



Financial Systems and Processes Review



Final Report: November 29, 2020



This report provides a current state analysis of the Township's key financial processes and recommendations to improve service, reduce non-value-added activities and assess risks.

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EXECUTIVE SUMMARY

The Township of Drummond North Elmsley (the “Township” or “DNE”) has an estimated 7,833 residents and is located in Lanark County (the County), Ontario. The Township’s FY 2020 operating budget is \$6.6 million and the Township employs approximately 20 full and part time staff. DNE is a rural municipality providing administration, planning and building services, bylaw enforcement, public works and waste management. Drummond/North Elmsley Tay Valley Fire Rescue provides fire protection and emergency response for the residents of Drummond/North Elmsley Township and Tay Valley Township. DNE has partnered with Tay Valley Township and the Town of Perth to undertake a joint Recreation Master Plan to guide future investments in facilities and programming.

While the Township is a relatively small, rural municipality, it has the same legislative requirements for financial and asset management as any other of the 444 municipalities in Ontario. Like many municipalities of its size, the Township is challenged to take on additional responsibilities.

It simply cannot keep adding work without “freeing up” capacity through eliminating non-value-added activities. This is particularly true in financial services, an area that has seen significant change in the last decade in terms of financial reporting, liability recognition and tangible capital asset accounting. The next few years will see additional changes in accounting standards, regulatory requirements for asset management and retirement obligations that all require financial expertise.

This has meant the role of the municipal treasurer needs to evolve from one that focuses on transactions to a strategic business partner. To do so, means financial processes need to be LEAN, sufficiently controlled and effective. Systems need to support the long-term goals of the Township and be robust enough to provide the information needed to make effective decisions.

The Township recognizes the challenges ahead and the need to modernize its services, manage its assets and ensure long term financial sustainability. WSCS Consulting Incorporated (WSCS) was engaged to assist the Township through a Financial System and Processes Review, funded by the Municipal Modernization Fund.

This fund was created following the release of the government regional review. Steve Clark MPP announced that it *"would not be forcing amalgamation on any municipality but did offer funding to audit financial books and review how services are delivered."* Municipal leaders responded by stating that; *"People expect the province and municipalities to work together... When we work together to meet shared goals, we can deliver better services for people, and respect for taxpayers."*

Our review revealed that the Township has many opportunities to streamline its financial processes, improve customer services, enhance long term financial planning and provide better information for decision making. It starts with a new financial system, one that provides more functionality, integration of all services and leverages its partnerships with other municipalities.

The Township found itself at a critical juncture in 2020. It had to make a significant decision regarding its current financial system, VAILTECH. Either it must upgrade its ORACLE database version and licensing or make a decision to move away from a product no neighbouring municipality utilizes and the County does not support.

VAILTECH is written in ORACLE development language and requires ORACLE Web Logic and database servers to run. ORACLE can be quite expensive and is primarily used by larger databases and organizations. This not only adds another layer of complexity, it increases the cost to the Township. VAILTECH database tables currently exist on ORACLE database version 10g that has not been supported by Oracle Corporation for many years.

The oldest supported database version from Oracle is 12cR2 (12.2) which expires November 30, 2020. The upgrade was estimated to be \$65k with annual licensing of \$15k and ongoing support by Kalware, for database monitoring at \$10k. Clearly this is a significant investment by the municipality. But more importantly, the continuation with VAILTECH would limit the Township's ability to modernize and integrate its financial processes in one system. It would also mean that the Township would continue to be siloed from its partner municipalities and not realize the benefits of shared knowledge.

Due to the urgency surrounding the upgrade, an interim report was delivered to Township Council in September 2020. This interim report outlined the municipal financial system landscape and the options available to the Township. In that report, WSCS recommended that DNE move in a new direction, with the view to implement a new financial system, preferably the one that was compatible with its neighbours and the County.

DNE Council opted to pursue a partnership with the County and the implementation of Microsoft Dynamics GP (GP), the software used by the County and most of the local municipalities. It was clear that continuing on the VAILTECH and Oracle platform would not serve the Township well in the long term.

Since that time, WSCS consulted with the DNE/Tay Valley Fire Service and discovered that they too, are in need of a new financial system. Their current system, SAGE, does not provide some of the basic, modernized electronic functionality that is needed to streamline their operations. In consultations with the Township, it was suggested that, it would make sense to include the fire service in the implementation of GP as a separate company but share the software. Tay Valley also uses GP, hosted by the County, so there would be additional synergies if the Townships and the fire service operated on the same platform.

On this basis, WSCS and the Township have worked with the County and Central Square Technologies (CST), the vendor, to develop costing and implementation strategies for GP. Based upon WSCS's experience implementing GP for other municipalities, we recommend that the Township implement GP in phases.

We have also provided insights into the costing suggested by CST. It is critically important that the Township assign a project manager (PM) to this project, not rely only on the vendor's PM. Because the services portion of the contract (implementation consulting, conversion and training), is billable based upon time used, the Township can minimize its costs. In total, the initial investment includes a one-time cost of \$68k of which it is estimated the DNE/TVT Fire Services portion be about 10% or \$6.8k. This includes the initial software purchase, SQL Server licenses and County installation costs. CST has also provided a quote for services (consulting, training, technical and conversion). We have provided a recommendation on the phasing of the implementation that estimates these service costs for the first year, 2021, to be \$100k (\$10k for Fire).

Additional modules, such as Virtual City Hall and HR My Way (online human resources), are subscription services, meaning cloud based annual fees. While we recommend that the Township implement these products to improve services and streamline processes, we suggest that this be part of phase 2 implementation.

In fact, we suggest that implementation be phased over subsequent years based upon capacity. It is important to note that the Township will own the software for all the base modules at the outset. Therefore, it can decide how much consulting services it needs for implementation in subsequent years.

It has been our experience that a fully functioning Enterprise Resource Planning System (ERP) such as GP, takes 5 years to implement, particularly for municipalities of the Township's size. In fact, we have seen some municipalities implement one module per year and take a decade. Further, since GP is a Microsoft product, it is constantly evolving and developing new features and functionality. Therefore, the Township should look at this implementation as a journey, not a destination.

A financial system, though, is just a tool to deliver services. Financial management is not just a piece of software but rather a framework of policies, legislation, values, principles, internal controls and processes. made up of system and processes designed to demonstrate accountability and make long term decisions based upon evidence. It is made up of several disciplines, planning, reporting and analysis that support management and provide services. In fact, without good financial management and processes, the Township will not have access to funds when it is needed nor will they be able to deliver on their strategic goals.

The role of the municipal treasurer is defined in the ***Municipal Act but it is insufficient for today's world***. The increasing complexity of municipal sector demands an evolution of the role to one that partners with department heads to focus on strategy and long-term financial sustainability.

Our financial services review revealed that the Township is in a good position to make significant change. Staff are dedicated and committed to the Township with many ideas on improvements. A review of the policies and procedures indicate a need to be updated to provide better instruction, reduce the risk of error and improve internal controls.

Many of the processes are paper based and result in "moving" documents around. These can be lost or duplicated. Some processes as they are set up demand multiple copies to be produced and filed in different locations. Often, this means that the "true" final copy is unknown and/or staff spend time "looking" for things as opposed to working on them. Any time paper is produced, it increases cost to the municipality. It must be handled, moved, filed and kills trees. Paperless document management reduce this need to produce paper. New financial systems, such as GP, allow for complete paperless processes with defined workflow for approvals.

DID YOU KNOW:
The amount of wood and paper thrown away each year is enough to heat 50 million homes for 20 years.

The lack of integration of systems also exposes the Township to some risk and adds to the duplication of effort. Some software packages are significantly underutilized likely due to ill conceived implementation and a lack of training. For example, WorkTech (WT), a job costing/asset management system, are owned by the Township, only serves as a data entry system because VAILTECH is deficient in functionality.

The information entered into the system for timesheets and payables in WT is not accessed or analyzed. Reconciliations between systems is also not done. EASYPAY, an inexpensive payroll processing system, is utilized as opposed to VAILTECH. Again, this means that the details are not included in the financial system, simply the general ledger information. This minimizes the ability to undertake financial analysis of compensation (the largest Township expense), at the departmental level. As well, human resource information is stored elsewhere.

It is our opinion that the recommendations to move to a new software provides the Township with an excellent opportunity to streamline its financial operations and provide more time for long term planning and analysis. With the asset management requirements in O.Reg 588/17 looming in 2021 and beyond, the focus needs to shift from transactions to analysis.

We commend the Township for taking on this endeavour and are confident, with the assistance of the County, that it will be successful. This is a large investment in software and the future for the Township but significant savings in staff time and elimination of non-value-added activities will result in increased capacity to concentrate on strategic initiatives, asset management and long-term financial planning.

While our assessment and recommendations for change sounds daunting, the Township has the leadership and support of Council to make change. We are confident that the staff have the desire to make the required changes and the Township will see the benefits in the near term.

PROJECT OBJECTIVE

WSCS Consulting Inc. was engaged to perform a modernization review of the Township's financial processes. The project objectives identified in the Request for Proposal (RFP) included:

- i. A review of the financial management and practices of the Township for the calendar years 2017 to 2019 and until March 31, 2020 and any prior years found relevant.
- ii. A comprehensive review of existing financial software and operational processes with a focus on achieving greater efficiency reducing operating costs and establishing long-term sustainability.
- iii. Identify opportunities for improvement and best practices that may be applied to other municipalities facing similar challenges.
- iv. Review the finance departments existing culture, structures, roles and responsibilities aimed at modernizing administrative processes and practices.
- v. Provide a game plan to achieve desired results.

SCOPE

The project scope included conducting project management tasks, financial analysis, documentation reviews, interviews, system walkthroughs and assessment of the Township's technical environment to recommend a path forward for its Enterprise Resource Planning (ERP).

We analyzed the following services and processes:

- | | |
|---------------------------------|-------------------------------------|
| • Customer/Online Services | • Customer Relationship Management |
| • Budget | • Accounting/General Ledger |
| • Procurement | • Accounts Payable |
| • Payroll | • Human Resources |
| • Property Taxes | • Accounts Receivable |
| • Cash Management | • Permits & Licenses |
| • Fixed Assets | • Asset Management |
| • Job Costing/Equipment | • Work Management |
| • Management Reporting | • Financial Statement/FIR Reporting |
| • Integration with Systems | • Security |
| • Technology Platform & Roadmap | • System Support |

Figure 1 illustrates our project approach.

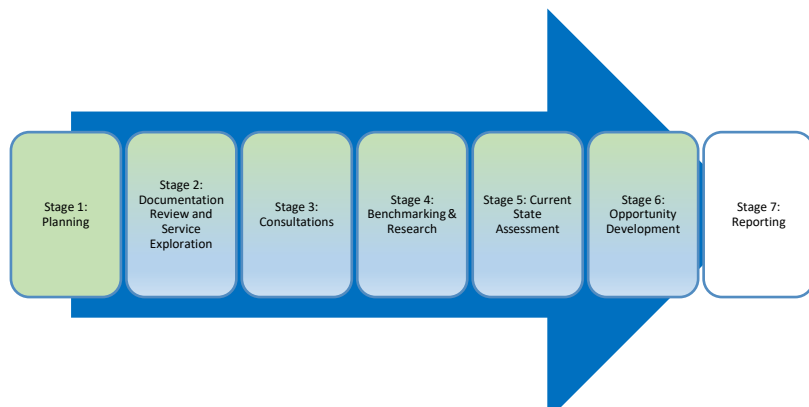


Figure 1: Project Approach

In the interim report presented to Council at its September 8, 2020 meeting, we provided 3 main options for a future course of action for the Township's VAILTECH investment and related applications and shadow systems as follows:

Option 1(a): Upgrade Oracle and VAILTECH as quoted

Option 1(b): Upgrade Oracle and VAILTECH and add additional modules such as payroll, accounts receivable.

Option 2: Explore Joining County MS Dynamics GP installation

Option 3: Issue RFP for new system

At that meeting, Council decided that Option 2 was most favourable. Since that time, WSCS and the Township has been working with the County and Central Square to determine the costs and workplan to move to Microsoft

Dynamics GP. As part of ongoing interviews regarding financial processes, DNE/TVP Fire Services also expressed interest in partnering with the Township and move in the same direction.

METHODOLOGY

The following activities were also undertaken from the commencement of the project in order to assess the financial system and processes:

1. Project Planning
2. Delivered LEAN Six Sigma Training – White Belt Certifications.
3. Conducted a project kick-off meeting and building awareness around the project.
4. Interviewed with the Finance and Deputy Clerk to evaluate current systems and business processes.
5. Conducted interviews and system walkthroughs with Finance staff.
6. Interviewed department heads and Council members.
7. Interviewed with VAILTECH, Kalware and the County.
8. Met with Central Square and evaluated pricing on behalf of the Township.
9. Reviewed documents provided by the Township including:
 - Financial information surrounding systems
 - Policies, process and procedure documents

- Identification of current systems and documentation

10. Performed system walkthroughs for financial processes and transactions with the view to assess:

- Comprehensiveness and effectiveness of Policies and procedures
- Document management
- Duplicate entry / re-keying of information
- Issues with / shortcoming of current systems
- Strengths of existing systems
- Unused features / functionality of existing systems (VAILTECH, WorkTech and EASYPAY)
- Reporting Functionality
- Security and workflow
- Opportunities to interface systems
- Unique Township business rules
- Vendor interaction
- Current technology project initiatives / Future technology projects

11. Financial analysis of key performance indicators to illustrate the financial management effectiveness of the Township. While the RFP suggested a three-year review, we expanded this to a decade to show trends utilizing the Financial Information Returns (FIR).

12. Analyzed data to develop a total cost of ownership (TCO) analysis for current systems utilized by the Township and value for money.

13. Analyzed costing provided by Central Square for the purchase of Microsoft Dynamics GP software, recommended services including consulting, training, conversion, technical and project management fees. Based upon this information and experience implementing GP in several municipalities, WSCS developed a more realistic implementation roadmap based upon the knowledge of the Township capacity. Recommended costing was adjusted to reflect number of consulting and training hours based upon a phased approach.

14. Assessed the DNE/TVP Fire Services portion of these costs based should they wish to proceed.

15. Developed opportunities for future state processes, some of which are achievable regardless of the system decision.

16. Interim and Final Reporting.

KEY FINDINGS

The key findings from this review are follows:

SUCCESSSES

1. Financial results show that the Township is well managed. Relatively low number of complaints indicate that, in general, residents are satisfied with the services.
2. Council engagement and support is evident. There is a commitment to make changes that are required to improve financial systems and processes.
3. Staff and management are dedicated, competent and well-respected by each other and Council. The LEAN Six Sigma training illustrated a good understanding of the concepts and willingness to change.
4. Staff were engaged in the process review and are aware of the need for training and exploiting system functionality. Interviews and walkthroughs revealed that staff are eager to find solutions to improve the processes and ensure controls are in place to mitigate risk.
5. The Township has strong, effective partnerships with the County and neighbouring municipalities which bodes well for sharing services and leveraging common technologies.
6. While some financial processes could be improved, staff are very resourceful and get things done as efficiently as possible.
7. Significant uptake on preauthorized payments and electronic funds transfer. Additional online options and system functionality will only enhance these results.
8. Utilization of CGIS for mapping and permitting is underway. This could be further leveraged to integrate with new financial system and eliminate need for manual processes.

Key Successes...

Excellent Council Staff Relations
 Strong Partnerships with County & Neighbours
 Fiscally Responsible
 Interested in LEAN and Making Change
Excellent Financial Results
 Great Management Team
 CGIS Willingness to Change
 Preauthorized Payments & EFT
 Dedicated Competent Staff
 Few Service Complaints



KEY FINDINGS – FINANCIAL PROCESSES

In terms of process efficiency and controls, we have categorized the findings in 5 areas: Financial Planning & Performance, Revenue Management, Purchasing/Accounts Payable and Payroll. **Figure 3 highlights the key findings for each process area.** An overarching theme that emerged was that the Township policies, procedures and accountabilities need updating. The financial system is not conducive for long term success and lacks functionality found in today's financial management system landscape.

This results in a significant amount of time being consumed by paper-based processes and non-value-added steps. It is also imperative that, in order to serve customers and make evidence-based decisions, appropriate staff need to have access to information.

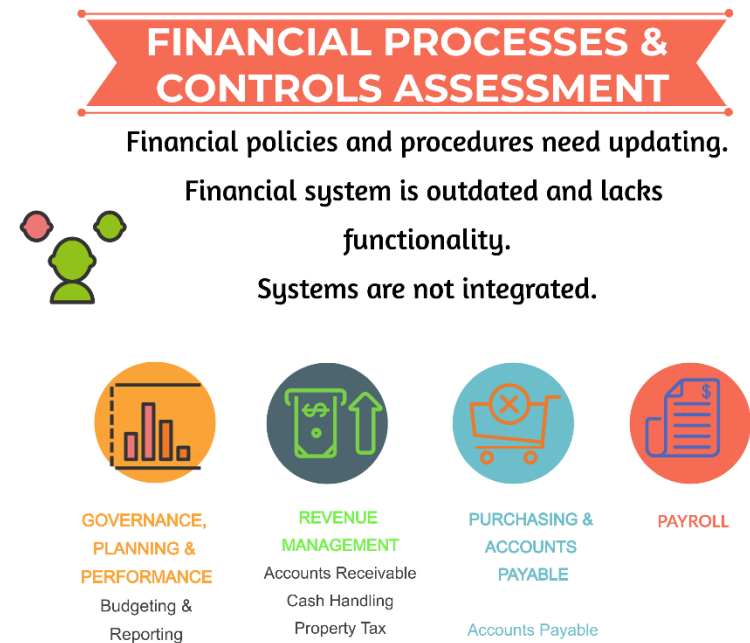


Figure 2: Financial Processes and Controls Assessment

The Treasurer must be able to transform the organization to be more “LEAN”, improve customer services and ensure that there is one corporate source of documentation to support decisions. Because systems are not integrated, additional process steps are required in order to mitigate risks. There continues to be a high reliance on paper source documents and duplicate entry in multiple spreadsheets. A new financial system will provide opportunities to ‘rethink’ how services are provided and modernize reporting and planning.

FINANCIAL PROCESSES & CONTROLS ASSESSMENT



GOVERNANCE, PLANNING & PERFORMANCE

- Delegation of Authority and controls need review
- Financial planning is still annual but good progress in asset management planning
- Township Asset Management does not reflect lifecycle costs - a focus for 2021
- Policies and Procedures are mixed together
- Reserve policy needs updating with AM
- Limited management reporting and analysis
- Limited Key Performance Indicators (non financial)
- GL/Chart of Accounts needs review
- Financial Reporting is challenging with current system

PURCHASING & ACCOUNTS PAYABLE



- Policies and procedures are more focused on system steps than process
- Manual Paper based processes - document management would enhance services and reduce waste.
- Too many handoffs - process is too complex
- Purchase orders are not utilized - no 3 way matching or commitment control
- System is challenging - no "good" batch control
- WT is used for payables but only because VAILTECH is deficient

REVENUE MANAGEMENT



- Competent Tax Administrator
- Revenue management, other than tax, is not system generated - AR balance is not known
- Cash drawers are shared and not closed off
- Paper based processing and billing
- Limited payment options
- Revenue recognition cash basis
- Good Collection practices, low receivables
- Building permits are calculated manually and entered in CGIS - not integrated with VAILTECH
- Manual Bank Reconciliation
- Limited online processes.

PAYROLL



- Highly detailed, competent Payroll/AP Clerk always looking for new ways to do business
- Manual processes evident - too many steps in system - duplication in tracking in Excel
- EASY PAY and WorkTech - utilized as opposed to VAILTECH as it is deficient - not integrated
- Different processes depending on department – manual
- WorkTech underutilized, not set up for efficiency
- Taxable benefits not easily captured
- Entitlements tracked separately
- Duplication of work

Figure 3: Financial Process Findings

KEY FINDINGS - SYSTEMS

The Interim Report provided a detailed analysis of the systems utilized by the Township as follows:

THE CURRENT STATE

The Township utilizes VAILTECH financial system to support finance for general ledger, budget, property taxes and accounts payable for payments to vendors. The current installation is version 6i on a client server application.

The Township's history with VAILTECH began well over 20 years ago when the Township selected VAILTECH as its preferred vendor. It was primarily known for its property tax module as opposed to a total municipal solution. Its customers, such as the City of Ottawa, Town of Caledon, utilize another system (e.g. SAP, Microsoft Dynamics GP) for its other financial transactions in order to integrate its systems and take advantage of new technologies such as online transactions.

EASYPAY is utilized to pay employees and is not integrated with VAILTECH. This is a simple, cost effective system but does not provide time entry for employees. This is entered manually by administrative staff.

WORKTECH (WT), which is a job costing/asset management system, is only utilized to enter detailed information for accounts payable and payroll since VAILTECH does not allow for ease of entry or batches. Batches are sent to VAILTECH through scripts and uploaded. Once the information is imported into VAILTECH, manual work is often required to reflect detailed information in VAILTECH accounts payable. No reconciliation is undertaken between WT and VAILTECH so there is no reliance on the information in WT.

