

Financial Projections in a Social Services Agency

ERIC PORMENTO

EXECUTIVE SUMMARY

This case study examines and draws implications for the Employment & Human Services Department (EHSD) of Contra Costa County, the key elements, challenges and successes of financial projections in the host county agency, the Human Services Agency (HSA) of San Francisco. The purpose of the case-study is to provide a learning opportunity for the Contra Costa County's EHSD to improve its financial projection system. There is an increasing need for EHSD to improve its financial projection processes due to the inherent complexities of social services accounting and the fiscal crisis caused by the sustained economic downturn.

During the course of this case study, I learned some important features of SimClaim, HSA's financial projection model. SimClaims's flexibility to adapt to the changing fiscal environment enables HSA to examine the operational impact of different budget situations in depth. Additional factors that contribute to the success of the host county's financial projections are the ability for external systems to interact with SimClaim and to generate needed fiscal reports in a timely fashion.

Based on what I learned during the course of my BASSC internship, I presented recommendations that include modifications of the county's finance system and the development of an effective tracking method for staffing shifts and full-time equivalent levels.

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Introduction

The U.S. is currently facing the greatest economic slump since the Great Depression. As a result, Contra Costa County's Employment & Human Services Department (EHSD) is experiencing unprecedented budget cuts from federal and state agencies, as well as general fund contribution cuts from the county. While the department's revenues are shrinking at a rapid pace because of budget reductions, the number of applications for social services programs has jumped to its highest levels in years.

The BASSC case study internship provided an opportunity to learn about another county's financial projection processes, to learn about their challenges and how they were overcome, and to identify new ideas and practices that could benefit EHSD in the current economic environment.

Historical Perspective

Through the years, EHSD has developed a system for tracking its expenditures and the utilization of its funding allocations. This system is called the Revenue Estimate Model, an Excel-based system. The data in the Revenue Estimate Model are taken from the county's finance system, MSA, the county's budget system, BRASS, and other external sources. The model can be modified to add or eliminate programs. One fiscal staff enters the following data in the model: year-to-date actual expenditures, budgeted and projected expenditures and revenues, quarterly time study results, County Expense Claim data, staffing level measured in terms of full-time equivalents (FTE's) and current funding allocations. When these numbers, assumptions and other information are updated and entered into the spreadsheets, the Revenue Estimate Model will calculate: the projected over or under earnings of allocations by program, the overmatch, and the impact to general fund contributions from the county.

Financial Projections in the City and County of San Francisco

San Francisco County's Human Services Agency "SimClaim Expenditure and Revenue Projection Model" for its financial projections. It is an Excel-based model that brings together various fiscal information and assumptions. SimClaim is used to perform the following functions:

- To develop the budget for employee salaries and other operational costs, including contracted services and aid payments;
- To allocate expenditures to County Expense Claim categories for drawing down federal and state revenue;
- To apply assumptions made relative to allocation ceilings and reimbursements rates to determine the impact to revenue claiming;
- To calculate the net county contribution (general fund) of a particular budget scenario;
- To use as a monitoring tool to track actual expenditures and revenue allocations during the year and show how the current spending pattern will affect net county costs at the end of the year;
- To use information in the SimClaim to generate management reports to stakeholders and to build graphs and charts of the departmental budget showing the following factors: where revenues come from; how spending is directed toward different community goals; how spending is allocated toward direct aid, services for clients, and other department operations; the amount of mandatory match for federal or state programs; and expenditures for discretionary programs; and
- To allow the tracking of changes to the projections made during the year and provide detailed explanations of why changes occurred.

Challenges

SimClaim is a very complex file that contains 23 spreadsheets that are linked together. Each spreadsheet is unique and vital to the successful completion of financial projections. The challenges listed below are based on my observations and review of the SimClaim.

