



FALLBROOK PUBLIC UTILITY DISTRICT
MEETING OF THE FISCAL POLICY AND INSURANCE COMMITTEE

AGENDA

MONDAY, JULY 16, 2018
2:00 P.M.

FALLBROOK PUBLIC UTILITY DISTRICT
990 E. MISSION RD., FALLBROOK, CA 92028
PHONE: (760) 728-1125

If you have a disability and need an accommodation to participate in the meeting, please call the Secretary at (760) 728-1125 for assistance so the necessary arrangements can be made.

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I. PRELIMINARY FUNCTIONS

CALL TO ORDER / ROLL CALL

PUBLIC COMMENT

II. ACTION / DISCUSSION

A. ACCOUNTING SYSTEM REVIEW/OPTIMIZATION UPDATE

Recommendation: That the Fiscal Policy & Insurance Committee support staff to amend the professional services agreement with Platinum Consulting Group to add the tasks identified above to the scope of services and add a not-to-exceed cost of \$40,000. This cost is included in the Fiscal Year 2018-19 budget. The General Manager has the authority to amend the contract without Board approval for the amount identified so no formal board approval is required.

B. OVERVIEW OF AUDITING SERVICES

Presented by: White Nelson Diehl Evans LLP

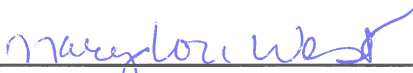
III. ADJOURNMENT OF MEETING

DECLARATION OF POSTING

I, Mary Lou West, Secretary of the Board of Directors of the Fallbrook Public Utility District, do hereby declare that I posted a copy of the foregoing agenda in the glass case at the entrance of the District Office located at 990 East Mission Road, Fallbrook, California, at least 72 hours prior to the meeting in accordance with Government Code § 54954.2(a).

I, Mary Lou West, further declare under penalty of perjury and under the laws of the State of California that the foregoing is true and correct.

July 13, 2018
Dated / Fallbrook, CA


Secretary, Board of Directors

M E M O

TO: Board of Directors
FROM: David Shank, Assistant General Manager/CFO
DATE: July 16, 2018
SUBJECT: Accounting System Review/Optimization Update

Purpose

Summarize the progress made on improvements to the accounting system made over the past 6-months. The Fiscal Policy & Insurance (FP&I) Committee has been working with staff to enhance several aspects of the District's financial management.

Summary

After a thorough review of the District's financial management practices, the FP&I Committee tasked staff with improving certain financial management practices. The following are areas where staff have been focused on making improvements:

- **Cash Balances** – The system has been modified to fully support pooled cash, which allows cash balances to be tracked by fund. Accurate cash balances by fund will be maintained in the system. In addition, restricted cash balances have clearly separated.
- **Fringe Burden/Employee Benefits** – The old system of using a burden on labor costs to fund revenue transfers to the Treasury Fund to pay for employment related expenses has been discontinued. A simpler and more direct accounting approach that allocates actual costs on a monthly basis has been implemented.
- **Warehouse** – Similar to the fringe burden, the warehouse costs were collected through a burden. Staff have implemented a direct allocation methodology for all administrative costs including the Warehouse.
- **General Ledger Chart of Accounts** – The old accounting system set-up relied heavily on the Springbrook Work Order Module and makes all costs flow through a work order. Staff have eliminated the use of Work Orders for any non-CIP costs allowing labor and non-labor costs to be tracked accurately. This required creating a new accounting structure and adding a significant number of accounts. These modifications should enhance the ability to track costs at a reasonable level of detail.
- **Budget Controls** – The old configuration of the accounting system made it very difficult to implement budgetary controls and track budgets. With the new accounting structure, line item budgets are in the system for over 200 line items providing robust budgetary controls. The prior fiscal year had 16 line items budgeted in the accounting system.
- **Financial Transparency** – To support a higher level of transparency for all stakeholders the District has established the goal of issuing a Comprehensive

Annual Financial Report (CAFR). The CAFR provides key information in a more easily to understand format and will elevate the District's financial disclosure to that of best in class. The District's new budget format has already improved the District's financial transparency.

In the process of completing the work identified above additional tasks were identified. Staff requires some additional outside support to help complete these tasks. These tasks include:

- **Payroll Processing** – The District has implemented electronic timesheets which has streamlined payroll significantly. However, within Springbrook, there may be an opportunity to modify how the cost of benefits are tracked. The goal is to have the benefit costs and labor costs hit the same accounts. This would eliminate monthly journal entries and improve the efficiency of accounting staff.
- **Inventory Accounting** – The District's inventory accounting procedures and processes need to be evaluated.
- **Balance Sheet Review** – Currently the District's assets are classified as one type. The assets should be broken into categories that mirror what the audit uses. For example, land should be split out in the accounting system from depreciable assets.
- **Project Management** – There may be an opportunity to eliminate a level of redundancy in tracking project costs. Currently the Springbrook Work Order and Project Management modules are used to track costs. This creates a level of redundancy that can be eliminated. The elimination of this redundancy would allow the same level of project management but reduce the work associated with managing the system.
- **Staff Support** – It is necessary from time to time to augment staff due to unforeseen circumstances. The ability to access resources to support the District's activities is essential to the department's ability to operate effectively.

Platinum Consulting Group was awarded a contract for \$60,000 to perform the initial scope of service which has been completed and they are uniquely qualified to support the additional tasks identified above. It is estimated that an additional \$40,000 is required to help complete the additional tasks identified.

Recommended Action

That the FP&I Committee support staff to amend the professional services agreement with Platinum Consulting Group to add the tasks identified above to the scope of services and add a not-to-exceed cost of \$40,000. This cost is included in the Fiscal Year 2018-19 budget. The General Manager has the authority to amend the contract without Board approval for the amount identified so no formal Board approval is required.

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