CGIS provides the Township with mapping software, permitting and asset information. BUT this does not meet the needs for asset management planning, lifecycle costing requirements for O.Reg 588/17 that must be in place by July 2021.

Human Resources, Fixed Asset Accounting, Asset Management, Permits, Licenses, Bylaw Enforcement and Accounts Receivable are handled manually or through spreadsheets outside of VAILTECH. While DNE owns the WT Fixed Asset Accounting module, it is not used. VAILTECH claims that its general ledger module includes fixed assets but it is also not utilized.

New financial systems allow for the integration of various business processes within the Township and to pave the path for the Township to moving toward the direction of electronic government. VAILTECH, while has more modules than DNE currently uses and has moved to a web-based product which may improve its experience but will continue to be an Oracle based product requiring additional support. Research shows that Oracle is 3 TIMES more expensive than Microsoft SQL Server and has always been. SQL Server is utilized by the County and is the platform for all of the other small/mid-range financial system platforms for municipalities.

Oracle language is also considered to be considerably more complex to develop, query and develop reports than Microsoft SQL Server.

Because the County does not support Oracle databases, the Township engaged Kalware Microsystems Inc. to monitor the databases and perform backups. On occasion, Kalware provides support to run scripts for VAILTECH and patches.

Through an IT Services Contract, BYLAW 2008-0024, the County has been providing the data centre for DNE and the other local municipalities. This includes application services, management, network and server support, monitoring, security and performs backups for DNE. Additional assistance is provided where required.

FINANCIAL INFORMATION

Table 1 shows the quoted cost for the Oracle and VAILTECH upgrade to 12c which does not include any costs for Kalware support.

Table 1: Financial Costs for Upgrade ORACLE & VAILTECH

Fee Description		Net Fee
Program Fees	\$	54,561.16
Software Update License & Support Fees	\$	12,003.45
Migrated Licenses (New) Program Fees	\$	10,911.25
Migrated Licenses (New) Program-Related Service Offerings Fees	\$	3,113.16
Other Fees	-\$	449.16
Vailtech Upgrade	\$	3,600.00
Total Fees	\$	83,739.86

Annual license fees were quoted at $12,003.45 + 3,113.16 = \$15,116.61$.

While VAILTECH indicates that these costs should be lower, there is no current data. There is a possibility that Oracle could provide data centre services but this would likely require an ongoing commitment as well. The cost to upgrade to 19c in five years is unknown but we understand that if the Township pays the annual license fee of \$15k, this cost would be covered.

Table 2 shows the costs by vendor for IT services by vendor from 2015-2020 year to date. It is important to note that \$40k of the costs billed by the County include server or software licenses. The remainder reflects the support services.

SUMMARY OF OBSERVATIONS

While the current VAILTECH environment supports the daily needs of the Township and supports the ability of end users to accomplish their responsibilities at a basic level, the current system structure has left the Township with many challenges. The following points summarize the key functional weaknesses regarding the systems and processes that support financial management, human resources, payroll and asset management.

Lack of an intuitive user interface

The Township's current financial, human resources and tax billing systems do not provide end users with an intuitive and integrated experience across common transactions. The current version has an old interface and lacks drill down functionality. The systems lack sufficient querying tools and the Township must rely on VAILTECH to develop and provide custom reports. Many parts of the system do not provide for export to Excel.

Inefficiencies Due to Redundant Data Entry and Manual Processes

Vendor	2015	2016	2017	2018	2019	2020	Grand Total
COUNTY OF LANARK	\$ 26,215	\$ 14,810	\$ 20,114	\$ 17,580	\$ 30,652	\$ 18,163	\$ 127,535
EASYPAY	\$ 349	\$ 355	\$ 355	\$ 355	\$ 355	\$ 355	\$ 2,124
KALWARE	\$ 10,312	\$ 10,312	\$ 10,312	\$ 7,872	\$ 7,872	\$ 7,872	\$ 54,552
ORACLE	\$ 678	\$ 699		\$ 741	\$ 763	\$ 794	\$ 3,675
VAILTECH	\$ 9,293	\$ 9,572	\$ 10,050	\$ 10,553	\$ 10,869	\$ 11,413	\$ 61,749
WORKTECH	\$ 3,274	\$ 3,503	\$ 3,591	\$ 3,591	\$ 3,771	\$ 3,009	\$ 20,739
Grand Total	\$ 50,122	\$ 39,251	\$ 44,422	\$ 40,692	\$ 54,282	\$ 41,605	\$ 270,374

Table 2: DNE IT FINANCIAL INFORMATION

The existence of multiple standalone systems and reliance on desktop applications like Excel inevitably results in inefficient business processes. Disparate information systems result in redundant data entry efforts because information is taken out of one system and entered into another. Even when data can be directly downloaded via automated means, the organization of data and formatting requires significant effort. In addition, there are still a host of manual processes that support certain business functions. In a number of cases where standalone systems and desktop applications are now being used it is possible that unused modules of the VAILTECH system could support these functions. Some financial processes are achieved with paper-based approaches such as accounts receivable, permits and not entered into VAILTECH except when cash is received.

Document Management is not used in VAILTECH and there are no links to other document management software

Document management allows for elimination of printing and paper-based processes. While VAILTECH allows for some document management, it is not used extensively. Some systems allow for links to other document management systems to reduce duplication and meet records management requirements.

VAILTECH lacks functionality

While a new version is available, there is limited functionality particularly for online services. New modules may assist the Township as well as some training but there would need to be additional investments. Each module cost ranges between \$5-7.5k. The lack of integration and reporting is problematic. One of the benefits of new financial systems is the availability of workflow to signal to a user when items exist that require approval, review, or attention. VAILTECH does not have such abilities in the current version or their web-based product. This requires the need for separate manual approval processes and notifications when work is ready to be completed in the system, leading to inefficiencies in the business process.

Heavy Reliance Outside Consultants for VAILTECH and ORACLE Enhancement Requests

Along with VAILTECH, the Township utilizes a number of stand-alone systems. To meet the ever-changing needs of government, it is often necessary to report on different results and performance. These would be considered enhancements which would require additional support. Because the product is Oracle based, the Township has an additional contract for monitoring with Kalware (\$8-10k annually) that would not be necessary.

No other municipality in the County utilizes VAILTECH so there are no synergies or savings realized by sharing reports, training and database management.

ORACLE is very expensive and complex for a small municipality

As discussed above, ORACLE is and always has been more expensive than MS SQL Server including licensing and ongoing costs.

Complicated / Limited System Integration Requirements

Numerous standalone systems are used to report and gather data resulting in complex integrations to VAILTECH. The lack of functionality for payroll, job costing and payables means that DNE utilizes WT with little value. Annual cost of \$3k is likely unnecessary. However, the Township will require asset management software to track life cycle cost and service levels to meet the requirements of O.Reg 588/17.

Reliability of data is an issue in many Township areas because information is not processed in real-time or can be immediately synchronized between systems when reporting from VAILTECH. There are also cases where staff has limited ability to access current information in the required systems. The cost to establish interfaces between additional systems to ensure timely and accurate information is available is significant when considering the staff time necessary to test and maintain these interfaces for the long term.

Reporting is Inadequate for Township's Needs

The Township is faced with a number of mandated reporting needs such as the financial statements and Financial Information Return as well as support for grant applications. The standard reports that are available within the system do not meet the overall needs of the Township. Therefore, staff are maintaining separate spreadsheets in order to meet the day-to-day informational needs of the Township and its departments. Others require custom scripts to which Kalware must run. We understand from VAILTECH that reporting is more robust for property tax in the new version but other reporting has yet to be developed. There is a possibility to use other reporting software such as Crystal Reports through an ODBC connection.

Lack of Self-Service Functionality

Several employee facing processes are entirely manual and could benefit from better employee and manager self-service functionality. For example, manager self-service for employee performance reporting and payroll does not exist.

RECOMMENDATIONS

As a result of the findings and knowledge of best practices and future requirements for municipalities in Ontario, we have made 21 recommendations grouped into the following categories:

- 1.0 Organization**
- 2.0 Governance, Planning, Performance and Reporting**
- 3.0 Revenue Management**
- 4.0 Purchasing and Accounts payable**
- 5.0 Payroll**
- 6.0 Technology**

RECOMMENDATIONS – ORGANIZATION

The most significant recommendation contained in this report from an organization viewpoint is that the Township needs to ensure staff get the training and change management support they need to implement new processes and financial system. There may be a need for the Township to access outside support during the transition.

Rec #	Opportunity	Opportunity Detailed Description	Quadrant	Recommended Timeframe	One Time Costs	Estimated Net Productivity/ Capacity Costs (Savings) - 3 Years	Total	Comments/ Assumptions regarding costs and savings
1.1	Undertake a Training Needs Assessment and develop a Financial Training Strategy	As part of the Financial System Implementation, develop a training strategy that encompasses both processes and system utilization. Not just how to use the system but the Township Processes.	HIGH EFFORT, HIGH IMPACT	2021				Internal
1.2	Develop a Continuous Improvement Program focussed on customer service and modernization.	Continuous improvement program should focus on the customer - service standards should be developed and monitored. Gaining the voice of the customer in processes is essential. This can be done with short surveys following services being delivered.	HIGH EFFORT, HIGH IMPACT	2021		-\$30,000	-\$30,000	Improved client service and staff morale. Process savings annually.
1.3	Invest in Technology, Professional and Soft Skills Training	Since Microsoft Dynamics GP is integrated with Excel, advanced training in Excel would be very beneficial for staff.	LOW EFFORT, HIGH IMPACT	2021	\$5,000	-\$15,000	-\$10,000	Investment in staff will improve morale and performance.

FINANCIAL SYSTEMS AND PROCESSES REVIEW

Rec #	Opportunity	Opportunity Detailed Description	Quadrant	Recommended Timeframe	One Time Costs	Estimated Net Productivity/ Capacity Costs (Savings) - 3 Years	Total	Comments/ Assumptions regarding costs and savings
1.4	Assign a Project Manager for the Financial Systems Implementation.	Assign a lead for the financial system implementation to liaise with the Vendor and County and ensure that the Township's interests are met.	HIGH EFFORT, HIGH IMPACT	2021	\$50,000		\$50,000	This may need to be a contract position. We recommend using internal staff for the transformation and hire outside help to do the current day-to-day transactions. This will serve the Township better as the staff who are permanent should be involved in the transformation. Grant funding should be explored.

RECOMMENDATIONS – GOVERNANCE, PLANNING, PERFORMANCE & REPORTING

Long term planning and governance at the Township is moving in the right direction but could improve. As required by O.Reg 588/17, municipalities are required to integrate all of their plans into the Asset Management plan and budget process. An integrated planning framework would be helpful starting with the strategic plan. It would seem reasonable to start this process with the next term of Council. Each department should develop a business plan in line with the strategic plan as well as the asset management plan. A long-term financial plan should accompany these plans and the budget process should always commence with “what the Township wants to achieve” and then “what funds do we need to make that happen”. Staff performance agreements should provide for their contribution to the business plans as well as investments by the Township to grow and nurture their knowledge. In line with performance, the Township, including finance, should have a mechanism to track customer inquiries and complaints as well as associated service standards.

In order to analyze if the Township is meeting its service standards and managing its assets, following the implementation of the new financial management system, we recommend that the Township explore an integrate Asset Management/Work Order/patrolling software solution that integrates with its new financial system. These products provide real time lifecycle costing and send information to payroll so that it does not have to be duplicated. This will give the Township the information that it needs to undertake long term asset management and financial planning.

The recommendations for governance, planning and performance are as follows:

FINANCIAL SYSTEMS AND PROCESSES REVIEW

Rec #	Opportunity	Opportunity Detailed Description	Quadrant	Recommended Timeframe	One Time Costs	Estimated Net Productivity/ Capacity Costs (Savings) - 3 Years	Total	Comments/ Assumptions regarding costs and savings
2.1	Implement an Integrated Financial Planning Framework	As part of 2023 Planning Cycle, following the next Election, develop financial business plans across departments in line with Term of Council Strategic Plan, Long Term Financial Plan. Implement Multi- Year Budgeting.	HIGH EFFORT, HIGH IMPACT	2023			\$0	1/3 FTE to develop framework internally
2.2	Develop long term financial plan with accompanying policies	Develop a long-term financial plan and Financial management framework including delegation of authorities and policies. Integrate with the Asset Management plan	HIGH EFFORT, HIGH IMPACT	2023	\$35,000		\$35,000	Internal costs to develop policies and consultation with staff and Council (5 days work x 5 staff and council time) - Likely need external consulting assistance.
2.3	Develop in house capacity for financial statement preparation, forecasting, variance analysis and audit preparation.	As part of the implementation of the new financial system, set up FIR lines in the GL and move financial reporting in house. Update the GL before implementation. Financial reporting to departments does not provide for variance analysis, forecasting or accruals/commitments.	HIGH EFFORT, HIGH IMPACT	2021			-\$5,000	Training will be required but savings in audit fees will be realized annually - Payback of 2 years.

FINANCIAL SYSTEMS AND PROCESSES REVIEW

Rec #	Opportunity	Opportunity Detailed Description	Quadrant	Recommended Timeframe	One Time Costs	Estimated Net Productivity/ Capacity Costs (Savings) - 3 Years	Total	Comments/ Assumptions regarding costs and savings
2.4	Develop In house capacity for Asset Management /Accounting roles.	Current processes are performed will need to be elevated. Explore AM training for additional staff. Regulations require plan by 2021.	HIGH EFFORT, HIGH IMPACT	2022			\$0	Training will be required but with new systems, current AP clerk may be able to provide AM assistance when PO system implemented - integrates with Fixed Assets
2.5	Explore Integrated Asset Management/Work Order management Systems including Mobile Technology.	Current software is not utilized nor integrated. AM practices demand a more holistic approach that information planning framework.	HIGH EFFORT, HIGH IMPACT	2022	\$27,000	-\$25,000	\$2,000	In house capacity to manage assets and work orders will allow for improved reporting and management.

RECOMMENDATIONS – REVENUE MANAGEMENT

Revenue management segregation of duties is always a struggle at the Township due to its size and processes. Most of the processes are manual and paper based. Further, the Township does not provide electronic billing, online payments, customer portals. The accounts receivable is handled outside of VAILTECH and therefore, are not captured during the year. While the Township does allow for pre-authorized payments, the apply process to the accounts is manual.

The majority of our recommendations centre on the move to modernized billing and cash receipting practices including the elimination of paper-based bills that are costly in terms of paper, printing and mailing costs and staff time with the implementation of the new financial system.

FINANCIAL SYSTEMS AND PROCESSES REVIEW

Rec #	Opportunity	Opportunity Detailed Description	Quadrant	Recommended Timeframe	One Time Costs	Estimated Net Productivity/ Capacity Costs (Savings) - 3 Years	Total	Comments/ Assumptions regarding costs and savings
3.1	Move to one system of receivables and integrate with financial system.	AR and permitting modules will address this issue.	LOW EFFORT, HIGH IMPACT	2022	\$0		\$0	Cost included in financial system upgrade.
3.2	Update Cash Handling policies and procedures.	Accounts receivable and cash handling policies should be updated with new system implementation.	LOW EFFORT, HIGH IMPACT	2022		-\$20,000	-\$20,000	Increased revenues from improved controls and monitoring.
3.3	Implement E-Bank Reconciliation - Should be segregated from AR and AP.	Develop policies and processes for bank reconciliation. With new system, implement e-bank reconciliation and download information from the bank directly into GP.	LOW EFFORT, HIGH IMPACT	2021		-\$8,400	-\$12,600	Time savings of 1 day per month.
3.4	Move to E. Billing	e-Billing for tax has shown to be a significant time and money saving for a variety of reasons.	HIGH EFFORT, HIGH IMPACT	2021			-\$20,000	Cost included in financial system upgrade. Savings estimated at 1000 bills x 2 times per year x \$10 (low end of cost of paper-based billing)
3.5	Implement Virtual City Hall and move to online payments, paperless billing and applications.	Implement the paperless billing modules for tax, utilities and accounts receivable.	HIGH EFFORT, HIGH IMPACT	2023			-\$20,000	Cost included in financial system upgrade. Savings estimated at 1000 bills x 2 times per year x \$10 (low end of cost of paper-based billing)

RECOMMENDATIONS – PURCHASING & ACCOUNTS PAYABLE

Purchasing and accounts payable processes are outdated. In particular, the Township does not utilize purchase orders to commit the vendor to certain provisions, ensure 3-way matching occurs and budgets are committed. The Township does allow for EFT payments. Best to implement a policy for all new vendors that they must use EFT.

Paperless processing of accounts payable will also improve processes and controls while reducing costs. Invoices should be sent to Finance only, as opposed to departments in electronic format, through a centralized method such as a specific email account. This would allow workflow to the departments for coding and approvals. Electronic signatures can be stored with the invoice and attached to the voucher in GP. This would allow for the view of invoices online and eliminate the need to go look for vendor invoices. If managers were provided with view access to GP, they would be able to verify the charges to their general ledger accounts. The Mayor could also sign electronically through workflow.

Rec #	Opportunity	Opportunity Detailed Description	Quadrant	Recommended Timeframe	One Time Costs	Estimated Net Productivity/ Capacity Costs (Savings) - 3 Years	Total	Comments/ Assumptions regarding costs and savings
4.1	Centralize Purchasing Functions. Explore shared Purchasing Roles and Opportunities	Purchasing policies and processes centralized. Implement GP purchasing modules, procurement, 3 way matching and training. Include encumbrances and commitments.	HIGH EFFORT, HIGH IMPACT	2022				Likely 1/4 FTE but provide reduced costs on AP
4.2	Move to Paperless Invoicing in one location (Finance) with Workflow	Current processes are paper based and issuance of cheques. New system will allow for purchase orders and workflow with no paper.	LOW EFFORT, HIGH IMPACT	2021		-\$10,000	-\$15,000	Cost included in financial system Savings in time and reduced risk of loss.

RECOMMENDATIONS – PAYROLL (AND HUMAN RESOURCES)

Payroll processes at the Township are very manual and much duplication of effort is evident. As well, because EASYPAY is not integrated with VAILTECH, there is no detailed view for financial analysis in the system. All of the entitlements are tracked manually outside the financial system and are duplicated in many forms. Work order/job costing is done in WorkTech but never reconciled or utilized for decision making. In today's world, it is highly unusual that staff complete paper timesheets which are then duplicated by entry into the financial system by staff. Time should be entered in one place, one time, preferably commencing from the schedule of staff and only limited changes at the time of the pay.

We recommend that the payroll processes be completely revamped when the new financial system is implemented starting with online timesheets and data entry by staff. This should be done in a work management system where staff assign their time to their work orders which have jobs and activities attached to them. Further, equipment utilized on the work order should be entered at that time. Ultimately, staff should have self service, online options where they can access their paystubs, T4s and other benefit information. This has been in place in many government entities over two decades.

Human resources information and processes reside with the Deputy Clerk and are captured outside the financial system. The implementation of the new financial system will allow the integration with payroll. In fact, it would provide for all information of an employee lifecycle including recruitment, offer letters, onboarding, benefits, training, certifications, health and safety and termination.

FINANCIAL SYSTEMS AND PROCESSES REVIEW

Rec #	Opportunity	Opportunity Detailed Description	Quadrant	Recommended Timeframe	One Time Costs	Estimated Net Productivity/ Capacity Costs (Savings) - 3 Years	Total	Comments/ Assumptions regarding costs and savings
5.1	Implement new HR System integrated with Payroll with all entitlements, electronic access to vacation, benefits etc. Training and Certifications will also be in one place. Post in detail.	Payroll tracks information outside the system due to improper pay code set up and tracking. Reimplementing based upon business rules will allow elimination of many paper-based processes ~ 3 hours per week. New financial system will allow tracking of all HR and payroll information in one place.	HIGH EFFORT, HIGH IMPACT	2022		-\$14,040	-14,040	Cost included in financial system Savings in time and reduced risk of loss.
5.2	Move to Employee Self Service and Online entry.	Staff enter time manually on paper or spreadsheet-based time sheets after the fact. In conjunction with AM and work orders, look at one solution for scheduling, time entry, submission and approval.	HIGH EFFORT, HIGH IMPACT	2023		-\$14,040	-\$14,040	Cost included in financial system Savings in time and reduced risk of loss.

RECOMMENDATIONS – INFORMATION TECHNOLOGY

The primary focus of this report surrounded the need for a new financial system. During the review, however, it became evident that other areas are in need of tools, particularly for asset management. We believe that these should be explored with the County and other partners with the view to utilizing the same software which will reduce the overall costs.