- A tremendous amount of data input is needed to update expenditure and revenue information in the following areas: salaries and fringe benefits for each position classification, the FTE's charged to each claiming category based on the latest claim, encumbrances carried forward from the prior year that will be claimed in the current year, allocation estimates and A-87 county-wide cost allocation amount, direct and overhead costs, funding allocations from County Fiscal Letters, aid payment projections, and budget updates.
 - **Solution** HSA has committed to an adequate number of trained employees who perform the data input. There are built-in controls that check the accuracy of information entered in the model.
- Information entered into SimClaim comes from external system such as FAMIS, the county finance system, caseload history/projection spreadsheets, BPMS, the county budget system, and other spreadsheets and reports. A delay in getting the fiscal information from these external sources could impede the completion of financial projections in a timely manner.
 - **Solution** HSA has established communication protocols to ensure that any issues that could delay the processing of information from external sources are communicated in an expeditious manner and appropriate actions are taken.
- FTE levels must be constantly monitored to find out if the current staffing pattern will maximize revenues. It is very important to track and compare budgeted FTE's to actual and target FTE's on the program level so that appropriate actions can

be taken promptly if target FTE levels are not being met. Some of the challenges include delays in the hiring of additional staff, an inability to get FTE information from the personnel/payroll unit, and the unavailability of time study results.

- **Solution** HSA has implemented a FTE tracking tool that includes on-going review of its personnel processes and communication procedures. The agency is currently piloting an automated time study applications called "Time Study Buddy" that could provide real time information on FTE levels.

Successes

San Francisco County's Human Services Agency has done an outstanding job at financial projections. The agency's success can be attributed to the following:

- Expenditure and revenue information needed to update SimClaim can be extracted from FAMIS, the county's finance system.
- Both FAMIS and SimClaim can be modified (e.g., index codes can be used to capture new expenditures) to improve tracking and collection of information used for financial projections.
- SimClaim is an effective tool for financial management because of its ability to continuously adapt to evolving accounting requirements. It has the capability to address emerging budget issues and to determine the impact to the delivery of program services. The model can account for changes in staffing level, estimated spending trends and aid payments, and it can determine their impact to general fund, overmatch, and funding allocations.
- There are sufficient numbers of employees who are responsible for updating fiscal information in SimClaim within prescribed timelines.

Through the SimClaim, the HSA generates a monthly financial report that compares budgeted expenditures and revenues to the current projection by program claiming category, monthly spending rate report, and monthly salary and fringe benefit projection. These reports are submitted on a monthly

basis to the Mayor's Office, to the Controller's Office, and to other stakeholders. By providing relevant financial projections on a timely basis, the agency has developed credibility and excellent working relations with the Mayor's Office, the Controller's Office and other agencies.

Recommendations

Based on my case study work, I would like to recommend to our director the following:

- Propose to the County Administrator's Office and Auditor-Controller's Office the modification of Contra Costa County's finance system to accommodate the tracking of new cost pools or expenditure classifications.

Action Steps

- 1 Determine new cost pools or expenditure classifications needed in EHSD's Revenue Estimate Model.
- 2 Discuss the proposal to upgrade or modify the county's finance system to allow the tracking of new cost pools or expenditure classifications with the County Administrator's Office and the Auditor-Controller's Office.

Budget Impact The cost of upgrading the current county system is unknown at this time.

- Develop tracking system of staff movements and FTE levels to ensure the maximization of revenues.

Action Steps

- 1 Create a working group that will plan and propose necessary changes or upgrades to ASSIST, the personnel tracking system currently used by EHSD.
- 2 Inform the Executive Team, the working group members and other stakeholders that the tracking of staff movements and FTE level is a high priority objective of the department.

Budget Impact The cost of upgrading ASSIST is minimal.

- Add one fiscal staff to the team who will update or enter expense and revenue information to the Revenue Estimate Model.

Action Steps

- 1 Hire or reassign fiscal staff to input fiscal data into Revenue Estimate Model.
- 2 Train the new fiscal staff to ensure that assigned tasks are performed properly.

Budget Impact The cost of adding one FTE is approximately \$100,000.

Conclusions

Public office is a public trust. As public employees, we should serve with the highest degree of integrity and should always remain accountable to the people. Effective financial projection is indispensable to fulfill our fiduciary responsibilities in managing the county's resources.

In Contra Costa County's Employment & Human Services Department, financial projection is of paramount importance. Thus, we continuously strive to improve our methodologies and processes to ensure the county's financial resources are used appropriately and revenue earnings are maximized to the fullest extent possible. The lessons learned and the outcomes of this case study will help improve our financial projections and, ultimately, will enable us to better serve the needs of the children and families, the aging and adult population, the unemployed and other under-privileged county residents.

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