

San Francisco County's Team-Oriented Budgeting Process: Budget Accountability in a CEC Claim Environment

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EXECUTIVE SUMMARY

The City and County of San Francisco Human Services Agency's (HSA) accountability-sharing culture is embodied in its efforts to foster a team-oriented budgeting process. By encouraging collaborative information exchanges between program and administrative units the needs of each are considered during the budget cycle. The result is that the finance and budget units are free to assume their expenditure review, estimating, and reporting responsibilities while sharing in the overall accountability to all of the department's stakeholders. Likewise the program units, acting in the capacity of advocates for clients, share in the accountability for developing and operating within budgetary constraints.

The HSA fiscal unit makes meticulous use of its SimClaim tool; which is an Excel-based tracking and forecasting supplement to the County Expense Claims (CEC), and provides ongoing detailed financial data to the program and other operating units. The SimClaim also enables the department's fiscal staff to monitor and forecast the projected impact of revenue and expenditures on an annualized basis, using the most dynamic and current data available.

Recommendations

It is recommended that Contra Costa County Employment and Human Services Department (EHSD) consider forming intra-unit, peer-to-peer budget teams and encourage the increased availability and exchange of information throughout the budgeting process. This would encourage a department whose objective would be to share budget accountability across programmatic and fiscal units.

It is also recommended that EHSD's fiscal unit explore the feasibility of incorporating the SimClaim tool, and the fiscal controls behind it, for building, modifying, and tracking the annual budget.

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Background

Over the years, Contra Costa County's Employment and Human Services Department's (EHSD) annual budget process has diverged from an accountability sharing process to one in which accountability, like responsibility, is separated along program, fiscal and other administrative unit lines. Accordingly, the fiscal unit has assumed an inordinate share of the responsibility for determining the "numbers" that make up the budget. At first blush this may not appear to be unusual; however, my contention is that a fiscal unit's role should be less the "creator" of the budget, and more the compiler and presenter of the budget. Budget accountability should be equally shared and should incorporate all the operating units' contributions. Most constituents and clients correctly assume the program units represent their interests when securing program resources.

The fiscal function, being part of the overall administrative function, is to provide support services to the program and other operating units. As an administrative service unit, fiscal ultimately takes informed direction from the program staff (clients) that it serves. "Administrative functions usually help their clients by making it easier for them to do their jobs."* At EHSD, the fiscal units develop budgets with minimal input from program staff. This relationship, while perhaps thought of as helpful, would better benefit the department if it engendered a more collaborative approach to budgeting. Shared responsibility for budget creation would improve the budget's accuracy and make more stakeholders accountable.

*Mark Friedman. "RBA 101 Workshop with Mark Friedman" www.raguide.org/RA/3_10.htm

Responsibility and accountability for budgeting and limiting expenditures to budgets has migrated too far into the realm of the fiscal unit. A number of distinct factors have contributed to this migration:

- To a large extent EHSD's current budgeting process reflects the past organizational culture, one that did not emphasize bureau collaboration. Consistent with the department's culture, the process was purposefully shaped and molded by EHSD's senior management's decisions that were considered appropriate at the time. The EHSD budget emphasized "salary savings" and the appropriation adjustments of the same, in contrast to giving great attention to non-staff related costs. Gross revenue generation at the macro level gained considerably more attention than did disaggregate program expenditure projections.
- EHSD's annual success in returning a fund balance at year-end has, in the past, moderated the need to promote the concept of shared fiscal accountability that would span the entire department. Receipt of anticipated and unanticipated revenue relative to projections has mitigated and obscured overruns of the budgeted expenditure amounts. Were there an actual use of the entire allotted general fund or a year-end need for an increased amount of general fund commitment to cover excess expenditures, the alarms would have been sounded. The increased costs and budget revisions would have brought about more departmental involvement.
- Contra Costa County's annual "maintenance budget" projections, being based on current approved programs, services, and positions, have

not included the detailed identification of the costs by program. Consequently, the “maintenance” in maintenance budget is no longer sufficiently defined. Maintenance budgets have become the norm over recent years. A maintenance budget is based on the assumption that the base program amount is a given, thereby focusing disproportionate attention on incremental changes in funding. Substantial program staff input is aimed at addressing the incremental changes to the maintenance budget but not to the maintenance budget itself. While fiscal staff is certainly responsible for budget submission, in form, that assumption of responsibility does not equate to being accountable for the major part of the budget – the maintenance part. This nebulousness makes it difficult to determine where accountability lies for the entire budget and who is truly responsible.