Rec #	Opportunity	Opportunity Detailed Description	Quadrant	Recommended Timeframe	One Time Costs	Estimated Net Productivity/ Capacity Costs (Savings) - 3 Years	Total	Comments/ Assumptions regarding costs and savings
6.1	Procure and implement new financial system. Partner with the DNE/TVT Fire service and the County to share GP and other services.	New financial system to be procured and implemented over a 3-year period will solve the long-term issues for the municipality	HIGH EFFORT, HIGH IMPACT	2021	\$147,774	-\$60,000	\$87,774	Initial implementation (cost avoidance from VAILTECH upgrade. Payback calculated at 5 years.
6.2	Work with County and other municipalities to procure a common Asset Management/Work Management and patrolling software.	All municipalities require asset management, work management and patrolling software in order to track lifecycle costs for O. Reg 588/17. It would make sense to have the same product and lower costs	HIGH EFFORT, HIGH IMPACT	2022				Staff time estimated to be saved above in the payroll area. Most important piece is that the lifecycle costs will be captured in one place. Included above.

FINANCIAL SYSTEMS AND PROCESSES REVIEW

Rec #	Opportunity	Opportunity Detailed Description	Quadrant	Recommended Timeframe	One Time Costs	Estimated Net Productivity/ Capacity Costs (Savings) - 3 Years	Total	Comments/ Assumptions regarding costs and savings
6.3	Work with the County to develop IT Business Continuity Plan.	Work with County and neighbouring municipalities to develop cyber security protocols. By having the same financial system, there could be a good synergy if system go down.	HIGH EFFORT, HIGH IMPACT	2021		-\$25,000	-\$25,000	Staff time to work with County
6.4	Develop Security profiles - GP and other products. Security administrator should not be a financial user.	GP security profiles should be developed to ensure proper segregation of duties. Consult with County for assistance.	LOW EFFORT, HIGH IMPACT	2022			\$0	Improved security aligned with new processes.

MICROSOFT GP PRICING AND RECOMMENDATION ROADMAP

The following costs for software, implementation services have been quoted by Central Square and adapted by WSCS based upon experience. It should be noted that Central Square will invoice the actual hours used at \$225 per hour for consulting, technical, conversion, project management and training services. If the Township does not utilize these hours, it will not be billed. Microsoft Dynamics GP purchase of \$50k includes all the modules regardless of whether or not the Township implements the individual modules. Therefore, should the Township wish to delay implementation of any given module, it could do so. It could also look for lower cost solutions for consulting services if it so chose but needs to be aware of any warranty issues. In the year of implementation, there is a requirement for a SQL Server implementation. Table 5 provides the summary over 3 years. Detailed roadmap is provided in the following pages.

	2021				2022				2023			
	Software	Consulting (Hours)	Training (Hours)	Total Services (Hours x \$225)	Software	Consulting (Hours)	Training (Hours)	Total Services (Hours x \$225)	Software	Consulting (Hours)	Training (Hours)	Total Services (Hours x \$225)
Total	\$67,947	324	125	\$101,025	\$19,477	88	66	\$34,650	\$29,977	184	37	\$49,725
Fire Services Portion	\$6,256	32	13	\$7,290	\$1,797	9	7	\$1,980	\$1,797	18		\$0
DNE COSTS	\$61,691	292	113	\$93,735	\$17,681	79	59	\$32,670	\$28,181	166	37	\$49,725
Total by Year	\$155,426				\$50,351				\$77,906			
VAILTECH/KALWARE - DURING CONVERSION TO BE CANCELLED BY 2022	\$16,320											
Consulting Hours includes: Consultations, Technical, Conversion and Project Management Services Software: 2021 includes one time purchase of MS Dynamics GP software - all modules, 2022 and beyond includes Annual maintenance, support and subscription services for Virtual City Hall and Employee Self Service												

Figure 4: Software and Implementation - Estimated Costs

FINANCIAL SYSTEMS AND PROCESSES REVIEW

Year		2020	2021				2022				2023				Software (3 Years)	Consulting & Technical Services	Training	Total (3 Years)	Comments/ Assumptions
#	Module	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q					
1.0	Foundation Layer & System Manager														78,788	9,000	8,100	95,888	Security should be reviewed for each module
1.1	County Installation														3,150	-	-	3,150	
1.2	SQL Server License														3,292	-	-	3,292	
1.3	VAILTECH KALWARE until Conversion.														16,320				Recommend request monthly billing from Kalware and Vailtech
2.0	General Ledger (with Bank Reconciliation and Budgets)														-	4,230	1,080	5,310	Suggest development of GL in Dec 2020 no cost until 2021
2.1	GL - Bank Reconciliation														-	3,173	810	3,983	
2.2	GL - Budgets														-	3,173	810	3,983	
3.0	Management Reporter Financial Reporting														-	1,125	1,800	2,925	Suggest training each year
3.1	eOne Smartlist Builder (Reporting)														-	900	3,600	4,500	Suggest training for each module implemented.
4.0	Payables Management with EFT														-	10,575	1,800	12,375	Payables go live April 1, 2021 - Update for purchase order and fixed asset integration in 2022
4.1	Diamond Purchase Orders with Workflow														-	4,050	450	4,500	Purchase orders and inventory should be

FINANCIAL SYSTEMS AND PROCESSES REVIEW

Year		2020	2021				2022				2023								
#	Module	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	Software (3 Years)	Consulting & Technical Services	Training	Total (3 Years)	Comments/ Assumptions
4.2	Inventory (with automated PO integration)														-	1,800	-	1,800	implemented together
5.0	Property Taxes														-	22,950	7,200	30,150	Suggest some training for MPAC import at end of 2021 and additional training in 2022 for tax rates
5.1	Electronic Biling (eSend)														17,160	2,250	900	20,310	
6.0	Cash Receipts and Cash Management														-	3,375	1,800	5,175	Cash Receipting Go Live April 1, 2020.
6.1	Sundry Receivables Management & Invoicing														-	4,050	675	4,725	
7.0	Permitting														-	13,500	7,200	20,700	Work with CGIS to integrate during 2021 with GO Live 2022.
8.0	Fixed Assets														-	5,625	1,800	7,425	
9.0	Payroll														-	9,000	3,600	12,600	Payroll go live Jan 2022, Yearend payroll training in 2022
9.1	Human Resources														-	10,125	6,975	17,100	Implement HR.with Payroll, remaining HR Modules can be implemented over time.
9.2	Employee/Manager Payroll and Self-Service														4,512	4,950	1,800	11,262	Implement HR Self Serve after HR implementation

FINANCIAL SYSTEMS AND PROCESSES REVIEW

Year		2020	2021				2022				2023				Software (3 Years)	Consulting & Technical Services	Training	Total (3 Years)	Comments/ Assumptions
#	Module	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q					
10.0	Virtual City Hall (Web Interface for Citizens)														10,500	5,850	900	17,250	
Total Fire Service Costs			\$13,546				\$3,777				\$1,797								
Total DNE Costs			\$155,426				\$50,351				\$77,906								
Total by Year			\$168,972				\$54,127				\$79,702								

Table 3 provides an analysis of the present value of each option. Option 1 provides the cost of remaining with VAILTECH, with Oracle, support from Kalware, continuation of WorkTech and Easy pay. This scenario will not result in most of the savings identified in this report. Option 2 and the move to Microsoft Dynamics GP will allow for the Township to move forward and modernize. The net present value of future cash flows shows that a move to a new system will allow the Township to make changes. The payback period is estimated to be 2 years assuming that the Township retains an in-house project manager. If it requires outside assistance, it will be a payback of 3 years.

Table 3: Present Value and Payback Calculations - Comparison of Current and Future State

PRESENT VALUE OF FUTURE CASH FLOWS						
SOLUTION	PRESENT VALUE OF FUTURE CASHFLOWS	2021	2022	2023	2024	2025
REMAIN WITH VAILTECH/ORACLE/KALWARE/WORKTECH/EASY PAY	\$219,316.65	\$ 112,266	\$ 29,266	\$ 29,266	\$ 29,266	\$ 29,266
CUMULATIVE COST CURRENT STATE		\$ 112,266	\$141,532	\$170,798	\$ 200,064	\$ 229,330
MICROSOFT GP & PROCESS/COST SAVINGS	\$53,432.09	\$ 155,426	-\$ 23,476	\$ 4,079	-\$ 43,850	-\$ 43,850
CUMULATIVE COST MS GP AND PROCESS SAVINGS		\$ 155,426	\$131,950	\$136,030	\$ 92,180	\$ 48,330
PAYBACK OCCURS END OF YEAR 2022		\$ 43,160	-\$ 9,582	-\$ 34,768	-\$ 107,884	-\$ 181,000

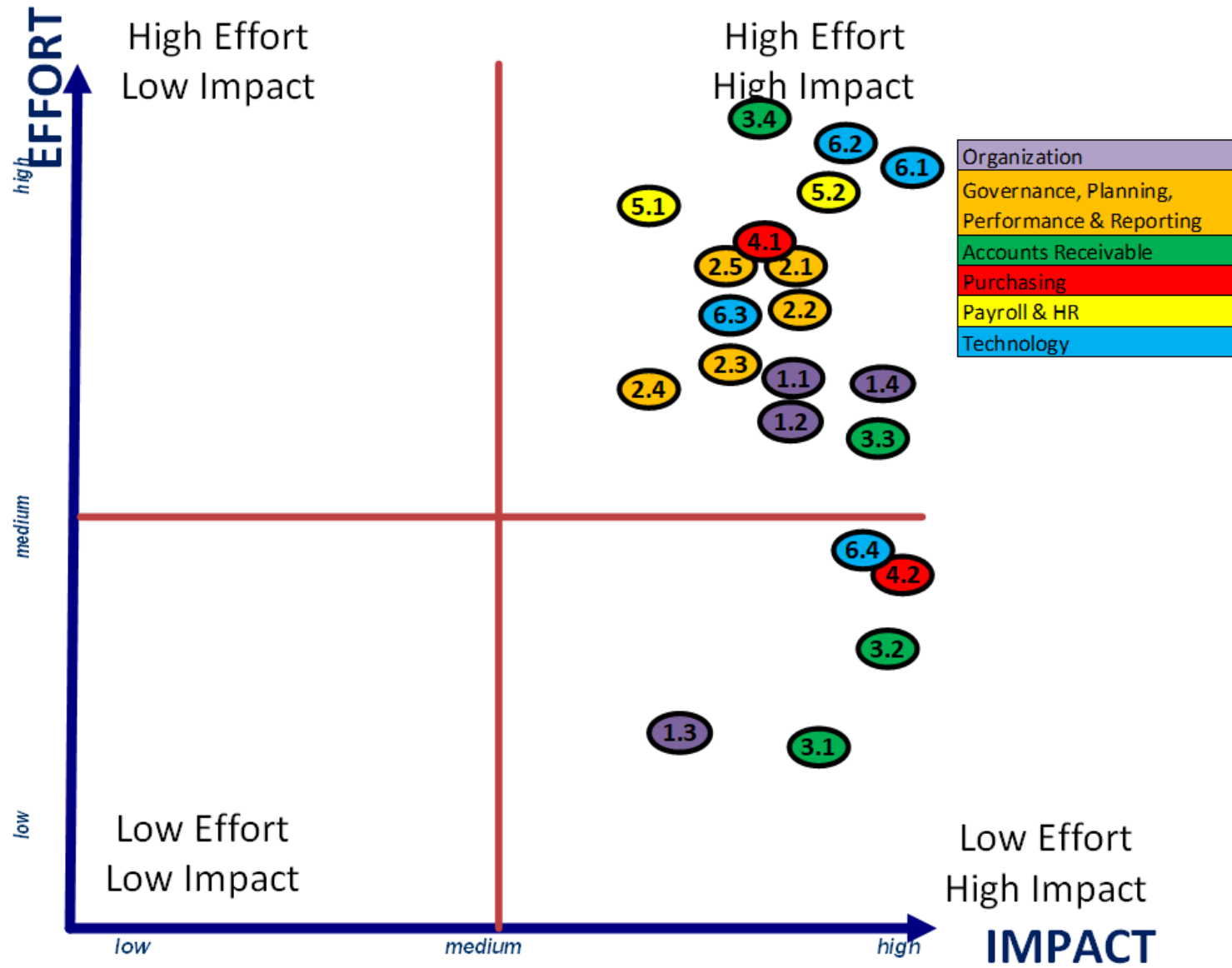
RECOMMENDATION ROADMAP

In order to provide the Township with priorities, anticipated investment and savings, we have provided our estimate of the investment required and anticipated capacity savings as well as real savings over a three-year period. We recognize that the Township has limited capacity to make change and therefore, recommend a staged approach to transformation. **Table 4: Summary of Recommendation by Category, Year with Investments and Savings** below shows that, our recommendations will require approximately \$264k in investment which assumes external assistance for the long term financial plan and project management, hence the resulting impact of \$43k. The savings will extend past this period, particularly once the recommendations are fully functional. It is important to note that the savings are shown for the full three years based upon the start date for implementation, not expected to be saved in the year of implementation. For example, investments in 2021, the savings are calculated to 2023.

In Figure 5, we have also provided an assessment of the level of effort and impact by recommendation. One will note that no recommendation provided fall into the quadrants of “low effort, low impact” or “high effort, low impact”. While we had many recommendations that would fall into those quadrants, we opted not to provide these in order to allow the Township to focus on those recommendations that will provide the best investment based upon its limited resources.

Category	# of Recommendations	Costs	Savings over 3 years	Sum of Total
1.0 Organization	4	\$55,000	-\$45,000	\$10,000
2.0 Governance, Planning, Performance and Reporting	5	\$62,000	-\$25,000	\$37,000
3.0 Revenue Management	5	\$0	-\$28,400	-\$28,400
4.0 Purchasing and Accounts payable	2		-\$10,000	-\$10,000
5.0 Payroll	2		-\$28,080	-\$28,080
6.0 Technology	4	\$147,774	-\$85,000	\$62,774
Grand Total	22	\$264,774	-\$221,480	\$43,294

Table 4: Summary of Recommendation by Category, Year with Investments and Savings



—Figure 5: Prioritization of Recommendations by Category

CONCLUSION

In conclusion, the Township is in a good position to improve its financial management practices, customer service and internal control framework. A significant investment needs to be made for a new financial system which will take some time to implement. In fact, we urge the Township to take its time to do the implementation right the first time. This implementation will allow the Township to modernize its financial processes and improve financial management practices. Some work needs to be done in the area of policies and procedures at the same time.

As the Township embarks on this financial system implementation, we encourage a continuous improvement plan be developed with team leads to ensure that the Township never stops improving. So often, municipalities miss a great opportunity to improve customer service and eliminate non-value-added activities from its processes when implementing software. This report should serve as a “reboot” for the Township. It has started to embrace LEAN Six Sigma which will serve well as it moves forward.

We also strongly encourage the pursuit of electronic document management to eliminate paper-based processes and improve controls by having one area for source documentation. Studies show¹ that, on average, 7.5 documents of 100 per week has a cost of \$220 each. The misfile rate is 3.5% at a cost of \$120 each. Thinking of the volume of paper documents that the Township produces in a year, it would be significant savings. Further, customer service will be improved by moving to e-billing, online portals and payments.

ACKNOWLEDGEMENT

We wish to express our appreciation for the cooperation and assistance afforded WSCS Consulting Inc. by staff and management. We wish the Township the best of luck in implementing its new system, improved controls and processes.

¹ 2011 Coopers and Lybrand study of Document Management Solutions
<http://www.crn.com/blogs-op-ed/channel-voices/231002834/how-to-show-great-roi-on-document-management-solutions.htm>

Background

Situated in eastern Ontario, the Township of Drummond North Elmsley (the Township or DNE) is a lower-tier municipality in the County of Lanark. The Township land area is 366.13 square kilometres and medium population density at 21.23 per square kilometre. There are 52% of municipalities in Ontario with lower density illustrating that the Township's rural environment is similar to many others. Management of resources is challenging: a large geographic area primarily funded by the residential tax base (over 79.5%) and farmland (10.4%).

According to the 2016 Census, the Township population at 7,773, represents .06% of the province's population, is larger than 241 out of 415 lower/single tier municipalities (58%). Like many municipalities outside the GTA, the Township's population is aging. Its median age is 49.6 years which is over Ontario's at 41.3 years. In terms of young people, the Township's population under the age of 19 represents 35% which is higher than the province's overall proportion.

The proximity to the Towns of Perth and Smiths Falls means that many people have the amenities nearby but relatively low taxes. Its many beautiful lakes are a draw for those looking to escape City life and enjoy wide open spaces.

Like most of Lanark County, the largest taxable assessment comes from residential properties (over 90% as shown in Figure 7: DNE Taxable Assessment). The Township has seen moderate growth over time (3.8% between 2011 and 2016). This growth is supported by Development Charges as per Bylaw 2019-041



Figure 6: Map of Township of Drummond North Elmsley, Source: Township brochure

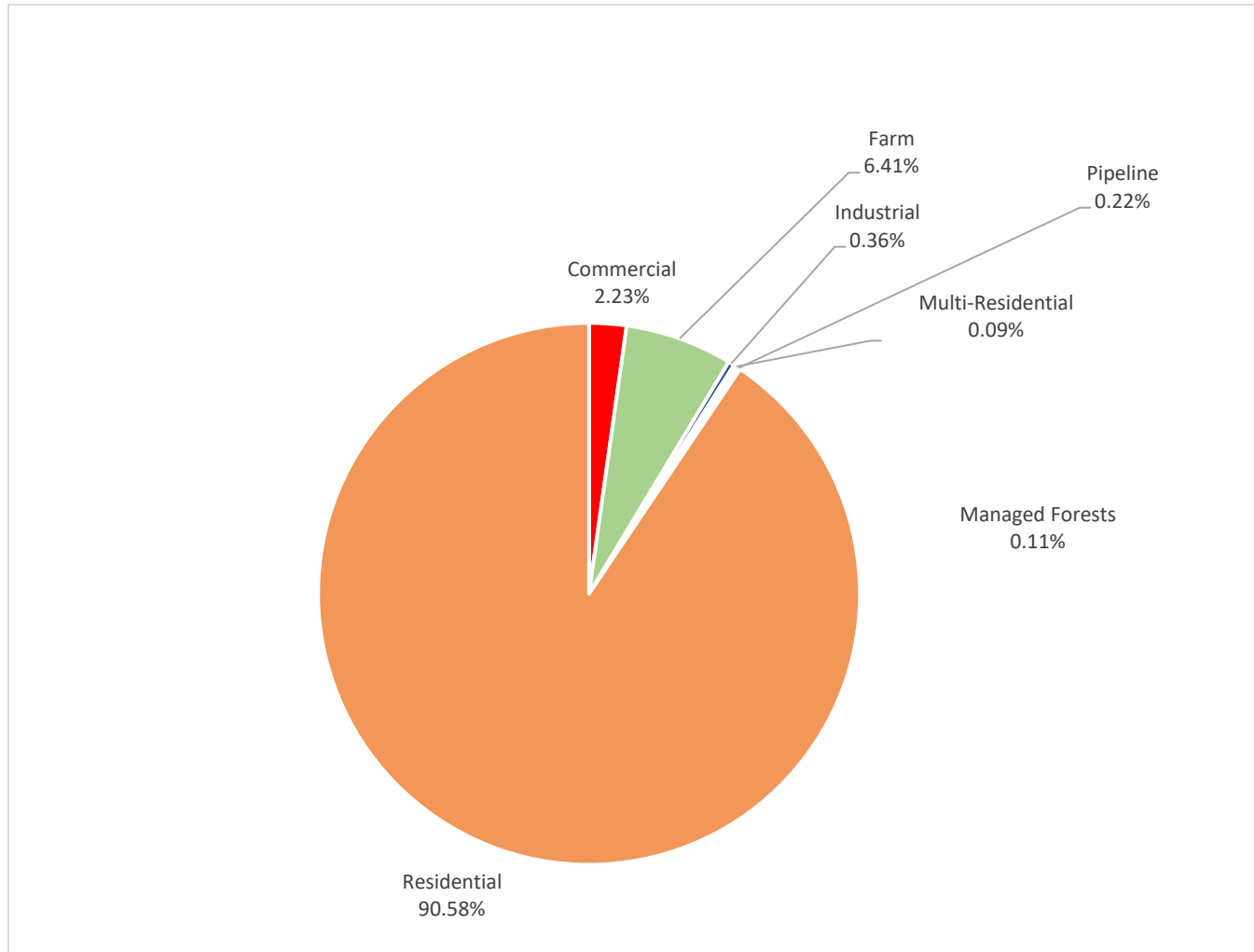


Figure 7: DNE Taxable Assessment

DETAILED FINDINGS AND RECOMMENDATIONS



GOVERNANCE, PLANNING & PERFORMANCE

- Delegation of Authority and controls need review
- Financial planning is still annual but good progress in asset management planning
- Township Asset Management does not reflect lifecycle costs - a focus for 2021
- Policies and Procedures are mixed together
- Reserve policy needs updating with AM
- Limited management reporting and analysis
- Limited Key Performance Indicators (non financial)
- GL/Chart of Accounts needs review
- Financial Reporting is challenging with current system

PURCHASING & ACCOUNTS PAYABLE



- Policies and procedures are more focused on system steps than process
- Manual Paper based processes - document management would enhance services and reduce waste.
- Too many handoffs - process is too complex
- Purchase orders are not utilized - no 3 way matching or commitment control
- System is challenging - no "good" batch control
- WT is used for payables but only because VAILTECH is deficient

REVENUE MANAGEMENT



- Competent Tax Administrator
- Revenue management, other than tax, is not system generated - AR balance is not known
- Cash drawers are shared and not closed off
- Paper based processing and billing
- Limited payment options
- Revenue recognition cash basis
- Good Collection practices, low receivables
- Building permits are calculated manually and entered in CGIS - not integrated with VAILTECH
- Manual Bank Reconciliation
- Limited online processes.

