Councils of other public sector organizations have adopted these financial principles in part or in whole through a formal policy/bylaw.

Financial Principle	Description	Threshold / Limit
1. Cost-recovery, beneficiary pay.	Maximize use of cost-recovery from consumers of identifiable services.	Annual approval/review of fees and charges.
2. Life cycle based asset management and replacement	Comprehensive financial plan for the long-term maintenance and replacement of specifically identified tangible capital assets.	Regular review of life cycle schedules and identified assets.
3. Full cost recovery based on activity costing.	All direct and indirect cost including overhead are recovered from the consumers of the activity.	Maximum recovery is full cost of activity.
4. Capital levy annually adjusted by Construction price inflation indexing as determined by StatsCan.	The Capital levy is applied to ongoing capital maintenance projects typically not financed by long-term financing. The annual Construction price index as determined by StatsCan is used to determine the annual inflationary impacts on ongoing capital maintenance projects.	Last quarter StatsCan index multiplied by the previous year's capital levy.
5. Maximum debt load of 25% of annual debt repayments from general ratepayers (supports upper pay principle).	Calculated annual debt interest and principal payments funded from general tax levy in relation to total debt charges.	Maximum 25%.
6. Annual debt repayment limits set at maximum of 10% of net own sources of revenues (Provincial limit is 25%).	Sets out maximum annual debt repayments. Calculated as 10% of previous year's revenues as adjusted by Ministry regulations.	Maximum 10%.

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Financial Principle	Description	Threshold / Limit
7. Debt financing is a last resort for one-time projects where insufficient life cycle costing funds are unavailable.	Debt financing is considered the last available financing option for approved capital projects.	As restricted by collaborating principles.
8. Tax arrears as a percentage of taxes billed maximum of 10%.	Sets out the maximum desired tax arrears and indicates the ability of taxpayers to pay taxes.	Maximum 10%.
9. Budget Schedule approved annual by Council.	The budget schedule will set out the dates and the timing of Council's review and approval of the annual budget.	As restricted by collaborating principles.
10. Net operating results are transferred to/funded from Operating Rate Stabilization Reserve.	Annually, any net operational results will be transferred to/from the Operating Rate Stabilization Reserve.	Confirmed actual results from the audited financial statements.
11. Net unexpended/over expended capital projects funded from Capital Rate stabilization reserve.	Budget variances resulting on approved individual capital projects will be funded from the Capital Rate Stabilization Reserve when no other funds are available.	As restricted by collaborating principles.
12. Debt charges to gross current expenditures not to exceed 15%.	Sets maximum annual debt charges in relation to total current expenditures. Indication of municipality's flexibility to provide services.	Maximum 15%.
13. Debt per capita not to exceed $400 per capita.	Calculation of annual debt payments to population. Indication of the ability of taxpayers to support debt load.	Maximum $1,000 per household.

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Financial Principle	Description	Threshold / Limit
14. Current capital and operating budgets must be completed by December before applicable year.	Final Council approval of the upcoming annual budget must be completed prior the end of the preceding year.	December 31 of preceding budget year.
15. Annual financial statements and auditor's review completed by April 30th of the following year.	Ensures compliance with Ministry standards and timely and accurate financial information.	April 30th of following year.
16. Targeted Operating Rate Stabilization Reserve balance of 10% of annual operating expenditures.	Provides the municipality with the flexibility and protection from unseen budget variances.	Maximum 10%.
17. Targeted Capital Rate Stabilization Reserve of 10% of annual capital expenditures.	Provides the municipality with the flexibility and protection from unseen budget variances.	Maximum 10%.

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Appendix F: Annual Cost/Time Savings Estimates

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Estimates for Annual Time and Cost Savings

KPMG estimated the annual time and cost savings that the top six opportunities could realize as follows:

#	Recommendation	Primary Opportunity Type	Priority	Impact	Estimated Annual Time Savings	Estimated Annual Cost Savings
	Service Delivery Model					
1	Increase the Finance department's staffing complement from 3 to 4 FTEs and consider ways to increase office space at the Township's Head Office	Effectiveness	High	5	N/A	N/A
	People					
2	Re-assign and update job responsibilities based upon a staffing complement of 4 FTEs and leading practices in municipal finance and create a direct reporting line from the Treasurer to the CAO	Effectiveness	High	4	N/A	N/A
	Functional Process					
3	Expand Munisoft's functionality with the addition of modules for A/R, bank reconciliations, pre-authorized tax collection payment plans and drainage invoicing	Efficiency	High	5	> 35 Hours	>$50,000
	Technology					
4	Consider adding timesheet and asset management software	Efficiency	Medium	4	25 - 35 Hours	$25,000 - $50,000
	Performance Insights & Data					
5	Report key metrics to Council on a quarterly basis including outstanding taxes owing and accounts receivable (drainage, planning, permits etc.) and send budget-to-actual reports to Managers on a consistent monthly basis	Effectiveness	High	3	15 - 25 Hours	>$50,000
	Governance					
6	Update and add financial policies including asset management, surplus and reserves, budgeting, tax collection and accounts receivable and financial principles and consider the development of a long-term financial plan	Effectiveness	Medium	3	N/A	N/A

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