- Overall departmental complacency, somewhat related to maintenance budgeting, is characterized by the infrequent, periodic comprehensive self-evaluation and reassessment of the entire fiscal function.
- To a lesser extent, fiscal’s attention to the complexity of various agency financial reporting and claiming methodologies, in place of the necessary peer-to-peer dialogue has, over time, isolated program and fiscal units. This isolation has resulted in an atmosphere of strained relationships due to a lack of understanding, by staff outside of fiscal, or of the financial reporting process.

With the above issues in mind, my intention was to examine San Francisco County Human Services Agency’s (HSA) budgeting process to determine the main differences, if any, between HSA and the EHSD process with regard to assigned and assumed accountability. HSA allowed me to interview key administrative staff and to pose questions to familiarize myself with the basics of their team-oriented budget creation, modification, and tracking processes.

HSA and EHSD’s budgeting units’ responsibilities are, as expected, similar to those of EHSD’s which are: to assist their respective department

heads by ensuring that they have sufficient resources to operate effectively and efficiently based upon revenue availability. Both organizations monitor the annual budgets, conduct analyses for budget modifications, adhere to fiscal policy, and provide management consulting services as requested. These are the responsibilities of each unit and each unit assumes the associated accountability. My review, however, did uncover some notable differences.

The San Francisco Controllers’ Office issues its budget instructions in December to prepare for the following budget year. HSA in anticipation and preparation for the December instructions begins budget team organization and meetings in November. Budget analysts, planning analysts, personnel staff, and program directors meet to informally discuss current budget status, anticipated future initiatives, and future staffing needs. Budget forms are distributed and deadlines are set for their return. Using the returned forms, HSA fiscal prepares the preliminary proposed budget by first identifying with program, operating, and personnel staff input; the number, classification and cost of positions that are in the current year’s maintenance (or revised) budget. Additionally, contract direct costs are identified by name and amount or a “placeholder” is substituted and assigned a dollar commitment amount. The above budget projection is prepared, as much as possible, at the program level and then aggregated at the departmental level, which is the most notable characteristic of HSA’s budget process that differs significantly from EHSD’s. Major line item details of the program budgets are, through the use of the Sim-Claim, readily identified, addressed, and, revised when necessary, to account for the incremental differences between the current and proposed annual budgets. The need for the affected program and personnel staffs’ input is thereby determined. Interdependence between the units, for budget formation purposes, is also established. The implications relative to budget control become clear:

- All proposed changes that affect the budget must be passed through fiscal to determine the effect on the bottom line before advancement;

- Fiscal can readily provide documentation to support recommendations for or against proposed budget changes; and
- The SimClaim is a tool both supportive of and in control of, fiscal.

HSA's organizational culture encourages and requires active participation by program staff during the formation of the budget and for revisions throughout the year. Each representative from the various HSA administrative units, with whom I spoke, mentioned the team-oriented process when addressing their own roles. Another common thread was their willingness to share information between team members on an ongoing regular basis. If indeed information is power, the stated objective of HSA's fiscal staff is to "share the power." Fiscal's information-sharing consists not only of disbursement of data but also educating other units about the underlying workings of both the CEC and the SimClaim. Of note, the sharing took place not at the highest level, i.e., the deputy director level, but at the program/division manager level. The composition of HSA's budget teams, while not exactly made up of peers, included staff that was comparable and power-wise in the organization's hierarchy. One obvious positive of the near-peer relationships is the lack of authoritative dominance by any particular units or individuals.

In contrast, EHSD's budget formation, until recently, entailed minimal peer or near-peer program staff input below the director level. With the exception of personnel staff, EHSD's fiscal analyst staff confers primarily with department directors rather than with the directors' subordinates. The directors address initiatives and some expected funding changes but not the lower level details that comprise the maintenance budget. By executing the maintenance budget with less than maximum input by the more hands-on involved program staff, fiscal staff assumes an inordinate amount of accountability, by default. This practice runs counter to the concept of shared accountability. This is demonstrated in two ways:

- 1 EHSD's fiscal staff's tendency to either assume, or be assigned, the blameworthy role, and

- 2 The inclination for non-fiscal staff to proclaim, "We're not the numbers people." Shared accountability would dictate that we are all, in some way, the numbers people.