PAYROLL



- Highly detailed, competent Payroll/AP Clerk always looking for new ways to do business
- Manual processes evident - too many steps in system - duplication in tracking in Excel
- EASY PAY and WorkTech - utilized as opposed to VAILTECH as it is deficient - not integrated
- Different processes depending on department – manual
- WorkTech underutilized, not set up for efficiency
- Taxable benefits not easily captured
- Entitlements tracked separately
- Duplication of work

ORGANIZATION

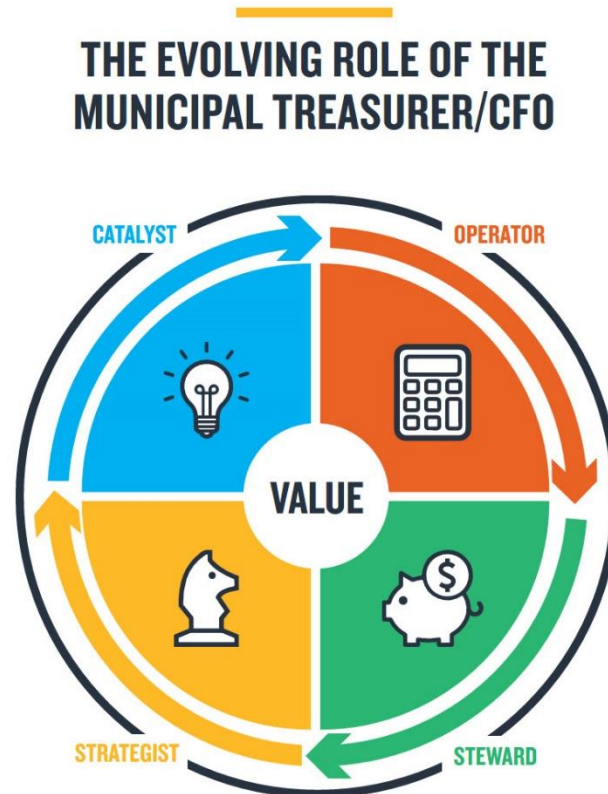
Municipalities are mandated to appoint a Treasurer under the **Municipal Act** (the Act) as follows:

286. (1) *A municipality shall appoint a treasurer who is responsible for handling all of the financial affairs of the municipality on behalf of and in the manner directed by the council of the municipality, including,*

- (a) *collecting money payable to the municipality and issuing receipts for those payments;*
- (b) *depositing all money received on behalf of the municipality in a financial institution designated by the municipality;*
- (c) *paying all debts of the municipality and other expenditures authorized by the municipality;*
- (d) *maintaining accurate records and accounts of the financial affairs of the municipality;*
- (e) *providing the council with such information with respect to the financial affairs of the municipality as it requires or requests;*
- (f) *ensuring investments of the municipality are made in compliance with the regulations made under section 418. 2001, c. 25, s. 286 (1).*

The Township's Treasurer is responsible for the areas outlined in *the Act* spanning financial reporting, property tax policy and administration and other delegated responsibilities by other levels of government. The requirement to "sign" various agreements, contracts and commitments on behalf of the municipality should not be taken lightly. Effective debt management, investments and long-term planning can be the difference between sustainability and failure.

The role of the Treasurer is transforming to meet the changing complexities of municipal government and becoming more of a Chief Financial Officer role, a business partner, strategist and catalyst for change.



The Township's Treasurer has done a good job at moving towards longer term planning despite the fact that limited systems and tools are in place.

This position is supported by an Accounts Payable/Payroll Clerk who is primarily responsible for ensuring accurate, timely payments are issued to vendors and employees. There has been recent turnover in this position. The incumbent in the position is very well versed in technology and will be a great asset in the transformation to a new financial system. In fact, we were quite impressed with the fact that this staff member undertook significant research into financial system options prior to this review.

The Taxation Administrator is also very competent and understands the complexities of Ontario's property tax system. Because the current financial system, VAILTECH, is primarily used for property tax services, it will be very important that the incumbent be involved at the outset of any financial system change.

While these are the three 'formal' finance positions at the Township, the Deputy Clerk is responsible for IT Coordination and human resource services. These roles are intrinsically tied to finance and any financial system so it is imperative that this position be part of the implementation team with any new financial system.

The Receptionist/Administrative Assistant, who reports to the Deputy Clerk, also provides some financial services in the form of cash receipting, collection of fees, deposits and inquiries. Animal control processes such as dog licensing

As in any municipality, Public Works is one of the biggest departments and incurs the most expenses. The Public Works Assistant currently enters financial information as well, directly into WorkTech. This is not unusual. It makes sense to enter information one time at source.

Building and Planning fee calculations are undertaken manually or in spreadsheets by the CBO and Planner respectively. These fee calculations are not captured in the financial system but are input into CGIS. Currently, there is no integration with VAILTECH and therefore, not attached to the roll information. In implementing a new financial system, building and planning staff will need to be involved to develop the fee structure for permits and assist in the integration with CGIS.

DNE Organization Chart

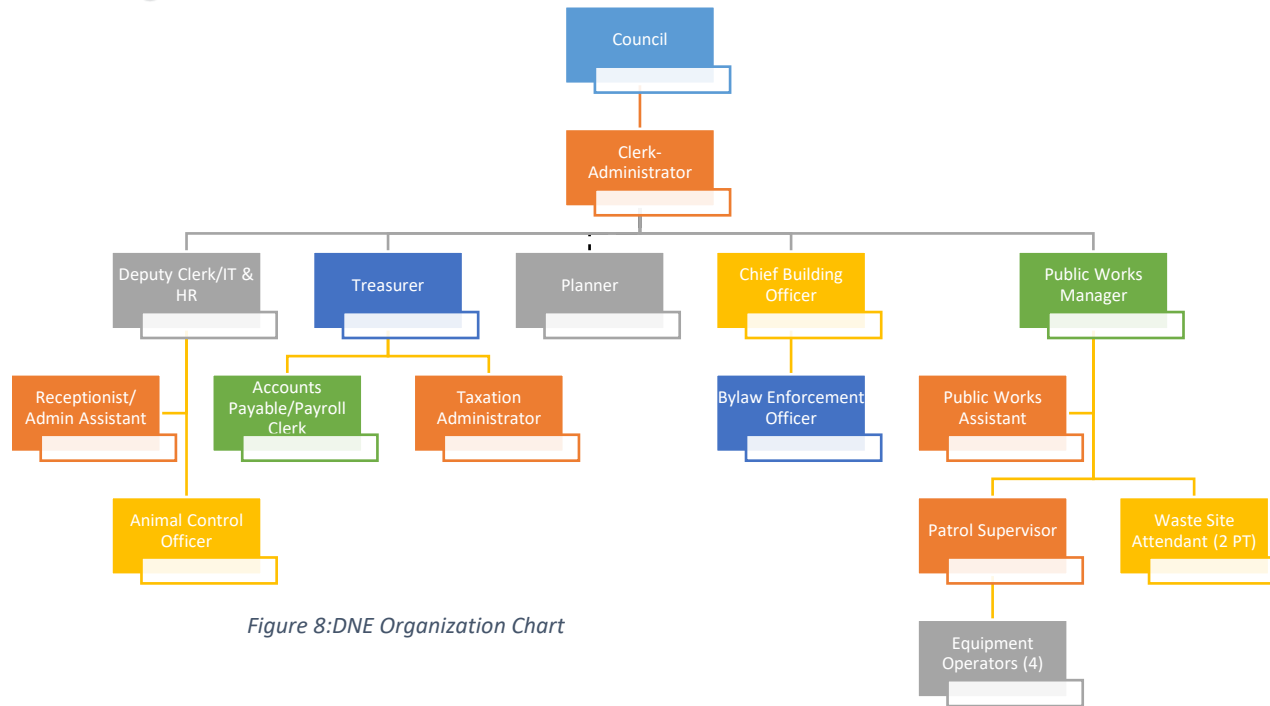


Figure 8:DNE Organization Chart

KEY FINDINGS - ORGANIZATION

The Township's financial roles are disparate between departments, partly due to the lack of integration between systems and no long-term IT Strategy. The Township is LEAN in terms of number of staff in comparison to what we see in other municipalities of its size. However, the roles are also different. There are opportunities, with the implementation of a new financial system, to make changes to roles, automate functions so that the Township can better utilize its talent. In terms of the Tax

Administrator roles, consideration should be given to centralize all Accounts Receivable in this role. For the Accounts Payable/Payroll Role, adding purchase orders and assistance with TCAs would see a natural fit. This will allow the Treasurer to have more time for long term and asset management planning. We did note that some soft skills training could benefit the staff as well, particularly in the utilization of key Microsoft products such as Excel.

The changes in this report will take a concerted, coordinated effort. There will be a need for strong project management and change strategy.

RECOMMENDATIONS – ORGANIZATION

Rec #	Opportunity	Opportunity Detailed Description
1.1	Undertake a Training Needs Assessment and develop a Financial Training Strategy	As part of the Financial System Implementation, develop a training strategy that encompasses both processes and system utilization. Not just how to use the system but the Township Processes.
1.2	Develop a Continuous Improvement Program focussed on customer service and modernization.	Continuous improvement program should focus on the customer - service standards should be developed and monitored. Gaining the voice of the customer in processes is essential. This can be done with short surveys following services being delivered.
1.3	Invest in Technology, Professional and Soft Skills Training	Since Microsoft Dynamics GP is integrated with Excel, advanced training in Excel would be very beneficial for staff.
1.4	Assign a Project Manager for the Financial Systems Implementation.	Assign a lead for the financial system implementation to liaise with the Vendor and County and ensure that the Township's interests are met.

GOVERNANCE, PLANNING, PERFORMANCE & REPORTING

The Township's financial status provides valuable background and indicators of how finance is being managed. In order to provide context, we have provided a summary of financial information over the past 10 years.

Many of Township's financial condition has been steadily improving both in terms of revenues and managing expenses over the last decade.

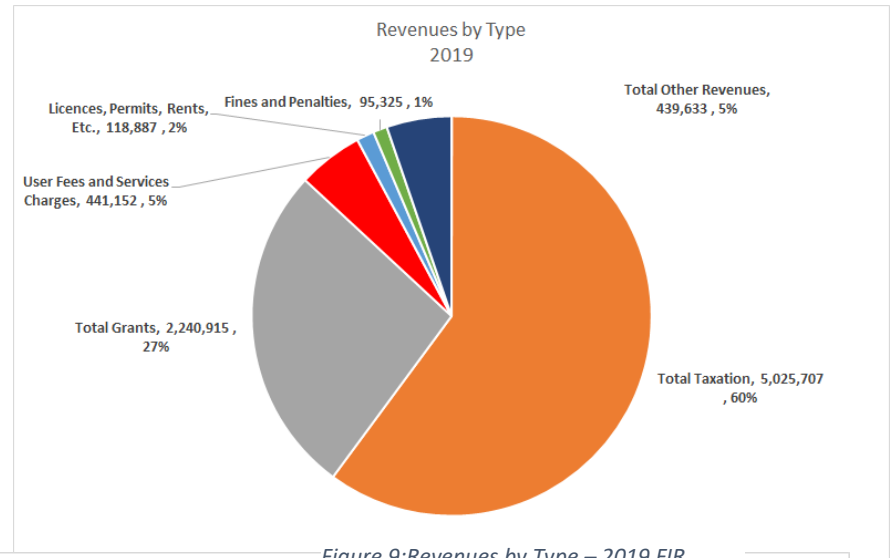


Figure 9: Revenues by Type – 2019 FIR

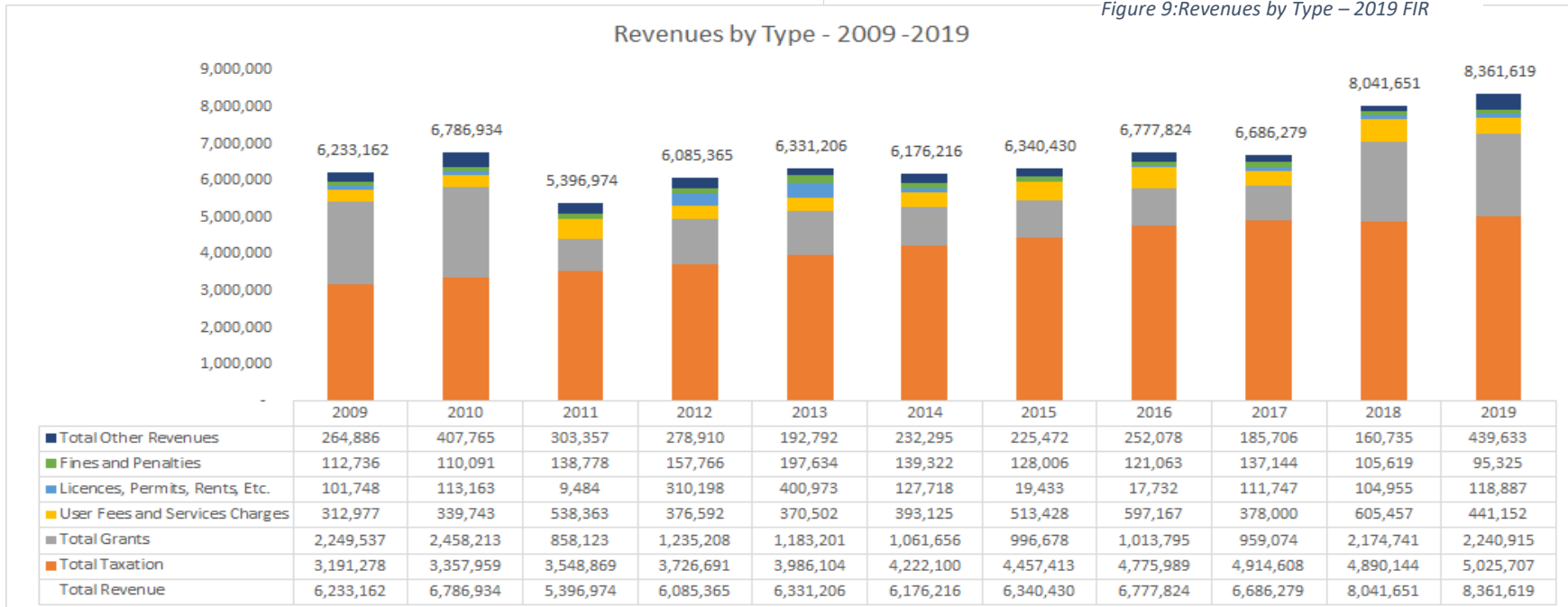


Figure 10: DNE Revenues by Type - 2009-2019 -FIR

FINANCIAL SYSTEMS AND PROCESSES REVIEW

Expenses by Function 2019

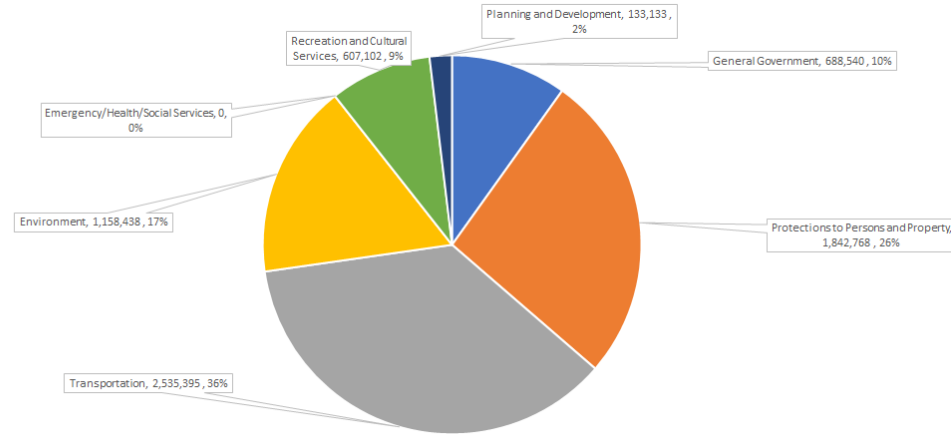


Figure 11: Expenses by Function – 2019 FIR

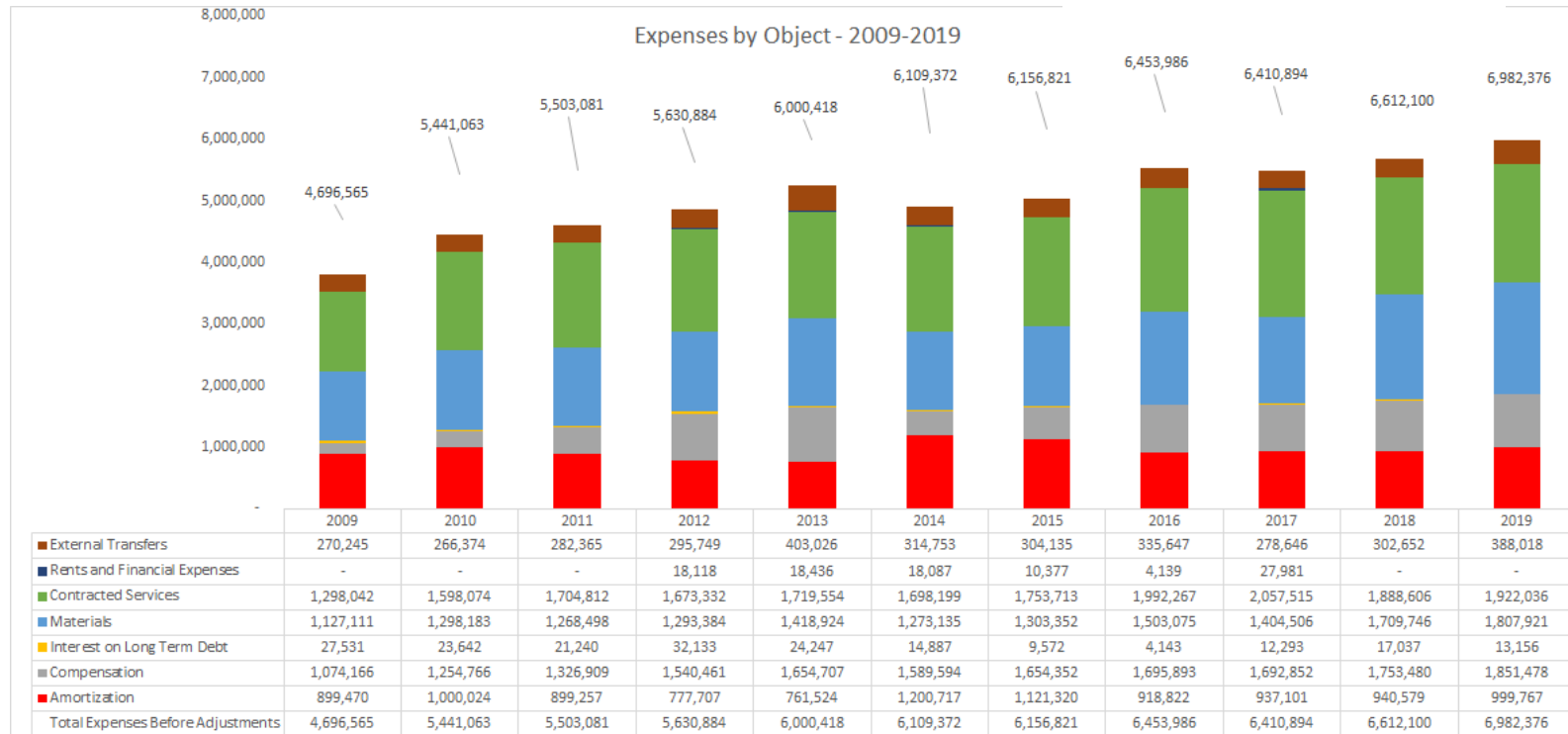


Figure 12: Expenses by Object - 2009-2019 - FIR

DNE HAS A STRONG LIQUIDITY POSITION

Figure 10, Figure 9, Figure 11 and Figure 12 show revenues and expenses since 2009. Important to note that grant revenues have declined as percentage of total revenues from 36% in 2009 to 23% in 2019. This means that the Township's property taxes have had to rise in order to continue current services. This makes property tax collection that much more important. One will note from Figure 14: Financial Assets 2009-2019 that Accounts and Taxes receivable have been well managed and cashflow is good. Moving to a new financial system with payables and receivables integrated into the system will allow for better cash flow management.

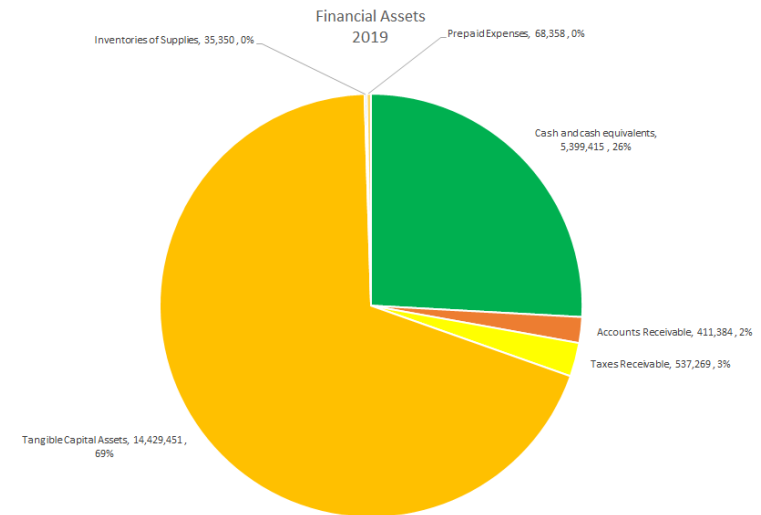
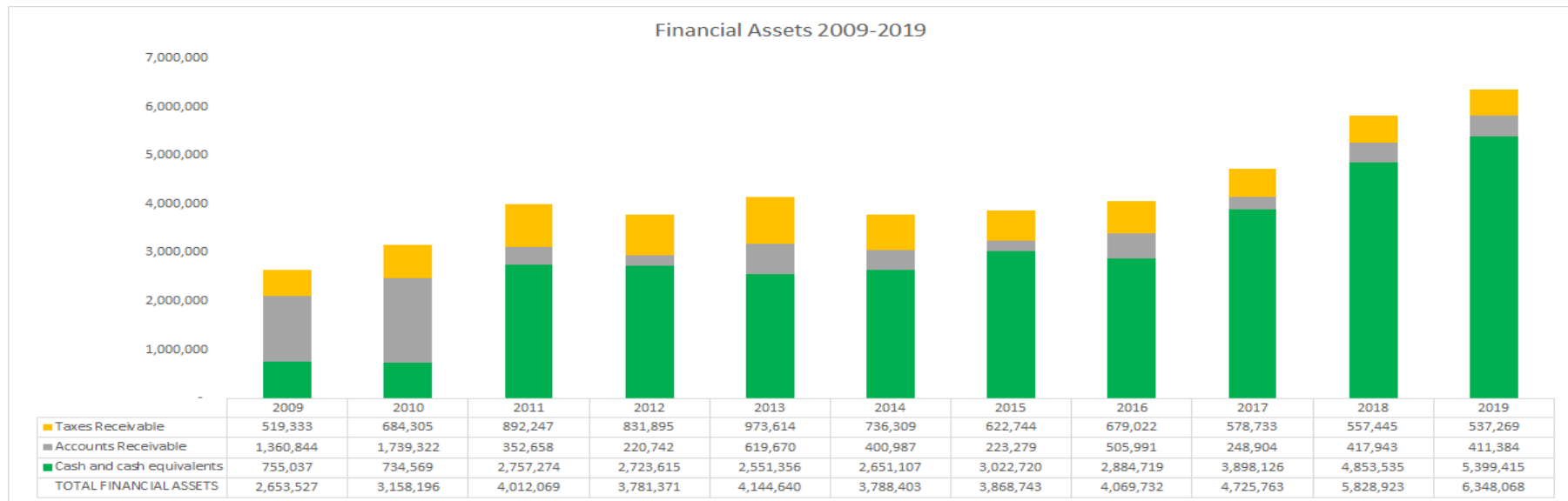


Figure 13: 2019 Assets distribution

As with most municipalities, net tangible capital assets represent the largest portion of non-financial assets at 69% of total assets as shown in Figure 13. Hence, the importance of asset management. Cash and cash



equivalents at year end 2019 is has been trending upwards since 2009 (600% increase) indicating strong financial liquidity and ability to meet obligations as shown by a current ratio well exceeding the target of 100% (Figure 15). There may be an opportunity to explore additional investments through partnerships with other municipalities under the 'prudent investor' regulation. The Township, on its own, cannot do this but perhaps an Eastern Ontario Investment Board would be a way to look at options.

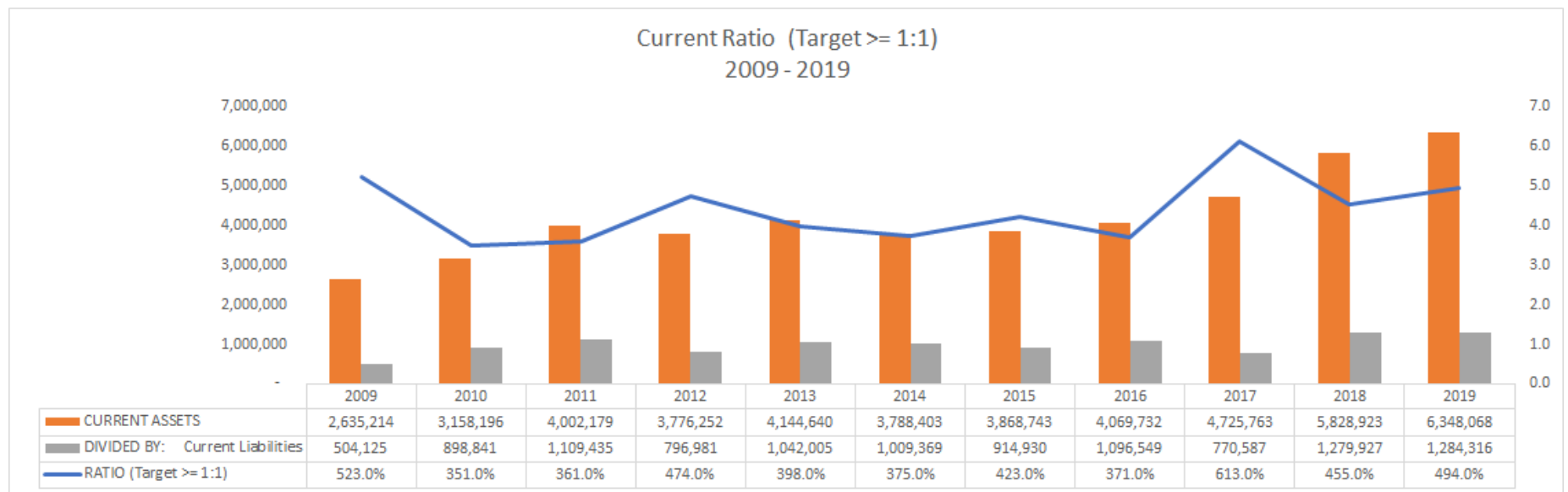


Figure 15: Current Ratio

EXCELLENT MANAGEMENT OF TAXES RECEIVABLE

In terms of taxes receivable, a favourable trend has occurred over the last 7 years. At the end of 2019, current year's receivables were \$537k down from \$973k (or 44%) over 2013. Since property taxation represents 60% of the Township's revenue sources, this is of significant importance for cash flow purposes.

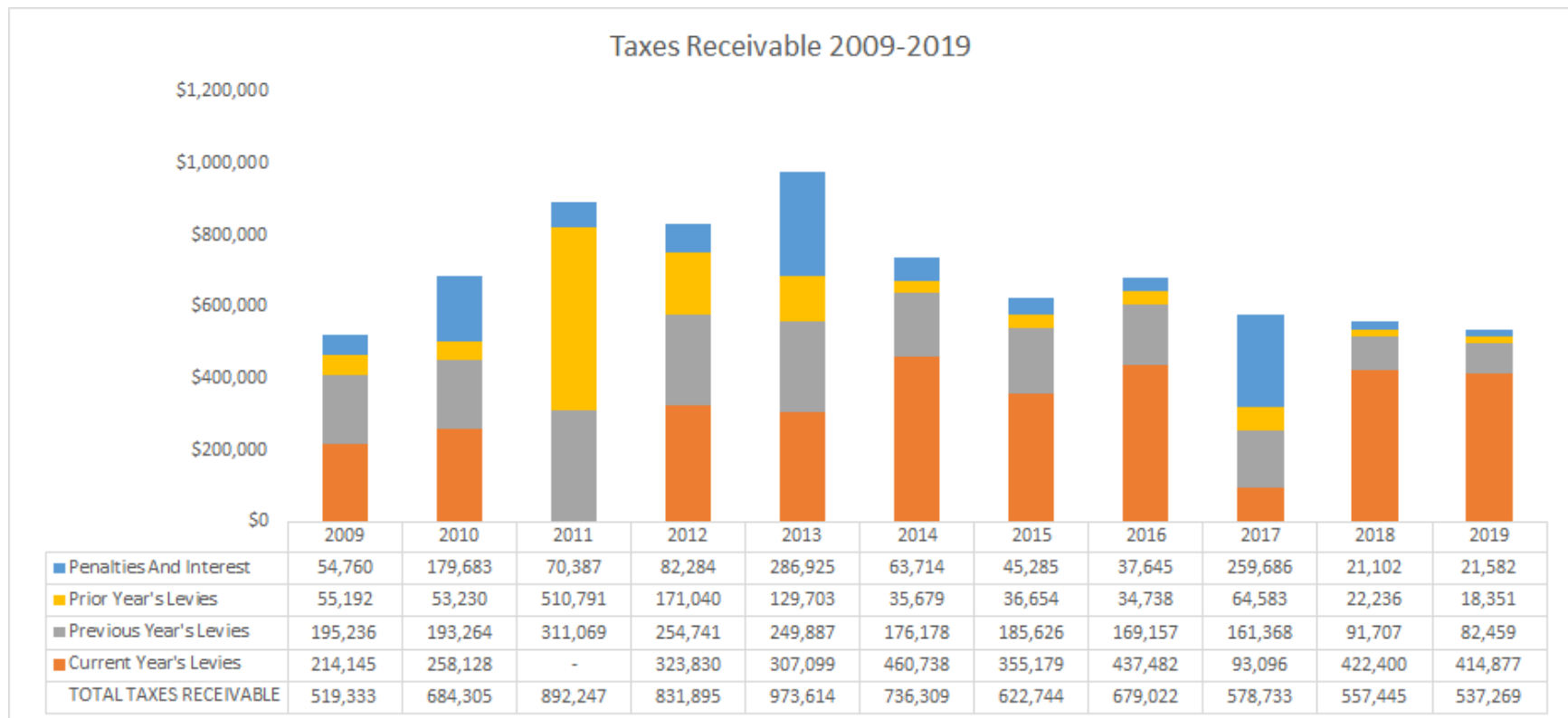


Figure 16: DNE Taxes Receivable 2009-2019 FIR

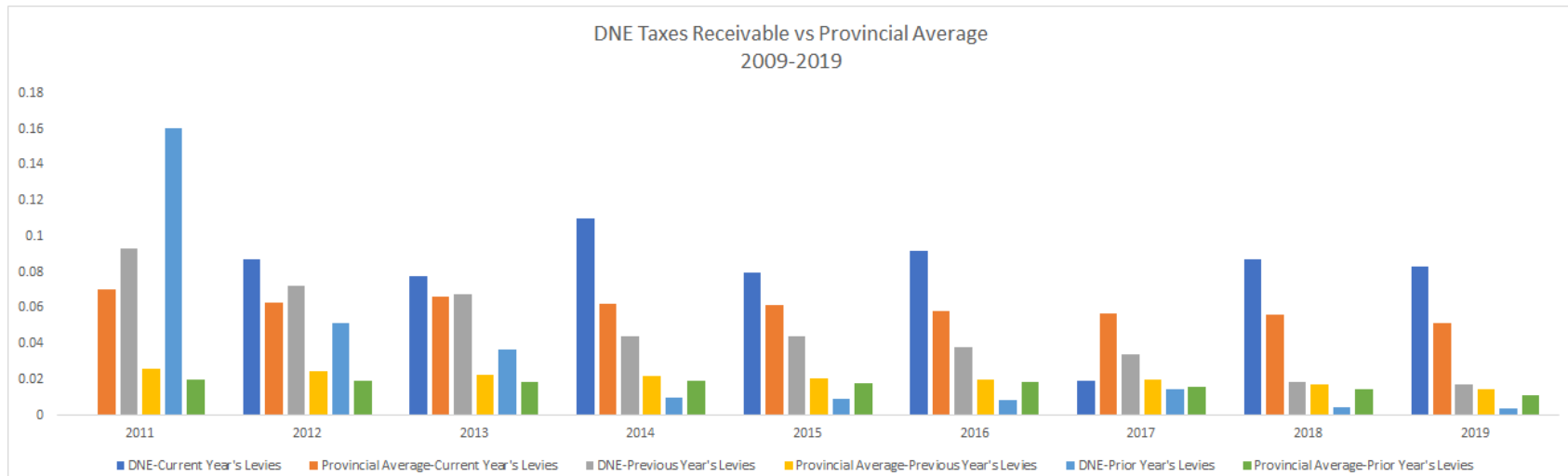


Figure 17: DNE Taxes Receivable vs. Provincial Averages as a Percentage of Tax Levies

Figure 17: DNE Taxes Receivable vs. Provincial Averages as a Percentage of Tax Levies shows that the Township's taxes receivables are slightly higher (8%) higher than the provincial average of 5% for current year (2019) but lower than average on prior year levies indicating a well managed municipality.

LIABILITIES ARE WELL COVERED

While liabilities have increased overall (Figure 18) since 2009, this is primarily attributable to the landfill liabilities up \$542k or 272% from 2009 (likely due to new information). Long term liabilities have decreased 15%. Accounts payable has increased 155% but the cash position is good and is more than sufficient to cover these short-term liabilities. These are likely just timing issues.

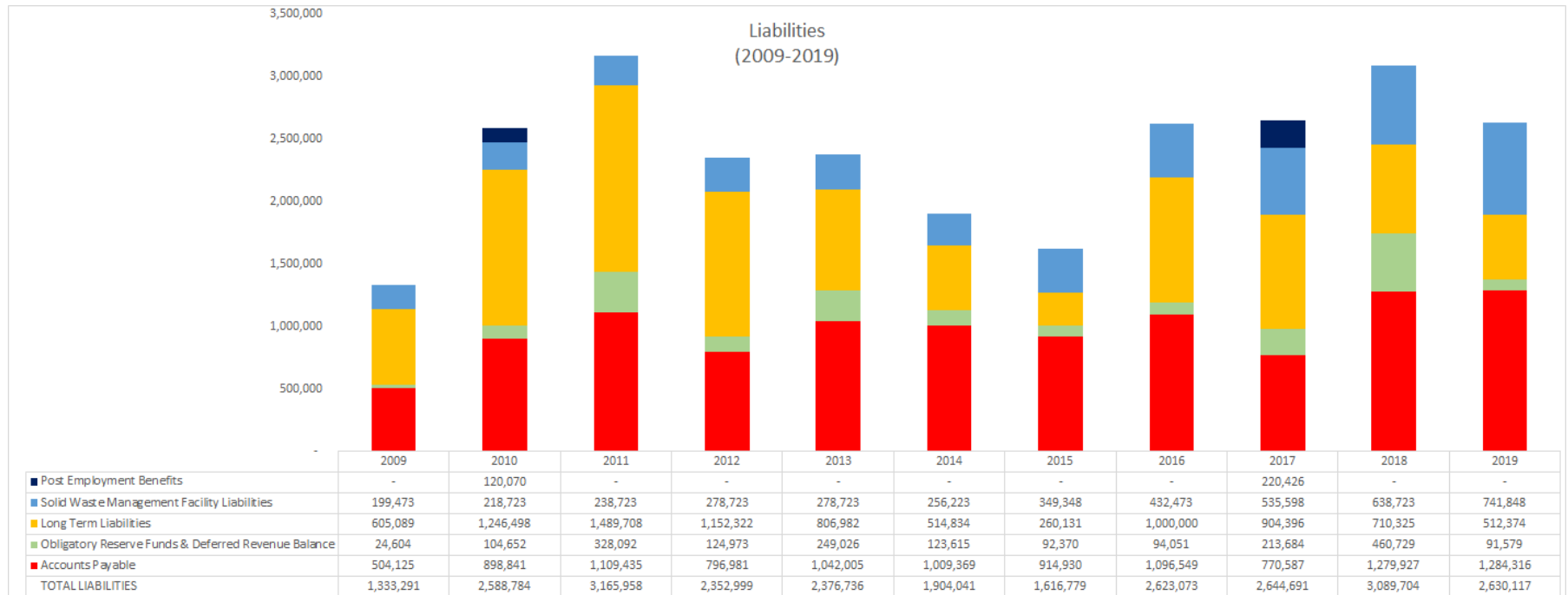


Figure 18: Liabilities 2009 - 2019

BUDGET MANAGEMENT IS EXCELLENT

The OPERATING SURPLUS RATIO (expressed as a percentage) is an indicator of the extent to which revenues raised cover operational expenses only or are available for capital funding or other purposes. A negative ratio indicates the percentage increase in rates revenue that would have been required to achieve a break-even result. The basic target: 1% to 15%. Advanced target: > 15%. As

shown in Figure 20: Operating Surplus Ratio - 2009 to 2019, the Township has experienced operating surpluses with the exception of 2011 where it had a slight deficit. It is important to note that operating expenses include amortization which means that the Township is sufficiently covering the cost of utilizing its assets to deliver services.

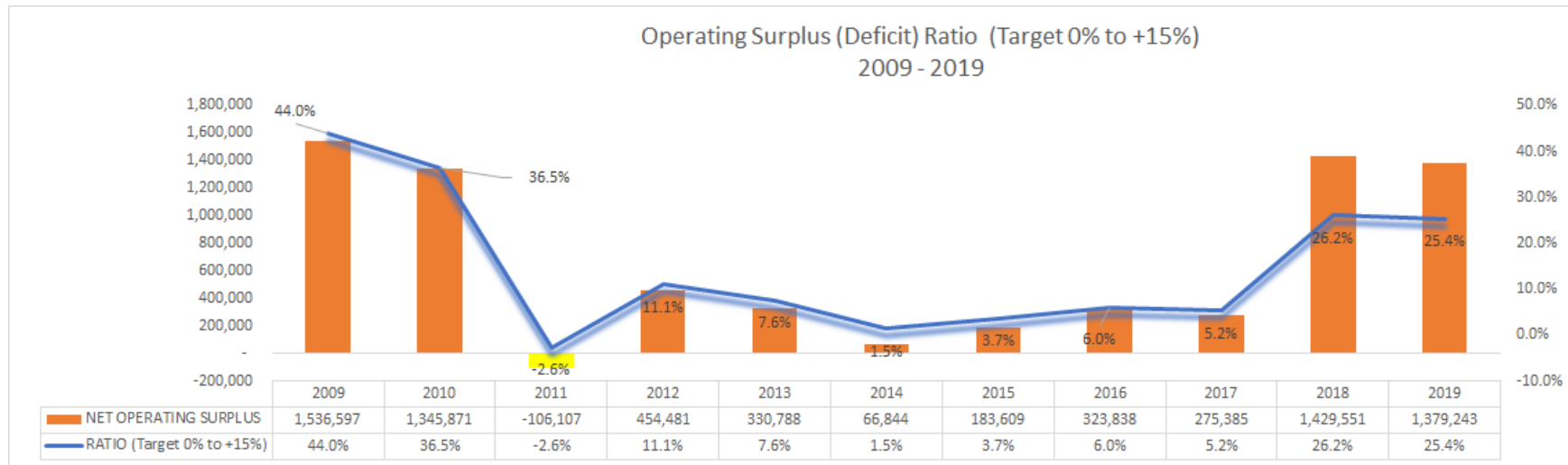


Figure 20: Operating Surplus Ratio - 2009 to 2019

The RATES COVERAGE RATIO is a measure of the municipality's ability to cover its costs through its own "rates" revenue efforts. That is, the degree to which the Township is financially sustainable on its own revenue sources including property taxes, user fees and service

charges. The basic target is 40% to 60%. Intermediate target: 60% to 90%. Advanced target: > 90%. The Township's ratio is in the Intermediate target, meaning that it relies on grant revenues for approximately 30% of its revenue sources as shown in Figure 19: Rates Coverage

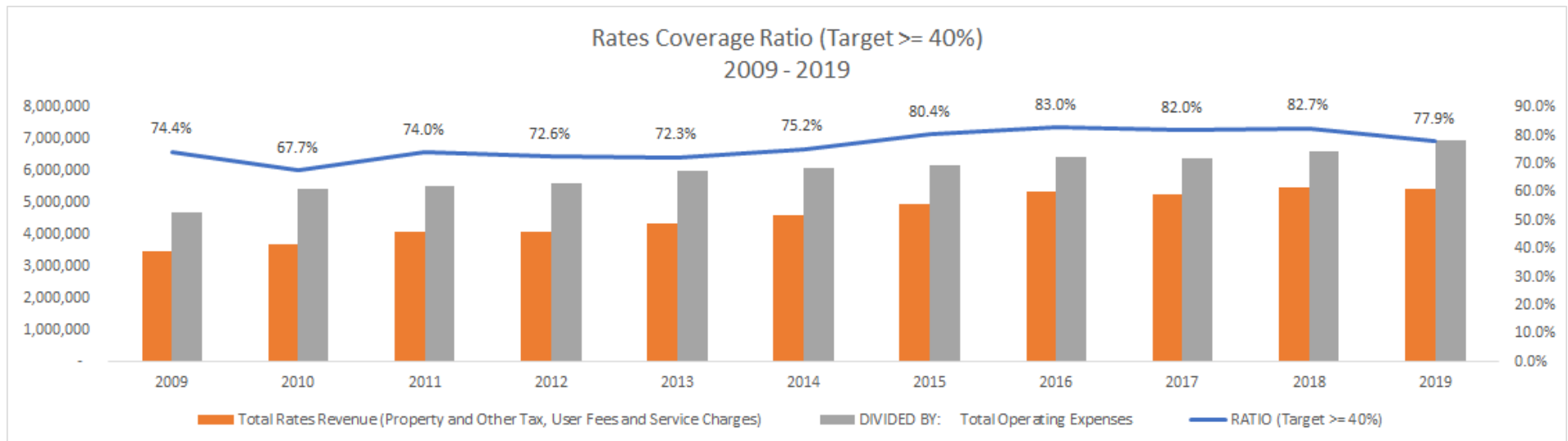


Figure 19: Rates Coverage Ratio 2009 - 2019

Ratio 2009 - 2019. The Township is at the intermediate level and has been for the entire decade indicating that it is not vulnerable to economic changes or changes in grant revenues. In other words, it can stand on its own. Given the current COVID situation, this is very important as the future is very uncertain.