A structured effort by EHSD to promote team building may be the answer for addressing changes in the Contra Costa County's budgeting process. The benefits of intra-unit team input would include the following and would:

- Create shared accountability within the team setting and across organization unit lines.
- Reduce the mystery of the budget creation process.
- Foster trust while reducing friction across unit lines of responsibility.
- Increase fiscal budgetary controls relating to periodic revisions to the budget, and
- Increase the flow of information between departmental units.

Fortunately, EHSD has begun to enlist greater participation by program staff, fiscal, and administrative staff in the formation and of, adherence to the adopted annual budget. The greater participation by department stakeholders produces shared budget accountability, although each unit's respective responsibilities remain different.

The SimClaim Tool

The SimClaim is a major source of information and reports available to HSA's program managers for feedback about their budgets, revenue assumptions, and changes in assumptions throughout the year. As mentioned, HSA's fiscal staff relies heavily on this in-house developed Excel spreadsheet instrument. The SimClaim is an expenditure and revenue projection model that, in some ways, simulates the CEC claim tool. While the CEC claim is produced and submitted quarterly to the State of California for reimbursement purposes, the SimClaim is continuously updated with data for the primary purpose of monitoring and projecting the current budget or future budgets. In some respects the SimClaim may be used as a mock CEC claim although there are usually some minor differences in their forecasts. Some

of the “goals” in using the SimClaim as expressed by HSA are to:

- Build the expenditure budget for salaries, materials, supplies, contracts, and client assistance;
- Apply assumptions regarding reimbursement rates and allocation caps to estimate how much revenue will be drawn down for each (CEC) claiming category;
- Estimate the net general fund cost of the budget scenario;
- Show how changes in expenditure and revenue assumptions change the estimated general fund cost of the budget; and
- Track actual expenditures, claims, and revenue allocations throughout the year to update the expenditure and revenue projections, and provide new estimates of the potential general fund cost if current trends continue.

The SimClaim does, however, require continuously updated data input since it is relied on as the major source of reportable information and reports given to HSA’s program managers as feedback about their budgets. All personnel transactions, contract modifications, changes to CEC claim parameters, aid payments, and supplies must be inputted and tracked to ensure the SimClaim remains as relevant as possible. Compiling such detailed information for input, in itself, is not a minor undertaking for the administrative units involved. The resulting instrument appears to justify the ongoing meticulous data input. They now have a tool that serves a multitude of uses, including that of a control for fiscal purposes. Data input access to the SimClaim is limited to a half dozen individuals who, in turn, record all of their changes in the designated section of the spreadsheet tool. The SimClaim is backed up on a regular basis, as one would expect.

Used as a central information source, the SimClaim necessitates the interaction of program, personnel, fiscal, and other operating units. It can therefore be said that it contributes to HSA’s team-oriented culture. Fiscal’s input is required early in the budget setting, or changing process, because fiscal controls the SimClaim.

Recommendations for Contra Costa County

Contra Costa County’s EHSD should actively publicize senior management’s goal of having a more team-oriented and accountability-sharing budgeting process. Mid-level program management should be encouraged to assume a more active role as team members during the formation of the budget and during periodic reviews of the budget status. Fiscal staff should likewise be encouraged to provide frequent budget reports that specifically address costs, not only by line item but by program, thereby better serving program managers’ needs.

A SimClaim, or a SimClaim-like tool, should be developed for use by the EHSD fiscal department as a control for what goes into the budget, a budget monitoring tool, and as an enhancement to the team-building effort recommended above.

Next Steps

EHSD fiscal staff should formally request a copy of San Francisco’s SimClaim and instructions for its use. The SimClaim would then be set up and used on a trial basis for evaluation by EHSD fiscal staff.

Budget Considerations

The cost to incorporate the recommendations would be reflected in the initial setup of SimClaim. Any initial increased cost would, however, be mitigated by the improved efficiency of the fiscal staff once the SimClaim is fully incorporated in the department’s operation.

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