ASSET MANAGEMENT PLAN HAS BEEN GUIDING DECISIONS BUT WILL NEED TO BE UPDATED TO MEET REGULATORY REQUIREMENTS.

The Township's Asset Management Plan (AMP) was developed in 2013 which was updated in 2016 and has served as a guiding document for investments since that time. As shown in Figure 21, significant changes have been introduced by the Ontario government by regulation O.Reg. 588/17 of the *Infrastructure for Jobs and Prosperity Act, 2015* which will require the Township to update its AMP.

By July 2021, the Township must complete an AMP based upon data that is no older than two years. The Strategic Asset Management Policy passed by the Township in 2019 appears to meet the requirements and will need to be

reviewed every five years commencing 2025.

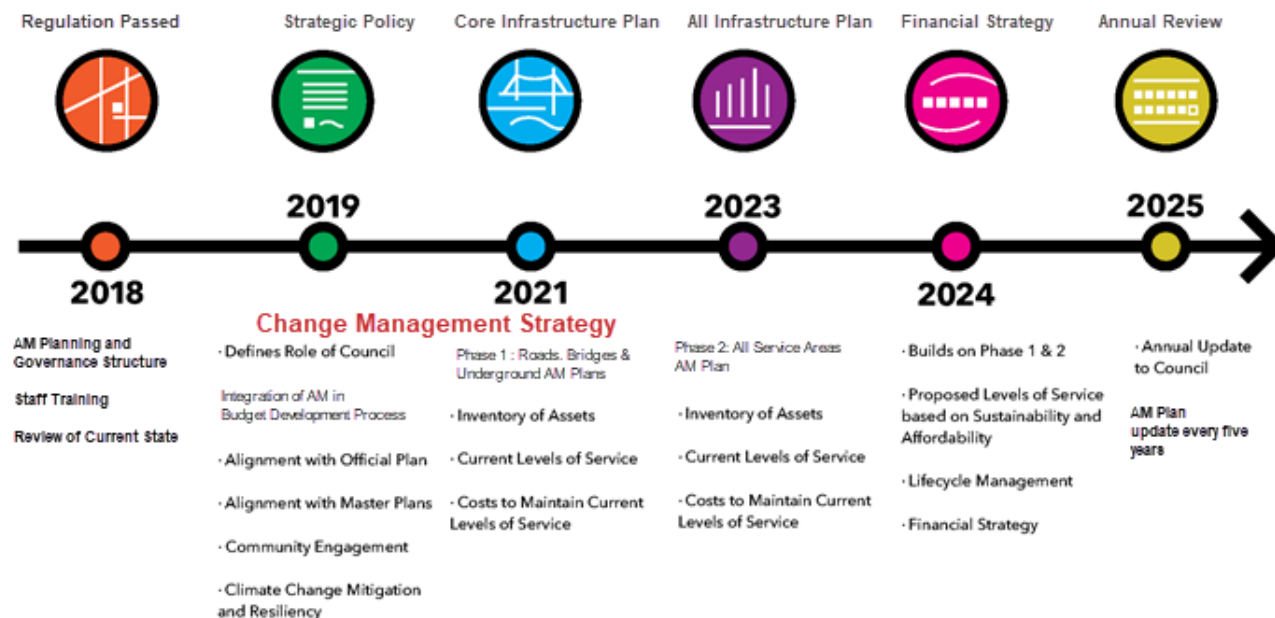


Figure 21: Asset Management Planning Timeline O.Reg 588/17 - Adapted from City of Brampton's AM Roadmap

As an introduction, the AMP should include:

- How the AMP and other plans are interrelated.
- The purpose of the AMP.
- The assets included in the plan.
- Planning horizon and when it will be updated. At a minimum, plans should cover 10 years preferably over the lifecycle of the assets. The plan should be updated regularly.
- How the AMP will be used to make strategic decisions and how it informs the budgeting process.

Other new requirements include the financing of 10 years based upon current levels of service. The plan must demonstrate accountability, lifecycle costing, commitment to consider climate change mitigation and adaption, ongoing updates and financing strategies.

It appears that the Township has been utilizing its AMP as was intended. We utilized the Asset Management Plan for Public Works from McIntosh Perry developed in 2013, the Facilities Asset Management Plan and the 2016 AMP Updated developed by the Township to formulate Table 5. This illustrates the AMP versus the actual investments from 2014 to 2020.

ASSET MANAGEMENT PLAN ESTIMATES	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
ROAD CONSTRUCTION	\$486,500	\$486,500	\$496,230	\$505,960	\$515,690	\$525,420	\$535,150	\$544,880	\$554,610	\$564,340
ROAD CONSTRUCTION FOR OPTIMUM RATING	\$880,500	\$880,500	\$898,110	\$915,720	\$933,330	\$950,940	\$968,550	\$986,160	\$1,003,770	\$1,021,380
ROAD SIGNS, STREETLIGHTS, CULVERTS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
BRIDGES	\$ 74,500	\$ 6,000	\$ 1,500	\$ 3,500	\$ 19,500	\$ 6,000	\$ 1,500	\$ 56,500	\$ -	\$ -
ROAD EQUIPMENT	\$226,300	\$112,000	\$260,100	\$85,800	\$96,990	\$105,840	\$88,000	\$228,480	\$-	\$236,640
FACILITIES		\$ 100,000	\$ 93,984	\$ 93,984	\$ 93,984	\$ 93,984	\$ 93,984	\$ 40,488	\$ 40,488	\$ 40,488
TOTAL RECOMMENDED CAPITAL EXPENDITURES - 2013 AMP	\$ 1,667,800	\$ 1,585,000	\$ 1,749,924	\$ 1,604,964	\$ 1,659,494	\$ 1,682,184	\$ 1,687,184	\$ 1,856,508	\$ 1,598,868	\$ 1,862,848
AMP 2016 UPDATE	\$ 761,801	\$ 975,631	\$ 2,095,576	\$ 1,795,000	\$ 621,700	\$ 2,065,000	\$ 706,000	\$ 1,686,000	\$ 1,304,000	\$ 1,479,600
ADDITIONS AND BETTERMENTS (FIR 2014-2019) BUDGET 2020	\$ 1,159,647	\$ 917,007	\$ 2,061,254	\$ 707,365	\$ 1,747,118	\$ 1,416,898	\$ 5,824,257			
DIFFERENCE	-\$ 508,153	-\$ 667,993	\$ 311,330	-\$ 897,599	\$ 87,624	-\$ 265,286	\$ 4,137,073	-\$ 170,508	-\$ 294,868	-\$ 383,248
CUMULATIVE DIFFERENCE		-\$ 1,176,146	-\$ 864,816	-\$ 1,762,415	-\$ 1,674,791	-\$ 1,940,077	\$ 3,431,073			

Table 5: DNE'S Asset Management Plan vs Investments (2014-2023)

Since the AMP is based upon forecasted conditions from 2013, it is important that these be updated as O.Reg 588/17 requires data no more than two years old. The reasoning is that actual conditions may change at a different rate than the estimates and the Township may need to make adjustments to the plan.

This table shows that there were years, however, that the total investments in capital assets was not in line with the recommendations. However, 2020 saw a significant investment and will significantly improve its asset consumption position.

Asset sustainability ratio shown in is the approximation of the extent to which a municipality is replacing, renewing, or acquiring new assets as the existing infrastructure is reaching the end of its useful life. The target ratio is > 90% per year. A municipality which is not reaching this target is not sufficiently maintaining, replacing, or renewing its existing infrastructure. This may result in a reduction in service levels and/or useful lives previously expected and will likely create a burden on future ratepayers. The calculation is the total ADDITIONS AND BETTERMENTS TO TCAS DIVIDED BY THE AMORTIZATION EXPENSE (WHICH REPRESENTS THE AMOUNT TCAs are used in the year). In other words, the investment in TCAs to replace those being used. The Township has not been over the 90% target every year (Figure 23) but on average over the last decade it sits at 147% indicating good asset sustainability.

The provincial average is at 213% so the Township is below this number but considering that it has limited growth and does not provide water/wastewater services, this is a good indicator. 2020 will see significant increase in this ratio due to the Tennyson Road project expenditures.

Asset Consumption Ratio (expressed as a percentage) measures the age of a municipality's physical assets. It measures the extent to which depreciable assets have been consumed by comparing the amount of the assets that have been used up and their cost. The target is <50%. (Less than 25% - Relatively NEW infrastructure, 26% to 50% - Moderately NEW infrastructure, 51% to 75% - Moderately OLD infrastructure, greater than 75% - OLD infrastructure.

The calculation is the total CLOSING ACCUMULATED AMORTIZATION BALANCE DIVIDED BY THE CLOSING COST BALANCE WHICH REPRESENTS THE HISTORICAL COST OF THE ASSET AT PURCHASE/CONSTRUCTION. Meaning, the more the accumulated amortization as opposed to the cost indicates the aging of the assets. Figure 22 shows that the Township has “new to moderately new” infrastructure with an average asset consumption ratio of 49.4% over the last decade. It had years with smaller investments in assets than others which brought its ratio above the recommended target, this will be addressed in 2020 which will significantly reduce the consumption ratio.

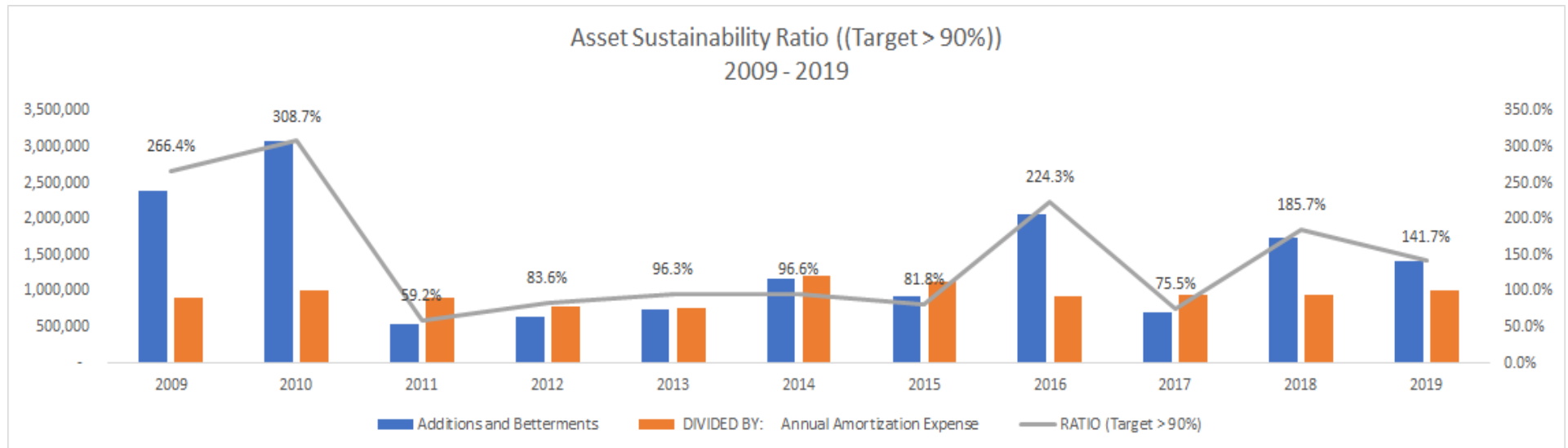


Figure 23: DNE Asset Sustainability Ratio 2009-2019

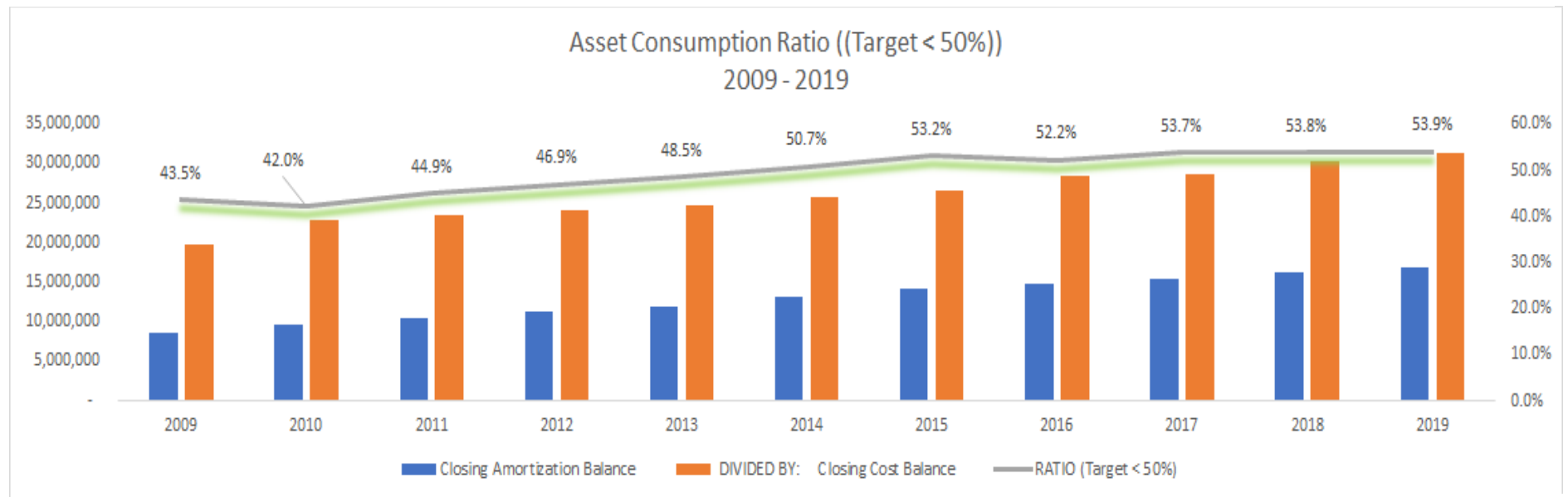


Figure 22: DNE Asset Consumption Ratio - 2009-2019

The provincial average sits at 34.5% and therefore, the Township is higher by approximately 15%. Again, this is not surprising as many growth municipalities would be making significant investments.

KEY FINDINGS -GOVERNANCE, PLANNING, PERFORMANCE & REPORTING

In summary, the financial indicators show that the Township is well managed. The next step is to integrate all of its master plans into a long-range financial framework, starting with the update to the AMP, required in 2021.

Implementing the recommendations in this report, including a new financial system, will only enhance this success with improved information for decision making and streamlining administrative tasks.

In terms of financial policies, there are areas that need attention and update. In particular, the reserve policy should be transformed to align with the AMP, with specific reserves being identified for infrastructure, equipment and buildings with targets. A financial control policy should also be considered supported by a delegation of authority.

In terms of financial reporting, we noted that managers do not have real time access to the financial system, which, in the current state, may not have been advisable given the lack of integration. While WorkTech is used for data entry in Public Works, it is not accessed as an information source, likely due to a lack of proper implementation and training. There will be a renewed need for asset and work management with the requirements to understand lifecycle costs and levels of services under O.Reg 588/17. Therefore, the Township will need to either update WorkTech or look to a new solution, preferably in partnership with the County and/or other municipalities.

The financial statements and FIR are not easily developed in the current system, either. By implementing a new, robust financial system, there are opportunities to re-think the general ledger to better serve management and improve financial reporting. The link to the FIR is possible in the general ledger so that it can be produced in house.

RECOMMENDATIONS – GOVERNANCE, PLANNING, PERFORMANCE & REPORTING

Long term planning and governance at the Township is moving in the right direction but could improve. As required by O.Reg 588/17, municipalities are required to integrate all of their plans into the Asset Management plan and budget process. An integrated planning framework would be helpful starting with the strategic plan. It would seem reasonable to start this process with the next term of Council.

Each department should develop a business plan in line with the strategic plan as well as the asset management plan. A long-term financial plan should accompany these plans and the budget process should always commence with “what the Township wants to achieve” and then “what funds do we need to make that happen”. Staff performance agreements should provide for their contribution to the business plans as well as investments by the Township to grow and nurture their knowledge. In line with performance, the Township, including finance, should have a mechanism to track customer inquiries and complaints as well as associated service standards.

In order to analyze if the Township is meeting its service standards and managing its assets, following the implementation of the new financial management system, we recommend that the Township explore an integrate Asset Management/Work Order/patrolling software solution that integrates with its new financial system. These products provide real time lifecycle costing and send information to payroll so that it does not have to be duplicated. This will give the Township the information that it needs to undertake long term asset management and financial planning.

PERFORMANCE MEASURES & KPI'S

We have provided some relevant Key Performance Indicators (KPIs) in this report and should be continued to be developed and monitored as part on the business planning process. KPIs form the cornerstone of effective public-sector performance reporting and are fundamental to public accountability. When performance is tracked, measured and reported on a regular basis, the public is able to see how well the reporting organization is reaching its goals and how well public services are being delivered.

The Treasurer can assist in developing relevant KPIs to help departments make informed management decisions and can promote improved services. A relevant KPI, as defined by the Conference Board of Canada, provides information that is: (1) significant and useful to the reporting organization's stakeholders and (2) attributable to its activities.

Relevant KPIs have five main characteristics. They:

1. relate to the municipality's purpose and priorities;
2. link with the municipality's activities and the outcomes of those activities;

3. influence the municipality's decision-making;
4. include widely used benchmarks, where appropriate; and
5. are meaningful and useful to the stakeholders (community, departments, Council, management, staff).

The recommendations for governance, planning, performance and reporting are as follows:

FINANCIAL SYSTEMS AND PROCESSES REVIEW

Rec #	Opportunity	Opportunity Detailed Description
2.1	Implement an Integrated Financial Planning Framework	As part of 2023 Planning Cycle, following the next Election, develop financial business plans across departments in line with Term of Council Strategic Plan, Long Term Financial Plan. Implement Multi- Year Budgeting.
2.2	Develop long term financial plan with accompanying policies	Develop a long-term financial plan and Financial management framework including delegation of authorities and policies. Integrate with the Asset Management plan
2.3	Develop in house capacity for financial statement preparation, forecasting, variance analysis and audit preparation.	As part of the implementation of the new financial system, set up FIR lines in the GL and move financial reporting in house. Update the GL before implementation. Financial reporting to departments does not provide for variance analysis, forecasting or accruals/commitments.
2.4	Develop In house capacity for Asset Management /Accounting roles.	Current processes are performed will need to be elevated. Explore AM training for additional staff. Regulations require plan by 2021.
2.5	Explore Integrated Asset Management/Work Order management Systems including Mobile Technology.	Current software is not utilized nor integrated. AM practices demand a more holistic approach that information planning framework.



REVENUE MANAGEMENT

The objectives of revenue management are to:

- a. ensure that revenue from all sources is identified, claimed, recorded, collected and reported in accordance with GAAP in a timely and effective manner;
- b. receipts of money are accurately and completely accounted for and adequately controlled to prevent or detect error, fraud or omission;
- c. proper administrative and control processes are established for accelerated transfer accounts, including authorization, review and reconciliation;
- d. minimize, wherever practicable, the creation of accounts receivable on the Township's books of account.

The Treasurer is responsible to ensure that all monies are collected and deposited in accordance with the *Municipal Act*. Policies and procedures need to be put in place that all departments must follow. It is incumbent on the Treasurer to protect the cash assets through appropriate controls and undertake periodic audits and tests to ensure

completeness of accounts receivable. This can be very challenging in the municipal sector. As shown in Figure 9: Revenues by Type – 2019 FIR, the primary sources of revenue for the Township include property taxes (60%), user fees and charges (8%), other revenues (5%) and government grants (27%).

KEY FINDINGS – REVENUE MANAGEMENT

GENERAL ACCOUNTS RECEIVABLE

The Township's systems are not integrated which makes it difficult to know how if all accounts receivable is reflected in the balance sheet at any given time. The policies and procedures need to be revamped and some developed. They emulate checklists and system walkthroughs as opposed to guidance, accountabilities and expectations,

User fees were updated in 2020 but it is unclear if this was based upon costs. They total appears to be low in comparison to similar size municipalities. Perhaps there are opportunities to increase user fees when the Township implements a new system. For example, animal licensing may be an area to explore. As the Township moves to more online services, it is possible to look at "incentives" for paperless billing. On a regular basis, the Township has reviewed rates and fees in comparison to other

municipalities and adjusted for inflationary pressures and market conditions.

Periodically, a comprehensive review and full costing of fees should be performed in order to determine the full cost of services. While the Township may decide not to charge the full cost for socio-economic reasons, it should know the costs and make these decisions consciously.

Currently, the Township may not have sufficient information to undertake a comprehensive fee study but changes to the chart of accounts and increased tracking of time through a work management system would allow for better understanding of costs.

Accounts receivable, permits, licenses, payments and cash handling are very manual processes at the Township. Other than tax, accounts receivable invoices are issued outside the system with Word documents and not captured in the financial system until a cash receipt.

Customers do not have the option to receive electronic bills, view bills, apply or pay online. Further, the Township only accepts cash, preauthorized payments (PAP) or cheque for payments. Without auto downloads from the bank, the processes are costly in terms of staff time, paper production, mailing and handling. While the Township has very good handle of taxes receivable, additional payment options will not only help, it will reduce time taken to apply penalties, issue updates

The Township's financial system, VAILTECH, is substandard in terms of point of sale and cash receipting. Moving to a new system will allow for a powerful, easy to use online portal for customers and staff. This is relatively easy to implement and the payback will be less than a year. We highly recommend that the Township implement Virtual City Hall module and provide its customers and vendors with this convenience. Not only will it eliminate many requests and inquiries, it will significantly improve the services.

We also recommend that the Township look to allowing credit card payments for services. The charge for credit cards can either be built into the fee (for user fees) or can be passed on to the customer by using a third-party vendor (e.g. Paymentus). Many municipalities have implemented credit cards for user fees as it eliminates collection costs. Because of the nature of property taxes, most municipalities and governments use Paymentus as the client pays the fee. While not all clients will want to use this service, many would rather pay the fee once than the monthly penalties and interest charged by the municipality. Further, the municipality gets paid right away.

In terms of further savings, we recommend that the Township implement e-billing for all services. This can take two forms: (1) GP Virtual City Hall whereby the client can

opt to view their bills online or (2) E-billing which generates and sends the bill to an email address.

PROPERTY TAXATION

Property Taxes are largest source of revenue for most municipalities including the Township. Taxation liability on a specific property is a product of inputs from three entities:

- 1.The Province provides a legislative framework for the municipality and the Municipal Assessment Corporation (MPAC).

- 2.MPAC evaluates all properties and provides those values to the property owners and the municipalities.

- 3.The municipality formulates local tax policy within the provincially set limits and in concert with the assessment values allocates the levy requirement among the properties.

The delivery of the municipal taxation function has two distinct parts:

- a) Local taxation policy formulation
- b) The ongoing administration of tax billing, collection and adjustment.

For the Township, the billing and collection, assessment and adjustment processes represent large volumes of transactions and time dedicated to collecting funds on behalf of the municipality. The Township collects taxes on behalf of Lanark County and the school boards.

VAILTECH is used for property tax billing and transactions. For the most part, the module meets the needs of typical transactions. While the interface is very old, the Township's Tax Administrator is very proficient with its functionality. The biggest challenges raised surrounded the ability to develop ad hoc reporting. In particular, the preauthorized payments, the Township runs 6 plans instead of 2 and must undertake a simulation outside the system to determine final payments. This has to be redone several times to get the information needed to make the year end payments and set up for the new year. Additional work is done using an Access database from CGIS for new addresses which is then merged into other spreadsheets to send out letters. In modern systems, this would not be necessary and is clearly time consuming and not value added. The Tax Administrator often has to send information outside the system in order to answer questions or reporting. By implementing new PAP options, there has been a reduction in NSF issues as well as reminder notices. Therefore, the savings are realized but not without a cost of administration.

The issuance of tax certificates is also problematic as the forms cannot be modified in the current system. Remote access during COVID was challenging in this regard as it would only provide an image for signature. It does not provide information on mortgage companies or post-dated cheques attached to the roll number.

Cash receipting for tax is also challenging – one payment takes 8 steps. Because the system gives you ‘one chance to print’, batches are not used. Every counter payment requires enter the information, accept, run listing, close it, not approved, check the GL posting, approve the payment. Must remember to go back and print, go to the printer to ensure that it has printed and not lost as there are no other chances to print a cash receipt. These can be printed to a pdf, two times, after all these steps. Payments are also scanned on the shared drive. This was done to alleviate having to look for payments when customers call. There is no front counter point of sale approach and therefore, all the transactions are entered manually with a receipt book and then re-entered. Recording all preauthorized payments in a sequence by hand in a book. All of these processes can be automated.

There are also challenges with apply payments and the system will not allow for downloads from the bank nor make multiple payments at the same time. So, for 4,700 bills, all transactions are manually entered and paper bills are sent. The Township sends their bills out for printing in

different page sizes. Moving to e-billing would eliminate this cost approximately \$12k per year for printing and mailing. There are opportunities to reduce cost by moving to a standard page size (currently all 11x17) which is more expensive to print and mail.

Typically, the Township gets 75 returned bills a year due to mailing address changes not being provided. The Township will resend tax bills without a charge. Moving to a charge for reprint at the same time as the implementation of E-billing would deter this from occurring.

Cash receipting also does not have a running total for deposits. The module will also not allow the roll number to be entered twice in one batch. This is a challenge because the customer may pay their taxes from multiple bank accounts. Therefore, the Tax Administrator must look through the list manually and make the adjustments for only one line per roll number.

Mortgage payments are entered under post dated cheques and loads it into a temporary file. In most scenarios, the numbers that are generated from the system do not match the payments. While the system generates a file to send to the bank(s), the transactions are not downloaded. This process is very time consuming as well.

Some of the features in the system are not utilized such as Tax Appeals. Any changes or write offs are done in form letters outside the system and files per property are created as opposed being attached to the financial system. These are options available through document management and workflow in modern financial systems. The adjustments are kept in a book and refunds are issued by the Accounts Payable/Payroll Clerk.

LANDFILL TICKETS

Landfill tickets are numbered and tracked on a spreadsheet. Landfill attendants deposit the cash directly. Deposit slips are provided with the tickets are balanced every day. This is quite a manual process. Perhaps the use of smart cards would be a better option.

BUILDING PERMITS AND PLANNING APPLICATIONS

Building permit (BP) processes at the Township are handled through CGIS and are not integrated with VAILTECH other than through cash receipts. That means that the permits are not attached to the roll number, a best practice. GP will allow for fee calculations and attachment of all documents pertaining to a property within the permitting module for ease of access and history. This could include, but not limited to, the application, drawings, by-laws, approvals.

When interviewed about planning applications, it revealed that costs are not tracked against specific applications so it does not have accurate reflection of costs by type.

Applications are not online nor are submissions and markup available. Many municipalities have moved to Electronic Plan Submission, Review and Approvals using cloud-based software (e.g. Avolve, PSD, Cloudpermit, E-Plan, CSDC). While the Township may not have significant volume at this time, municipalities are finding that the ability to do online submission and review is providing growth. This may be a good opportunity for collaboration county-wide. Developers from around the world are able to submit their plans reducing paper, time and travel costs. Significant savings are being realized by both the municipalities and the developers. Further, processes and timelines are being reduced resulting in earlier approvals and building and property tax assessment.

We recommend that the Township implement an integrated permitting module, consider online submissions with document management. Building and provide appropriate training to building staff as well as finance. It is imperative that cash receipts be applied to the permitting module and that each sub ledger be reconciled on a monthly basis to ensure that payments are applied and that aging analysis is undertaken.

RECOMMENDATIONS – REVENUE MANAGEMENT

Revenue management segregation of duties is always a struggle at the Township due to its size and processes. Most of the processes are manual and paper based. Further, the Township does not provide electronic billing, online payments, customer portals. The accounts receivable is handled outside of VAILTECH and therefore, are not captured during the year. While the Township does allow for pre-authorized payments, the apply process to the accounts is manual.

The majority of our recommendations centre on the move to modernized billing and cash receipting practices including the elimination of paper-based bills that are costly in terms of paper, printing and mailing costs and staff time with the implementation of the new financial system.

Rec #	Opportunity	Opportunity Detailed Description
3.1	Move to one system of receivables and integrate with financial system.	AR and permitting modules will address this issue.
3.2	Update Cash Handling policies and procedures.	Accounts receivable and cash handling policies should be updated with new system implementation.
3.3	Implement E-Bank Reconciliation - Should be segregated from AR and AP.	Develop policies and processes for bank reconciliation. With new system, implement e-bank reconciliation and download information from the bank directly into GP.
3.4	Move to E. Billing	e-Billing for tax has shown to be a significant time and money saving for a variety of reasons.
3.5	Implement Virtual City Hall and move to online payments, paperless billing and applications.	Implement the paperless billing modules for tax, utilities and accounts receivable.



PURCHASING AND ACCOUNTS PAYABLE

The purchase of goods and services is likely the largest (or second largest) financial expenditures in a municipality. As such, the Treasurer must be involved in assessing the best possible avenues for procurement and provide sufficient oversight to ensure that risks are mitigated. Procurement often represents significant risk for the municipality and the more that the Treasurer is aware and involved in the processes, the better he/she will be to provide advise and manage risks.

Procurement includes all disbursements, materials and supplies, contracts, purchased services of the municipality. Materials and Supplies include items that are consumed in provision of services or delivery of programs such as office supplies and transportation supplies. Depending upon the volume and cost of these services will determine the purchasing approach. Where large volumes are purchased for use over time, an inventory should be set up, tracked and managed.

Departments are the primary buyers, particularly Public Works, across the Township, purchasing goods, services, assets and leading construction projects resulting in binding the municipality to significant liabilities. Thus, it is very important that Treasurers provide leadership in procurement and systems and processes to manage the procurement and contracts.

The Municipal Act requires that all municipalities have a procurement by-law. Further, municipalities are bound by trade agreements that ensure that fair competition is provided to vendors (e.g. Comprehensive Economic and Trade Agreement (CETA) and the Canadian Free Trade Agreement (CFTA).

Procurement takes many forms with the primary sources at the department level. This includes quotations and direct purchases. Request for Proposals, Tenders and Quotations have been more formalized with the new procurement by-law but lacks a system to track these purchases and commitments. There is no central source or procurement expertise to ensure that the Township meets the trade agreements and procurement complexities.

KEY FINDINGS - PURCHASING AND ACCOUNTS PAYABLE

The purchasing function is taken on by every department. The financial system is not used for purchase orders or capturing the RFPs/RFTs. The Township does not use an online bidding system to manage these procurement processes which could allow the Township to get greater reach and manage the process in a more efficient manner.

As noted in Revenue Management, policies and procedures for purchasing are outdated and processes are overly complex. With an updated delegation of authority and financial control policy, there is no need for the Reeve to see every invoice. Most municipalities simply provide the cheque and EFT register for signature by the Treasurer and Reeve with digital signatures, a practice in place since the changes to the Municipal Act in 2001. With the implementation of a new financial system, this can be achieved through document management workflow whereby all invoices are attached to the system and electronically approved.

ACCOUNTS PAYABLE

The accounts payable process is primarily paper based and too complex. Invoices come in from a variety of sources as well. Each invoice has a stamp for cheque number, account and vendor. Cheques are still done by cheque stock as opposed to MICR cheque printing with laser cheques.

The system is not conducive for ease of payment. Vendor types and payment terms are not set up and the system requires too much manipulation between cheques and electronic funds transfer (EFT). The system does not handle post dated EFT payments. No project numbers or asset information is captured in the current system even though the system allows for these allocations.

To ensure segregation of duties, the Township should consider separating vendor setup and bank reconciliation from this position.

If the Township moves to purchase orders, three-way matching will ensure that the liabilities and commitments to the budget are known, improving financial forecasting and cash flow management. Once the invoice is received, the approvals are much simpler and less time consuming.

WorkTech is used for batch payments for accounts payable simply to capture information but descriptions are limited and therefore it must be manually update once it is imported into VAILTECH.

The approval processes are also extensive and paper based. There is little need to have the Reeve to see all of the detailed documentation. New financial system would allow for better workflow and document management.

RECOMMENDATIONS – PURCHASING AND ACCOUNTS PAYABLE

Rec #	Opportunity	Opportunity Detailed Description
4.1	Centralize Purchasing Functions. Explore shared Purchasing Roles and Opportunities	Purchasing policies and processes centralized. Implement GP purchasing modules, procurement, 3 way matching and training. Include encumbrances and commitments.
4.2	Move to Paperless Invoicing in one location (Finance) with Workflow	Current processes are paper based and issuance of cheques. New system will allow for purchase orders and workflow with no paper.



PAYROLL AND HUMAN RESOURCES

The Township has approximately 25 employees in a batch. Payroll processes at the Township are also disparate and manual. There is no integration between EASYPAY, the payroll processing system, and VAILTECH. WorkTech is used to capture hours and batches but job costing is not really used. There are multiple manual timesheets that are sent by facsimile. The Public Works Assistant enters these timesheets in WorkTech then prints the approval version of the timesheets from the system. This approval may occur after the pay date. Timesheets for administration are unique to those of hourly staff. Adjustments and entitlements are manually entered in EASYPAY. Each biweekly period the time banks are exported to Excel and sent to management.

Exports from WorkTech are imported to EASY PAY. Once the information is imported into timecards in EASYPAY, all of the transactions that are 'non-regular' such as vacation, banked time and insurable hours have to be adjusted. In essence, the information is entered at least three times.

In today's world, it is highly unusual that staff complete paper timesheets which are then duplicated by entry into the financial system by staff. Time should be entered in one place, one time, preferably commencing from the schedule of staff and only limited changes at the time of the pay.

We recommend that the payroll processes be completely revamped starting with policies and procedures with consistent timesheets. Ultimately, the goal should be to enter information at source with mobile data entry by staff. This should be done in a work management system where staff assign their time to their work orders which have jobs and activities attached to them. Further, equipment utilized on the work order should be entered at that time.

Ultimately, staff should have self service, online options where they can access their paystubs, T4s and other benefit information. This has been in place in many government entities over two decades.

By moving to a new financial system, the Township will have opportunities to move in this direction. As well, human resources information such as training, certifications, health and safety and recruitment are currently tracked outside of a system and is not linked to the employee information.

RECOMMENDATIONS – PAYROLL AND HUMAN RESOURCES

Payroll processes at the Township are very manual and much duplication of effort is evident. As well, because EASYPAY is not integrated with VAILTECH, there is no detailed view for financial analysis in the system. All of the entitlements are tracked manually outside the financial system and are duplicated in many forms. Work order/job costing is done in WorkTech but never reconciled or utilized for decision making. In today's world, it is highly unusual that staff complete paper timesheets which are then duplicated by entry into the financial system by staff. Time should be entered in one place, one time, preferably commencing from the schedule of staff and only limited changes at the time of the pay.

We recommend that the payroll processes be completely revamped when the new financial system is implemented starting with online timesheets and data entry by staff. This should be done in a work management system where staff assign their time to their work orders which have jobs and activities attached to them. Further, equipment utilized on the work order should be entered at that time. Ultimately, staff should have self service, online options where they can access their paystubs, T4s and other benefit information. This has been in place in many government entities over two decades.

Human resources information and processes reside with the Deputy Clerk and are captured outside the financial system. The implementation of the new financial system will allow the integration with payroll. In fact, it would provide for all information of an employee lifecycle including recruitment, offer letters, onboarding, benefits, training, certifications, health and safety and termination.

Rec #	Opportunity	Opportunity Detailed Description
5.1	Implement new HR System integrated with Payroll with all entitlements, electronic access to vacation, benefits etc. Training and Certifications will also be in one place. Post in detail.	Payroll tracks information outside the system due to improper pay code set up and tracking. Reimplementing based upon business rules will allow elimination of many paper-based processes ~ 3 hours per week. New financial system will allow tracking of all HR and payroll information in one place.
5.2	Move to Employee Self Service and Online entry.	Staff enter time manually on paper or spreadsheet-based time sheets after the fact. In conjunction with AM and work orders, look at one solution for scheduling, time entry, submission and approval.

CONCLUSION

In conclusion, the Township is well managed from a financial management perspective. Its financial system is outdated and needs to be upgraded in order to meet its long-term goals. A new financial system will allow the Township to modernize its processes and move to online services. Eliminating paper and integration should be the focus. It is of utmost importance that the Township assign a Change Management Champion and Project Manager as it embarks on the journey to implement new systems and processes. It will not happen without a concerted effort by all departments and the management team.

As the Township embarks on this implementation, we encourage a continuous improvement plan be developed with team leads to ensure that the Township never stops improving. With every process, we recommend that the Township embrace LEAN Six Sigma (see Appendix A) which will serve well as it moves forward.

We also strongly encourage the pursuit of electronic document management to eliminate paper-based processes and improve controls by having one area for source documentation. Studies show² that, on average, 7.5 documents of 100 per week has a cost of \$220 each. The misfile rate is 3.5% at a cost of \$120 each. Thinking of the volume of paper documents that the Township produces in a year, it would be significant savings. Further, customer service will be improved by moving to e-billing, online portals and payments.

² 2011 Coopers and Lybrand study of Document Management Solutions
<http://www.crn.com/blogs-op-ed/channel-voices/231002834/how-to-show-great-roi-on-document-management-solutions.htm>

APPENDIX A: LEAN SIX SIGMA & CONTINUOUS IMPROVEMENT

This Appendix provides a summary of the concepts of LEAN SIX SIGMA that the Township staff learned about at the outset of this review. We put this in the report to assist the Township as it moves forward on its continuous improvement journey and implementation of a new financial system. We are hopeful that the training allows staff and management to find their own ways to become more customer focused and implement streamlined financial processes.

To achieve the “Desired State”, we have applied the concepts and methodology of LEAN SIX SIGMA, a proven business philosophy which focuses this Service Delivery and Processes Review from a different perspective: THE CUSTOMER.

CREATING VALUE FOR THE CUSTOMER

LEAN Six Sigma utilizes the VOICE OF THE CUSTOMER to eliminate non-value-added activities in processes, eliminate defects in service and builds capacity to deliver the RIGHT services, at the RIGHT time resulting in service improvements. All too often, service delivery reviews in the public sector are undertaken based upon the organizational structure or

departmental responsibilities. While we do look at the processes and activities to provide recommendations, it is also evident that the “customer” is not always the focus of the provision of service and often the customer is not known. It is true that a customer may be much more ambiguous in government as it may be the general public and not the direct recipient of the “service”. In other situations, it may be an internal customer, that is, the next person in line of a process.

LEAN Six Sigma is a proven management philosophy, originally designed by Motorola and adapted by the Japanese and large companies such as GE, Toyota, to improve processes based upon data driven analysis and customer value. LEAN has been adapted to the service sector based upon the uniqueness of services as opposed to manufacturing. Significant, quantifiable results are being realized in many sectors including healthcare, education, non-profits and public sector. LEAN has resulted in some significant savings and improved quality in many public sector (or publicly funded) organizations including several state governments in the US³ and municipal governments.⁴

In municipal governments, customers/stakeholders are more complex and varied, ranging from the general public, internal staff and management, external agencies, to the direct recipient of the service. As a lower-tier, DNE is only one

³ <http://lean.iowa.gov/>, www.asq.org, www.erie.gov/exec/?reform-government/lean-six-sigma-initiative.html

⁴ <http://www.fredericton.ca/en/city-hall/plans-and-processes/improvement-innovation>, <http://municipalinnovators.ca/wp-content/uploads/2018/05/MiC20Newsletter.pdf>; <https://www.mykawartha.com/news-story/4350046-lean-six-sigma-first-round-delivers-more-than-3-million-in-savings-for-city/>

provider of service to its citizens. It is important to note that a customer, whether it be a taxpayer, business owner or tourist, does not care about departments, or tier of government or “whose job it is” to perform a service. All customers care about it getting their problem resolved accurately, consistently, get value for money and receive the service in a timely manner. They do not want to be shuffled from one location to another or from one person to another. Understanding the VOICE OF THE CUSTOMER is fundamental to improving services. **Internal customers** are also very important when evaluating processes to determine value added (or non-value added) activities.

VALUE ADDED ACTIVITIES

VALUE is defined by the customer; the business and anything that does not add value is considered waste (non-value added) and should be removed from the process. Studies show that in any given process, whether in the private, non-profit or public sector, that non-value-added activities amount to approximately 75-90%. By eliminating lead time and non-value-added activity, services can be delivered in a continuous flow with reduced cycle time and costs while increasing customer satisfaction. This is where capacity will be gained by DNE’s staff to undertake the work required in this report for DNE to become forward looking and sustainable.

Table 6 provides a definition of value-added activities with four elements highlighted to emphasize the importance of

Table 6: DEFINITION OF VALUE ADDED AND NON-VALUE-ADDED ACTIVITIES

Category	Definition	Our Goal and Focus
Customer Value Added	<ul style="list-style-type: none"> • Physical Transformation of the Service • Customer is willing to pay for the step/activity • Done Right the First Time (no errors, defects or omissions) 	<ul style="list-style-type: none"> • Eliminate waste, Improve the flow of value to the customer • Monitoring to assure we are meeting customer evolving requirements – continuous improvements
Organization Value Added	<ul style="list-style-type: none"> • Required by law or regulation, policy • Reduces financial risk • Critical to avoiding process breakdown 	<ul style="list-style-type: none"> • Verification that it is truly required • Reduction and/or elimination of requirements • Make process efficient and effective
Non-Value Added	<ul style="list-style-type: none"> • Everything else that is not customer value added or business value added 	<ul style="list-style-type: none"> • Total and complete elimination of waste

eliminating anything that does not add value. We found the following non-value-added activities in most processes reviewed: duplication of effort, unnecessary handoffs, transportation within and between departments; defects and omissions as a result of poor instructions, waiting; and non-

utilized talent. These activities do not “physically transform the service”. In developing processes with a solid set of policies, internal control framework and delegation of authorities, consider the number of “checks” in processes. If everything staff does is checked, staff are less likely to take accountability for ensuring it is “done right the first time”.

STEPS TO CREATING VALUE

ELIMINATING NON-VALUE-ADDED ACTIVITIES FROM PROCESSES

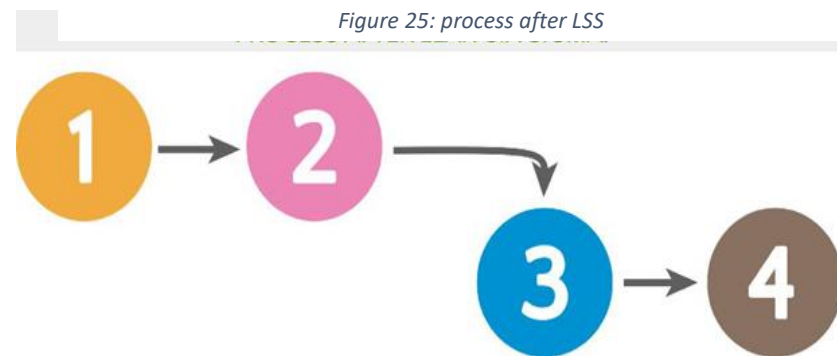
In order to create value for customers, several steps should be followed.

LEAN processes are faster, more efficient and deliver satisfactory quality to customers. Our goal is to create flow. That is, there is no time in which any customer, internal or external, goes back in the process as shown in steps 4, 5 and 6 in Figure 24. After DNE has gone through the LEAN journey, the processes will flow better and look like Figure 25, which eliminated all non-valued added activities and all steps are “done right the first time.”

A LEAN journey involves 5 steps as outlined in Figure 26 commencing with understanding the Voice of the Customer and the demands for services:



Figure 24: process before LSS



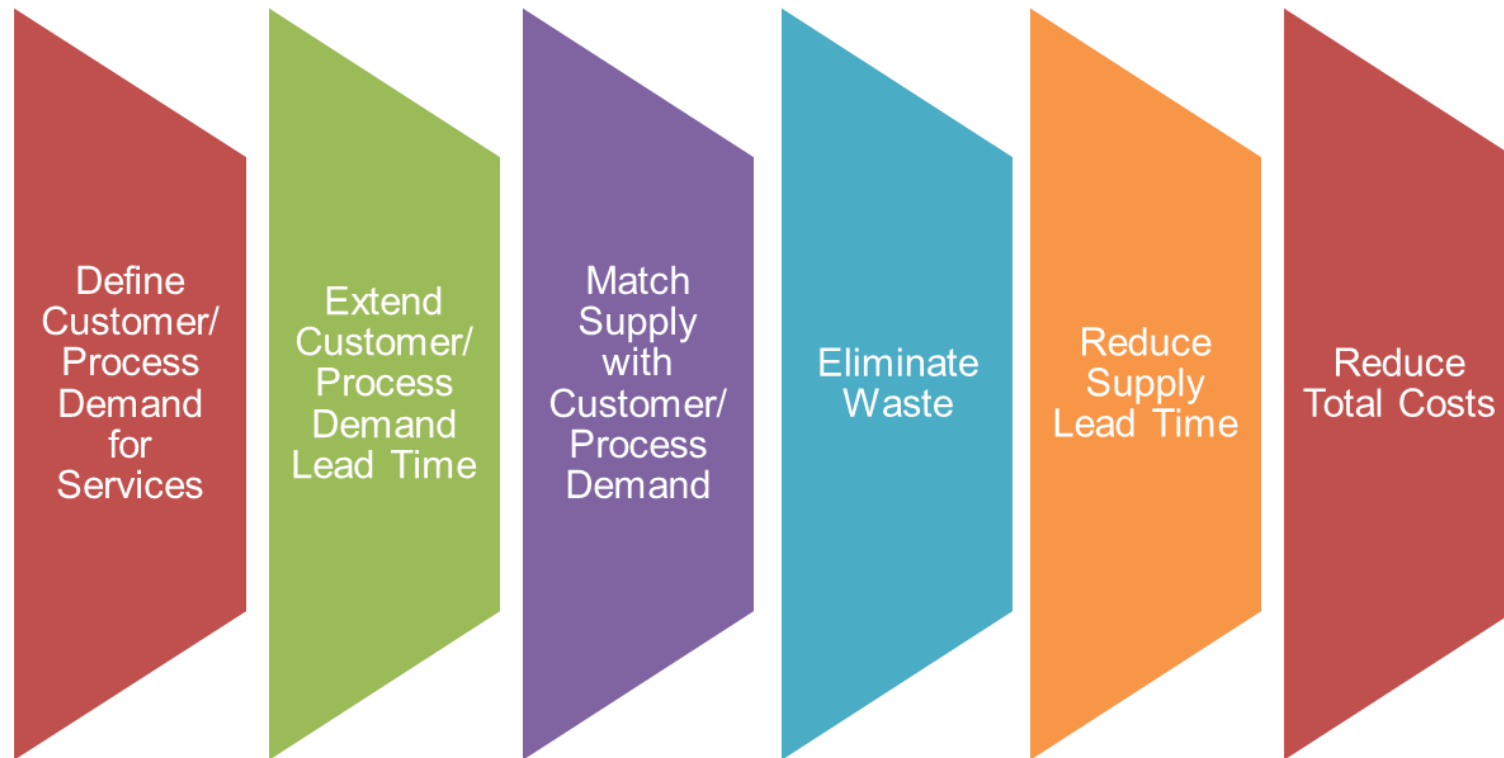


Figure 26: LEAN journey

VALUE FOR THE CUSTOMER

1. Define Customer (Process) Demand for Services

The nature of demand from the customer's perspective, includes what is demanded, how much, how frequently, by whom, where and when. In each section, we have explored the impacts of customer demand to some degree.

FINDING: For some processes, such as, planning and building applications, demand arises through calls and walk-in clients with requests for information. Generally, municipalities only track volumes and not time spent. Consequently, there is no way to know the true "customer demand" for these services. Since it maybe months or years before a developer or resident decides to proceed with an application, it is unknown how much business is "lost" due to a variety of reasons.

For many permits, customers are not aware of the requirements. It is the Township's responsibility to remove the complexity of regulations and bylaws in its instructions and "think" like the customer. Lack of documentation and "government language" for these processes also mean that the customer may have to "return" with proper documentation in order to "complete" the application most processes are reactive. Therefore, the Township does not know the volume of work it will receive at any given time. Having a tracking system and online requests, such as Access E11, would allow for better knowledge and response to inquiries. Some municipalities use a simple "click" in the call intake area so that they can track the type of calls that are

received. This would provide invaluable information for the development of better instructions and online services. Understanding the type of call and extending tracking to other services would greatly assist the Township in its planning for service improvements.

2. Extend Customer (Process) Demand Lead Time

The sooner that the customer demand (customer requirement for permits, property tax payments, licenses) is known to the supplier (the Township), the sooner that the resources can be deployed to provide the services to the customer. Customer demand lead time is the period between the time when customer demand is known and when it is communicated to the supplier.

FINDING: Extending customer demand lead time is particularly challenging because the Township does not know what the demand will be at any particular time and is often reactive. For example, the accounts payable processes are "reactive" based upon the invoice being received. If the Township utilized purchase orders, not only would it know its liabilities, it would have a better understanding of the workflow and cash requirements. Lead time can be extended through the use of purchase orders as the number of expected invoices is known. This will not only improve the process upon receipt, ensure that commitments are included against the budget, the actual invoice is one click!

There are some processes where the Township is aware that workload may change due to seasonality, tax due dates and other anecdotal information. However, there are some areas that could be better managed such as processes requiring inspections before proceeding with certain permits. Further, the utilization of many non-integrated systems such as CGIS, make it difficult to extend customer demand lead time. Planning workload requires better information and reducing the number of staff and departments involved in any given process. Better monitoring, workflow, online updates and reminders in permit inspections would improve the customer experience as well.

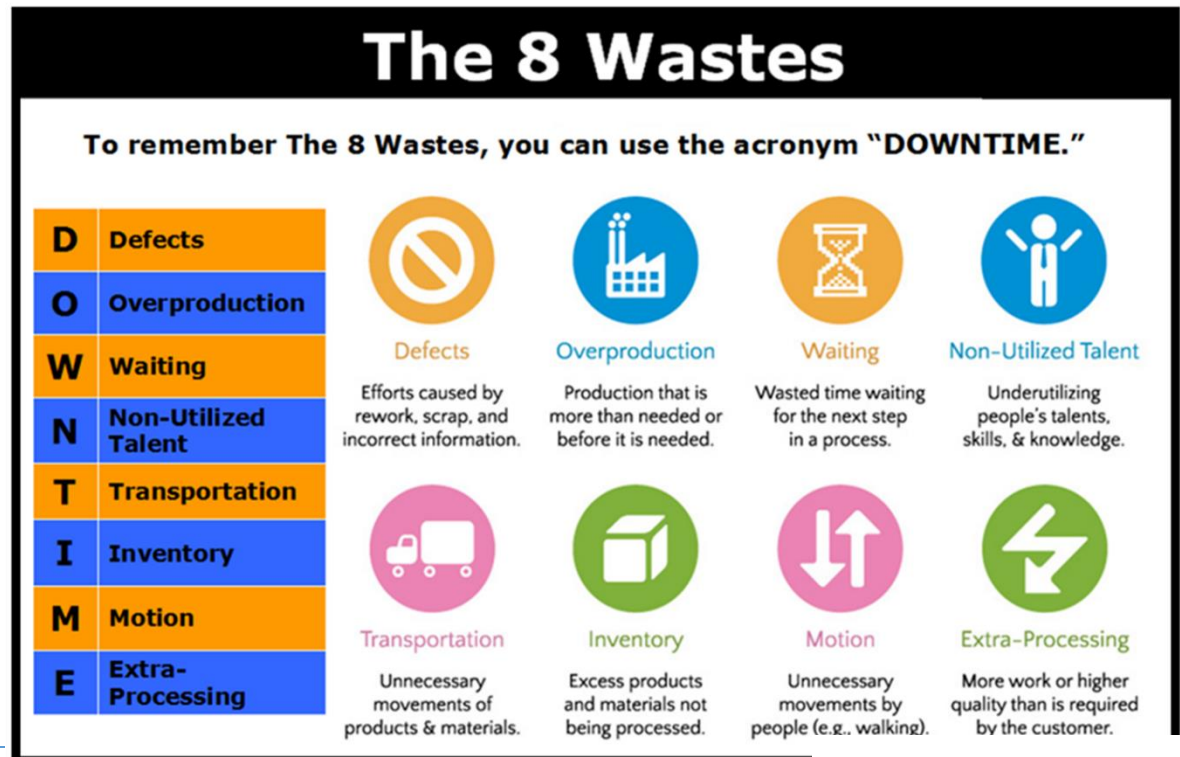
A great example is the issue of walk-ins requesting information about building or planning applications, marriage licenses or commissioning oaths. The Township is unaware when this will happen and may not have staff onsite to do these services. Moving to appointments is a great step. The Township is able to better plan its work in some areas.

3. Match Supply with Customer (Process) Demand

Matching supply with customer demand is challenging when things change or there are undue influences on the demand. It is essential to perform continuous monitoring

of the demand and adjust resources to respond.

FINDING: In the case of the Township, the number of resources is generally fixed or may be impacted by absences. Recent COVID likely illustrates the more than ever, that nothing is certain. Therefore, increases in workload and the changes in time lines have resulted in pressure to handle new customers. During normal circumstances, DNE office hours are weekdays 8:30 am to 4:30 pm. This is the time when the majority of working residents are working outside the Township. Clearly, municipalities do not supply the services when the customers demand it. Customers are expected to be served when the municipality decides they are open.



Enhanced 24/7 online services is one way to meet customer demand.

4. Eliminate Waste

Waste is defined as any activity that does not create value for the customer or the organization as described above. In particular, the public sector customer is extremely interested in ensuring that tax dollars are not wasted. Waste only adds cost and time. There are three key things to remember about waste:

- Waste is a symptom rather than a root cause of a problem
- Waste points to problems within the system at both the activity and the value stream levels
- In order to eliminate waste, the root causes of waste must be found and addressed.

There are essentially 8 types of waste in processes are denoted by DOWNTIME which we have identified in the processes reviewed Figure 27.

Table 7 further defines the 8 wastes and some examples of waste in processes within the processes analyzed.

Table 7: Types of wastes and findings

TYPES OF WASTE	DEFINITION	WASTES DISCOVERED
Defects, including errors and omissions.	<ul style="list-style-type: none"> • Defects, errors, omissions, skipped process steps that cause rework. 	<ul style="list-style-type: none"> • Missing, inaccurate or incomplete information in planning and building applications. • Timesheet entries that are illegible or errors. • Payroll, accounts payable processes are inconsistent between departments and source of information. • Applicants often do not have the appropriate information when making applications. • Online systems and forms are not error-proofed - specific instructions to ensure completeness are not available. • Documented standard operating procedures are lacking. • Document naming convention not standard.

FINANCIAL SYSTEMS AND PROCESSES REVIEW

TYPES OF WASTE	DEFINITION	WASTES DISCOVERED
Over-Production and Duplication	<ul style="list-style-type: none"> Producing more, sooner, or faster of one component than is required for the next step. 	<ul style="list-style-type: none"> Payroll, AP and AR processes – entering information in multiple systems, spreadsheets and reconciliation. Re-entering information from forms and requests which also increases the error rate (as opposed to online checks) Producing, printing, and over dissemination of reports compared to need/use – Documents printed when not necessary, data re-entered into multiple systems (e.g. Accounts payable invoices could be attached to system). Excessive paperwork trails- excess copies of documents in files that are never reviewed and could be captured electronically.
Waiting	<ul style="list-style-type: none"> Time or interruption in the process where team members are waiting for something to happen before doing the next step. Process idle time. 	<ul style="list-style-type: none"> Waiting for next level approvals when staff not present. Waiting for customer information due to lack of instruction at front end. System speed and access.
Non-Utilized Talent	<ul style="list-style-type: none"> Underutilizing people's knowledge and creativity. Uneven workflow resulting in some team members overburdened while others underutilized 	<ul style="list-style-type: none"> Preauthorized payment processing in tax – run it 3 times outside the system. Duplication of effort, data entry in multiple systems, paper in binders, duplicate lists and spreadsheets (tax, cash receipts, accounts payable) Payroll staff re-entering in spreadsheets. Payroll and accounts payable manual work and excessive paper processing. Lack of training means staff are wasting their time when systems could eliminate non-value-added work. Financial information and reporting do not provide sufficient information leading to manual “digging” to do analysis.
Transportation/Conveyance	<ul style="list-style-type: none"> Unnecessary handling or transportation, multiple handling. Steps where work is moved from one role to another, one location to another, etc. 	<ul style="list-style-type: none"> Transferring data files between computer and paper (e.g. payroll). Moving files between staff without knowledge of file location – multiple files. Customers must go to the Township office to submit many applications and provide payment. Printing of cash receipts – require immediate transport to printer.
Inventory	<ul style="list-style-type: none"> Producing, holding, or purchasing unnecessary inventory or materials. More inventory than is required to meet 1 or 2 days of work. 	<ul style="list-style-type: none"> Excessive inventory or work to be processed due to one person responsible File inventory is well documented but not always followed.

FINANCIAL SYSTEMS AND PROCESSES REVIEW

TYPES OF WASTE	DEFINITION	WASTES DISCOVERED
Motion	<ul style="list-style-type: none"> Unnecessary movement to access information, files, materials, equipment to complete a task. 	<ul style="list-style-type: none"> Walking to pick up documents and delivering paperwork or accessing needed tools. Excessive walking to and from printers, files, etc.
Extra-Processing / Redundancy	<ul style="list-style-type: none"> Activity that doesn't add value or transform the product/service. Steps that repeat another step in the process – multiple roles doing similar tasks. Checking work of others already completed for accuracy or completeness. 	<ul style="list-style-type: none"> Unnecessary steps and handoffs – Particularly true in the payroll and other financial processes. Tracking of entitlements out of the financial system. Printing Tax bills on paper – folding, mailing, handling returned mail – can all be electronic. Accounts receivable – duplication between systems – paper-based processes. Re-entering data in several spreadsheets/systems. Making extra paper copies such as payables, reports, cash receipts and applications Entering information in systems “after the fact”. Documents are filled out by hand, then later entered into systems Lack of access to systems requires staff to look up information that could be accessed directly. Multiple copies of documents not stored in central location.

5. Reduce Supply Lead Time

Supply lead time is the total time it takes to complete a series of tasks within a process in order to meet customer demand. Reducing lead time is one of the most effective ways to reduce waste and lower total costs. Lead time can be broken down into three basic components:

• **Cycle time** – The time it takes to complete the production (or approval) of a single unit (such as permits or applications) from start to finish. That is, the time actually working on the task, be it physical or mental exertion.

• **Changeover time** – The time it takes to transfer from one step to the next or one activity/transaction to the next. This

is the most “underrated” waste of time. Most people do not realize how much time is lost when they must change what they are doing to respond to calls; interruptions result in waste as more time is needed to re-familiarize oneself with the process step at hand and refocus. As well, in terms of applications, if the customer is unable to complete the entire transaction at one time due to lack of accurate, complete information, both customer and staff must re-familiarize themselves with the application when they return to the Township (or call). Therefore, elimination of changeover time is essential for improved services and reduction in overall lead time.

• **Lead time** – The time it takes to complete an entire process from start to finish and any time in between process steps

(such as the amount of time from a planning request to approval). Any time in between steps adds to the Lead time.

•**TAKT Time** – the rate at which you need to complete the process in order to meet customer demand. Process and value stream maps are effective illustrations of lead times, cycle times and delays.

Currently, DNE does not capture much of this time with the exception of Public Works in the form of timesheets and WorkTech. But this is not accessed, analyzed or reconciled. Time is manually tracked and then re-entered into WorkTech after the fact (duplication) and sent to the financial system. If one wanted to know what was accomplished or to ensure minimum maintenance Standards (MMS) are achieved, one would have to go and manually find the information. Further, work orders are not utilized for regular work. A work order system should be integrated with the financial and asset management system. Most other processes are not tracked in terms of time with the exception of open and closed dates on applications. Therefore, we are not able to adequately assess the non-value-added activities and potential savings.

6. Reduce Total Costs

In economic terms, the reduction of waste and delays results in significant reduction in costs. By eliminating defects, duplication, unnecessary checks, over-processing and handoffs, less resources are needed to complete the tasks.

The true cost savings in the Township can be realized by reducing the errors and number of handoffs, requiring accountability at each stage and analyzing the types of reviews undertaken. Moving to electronic and workflow processes with integrated systems will significantly reduce costs and improve services. True cost savings can be realized by improving the tracking of time and resources dedicated to each step and further understanding the steps that can be eliminated. categories from telephone inquiries. If the Township had this information, it would allow for better upfront communication to customers and improved documentation on websites or pamphlets.

THE NEXT STEPS – CONTINUOUS IMPROVEMENT

- Work on the “One is Best” Principle
 - Investigate all Checks for value add
 - Eliminate the Need for Checks
 - File Only Once, In Only One Place, Electronically
 - Process Ownership – Accountability at each step
 - Get the Job done as soon as you start (eliminate changeover time)
 - Eliminate handoffs where possible
 - Look at Teamwork
 - Analyze risk