

Arkansas GFOA Conference

CIPFA GFOA FM Model

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Presented by GFOA

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Agenda

- Introductions
- About the CIPFA-GFOA FM Model
- Implementation / Things to Consider
- Case Study Examples
- See the FM Model
- Questions

Why assess financial management?

- Financial sustainability is not only about money
 - Good financial management is critical to fiscal resiliency
- Financial management performance has organization-wide and community-wide implications
 - Supports successful delivery of direct services
 - Enables better decision making by elected officials
 - Good financial management enhances public trust
- Resources available to finance offices are being squeezed; to assure continued high performance, it's important to
 - Identify key functions (and explain their importance to leaders)
 - Understand performance within each area
 - Compare your processes to Best Practices
 - Improve where necessary

Why the CIPFA-GFOA FM Model?

- The need for a self-assessment tool
 - Consistent with GFOA's best practices mission
 - Logical next step to GFOA's set of best practices
 - A cost-effective tool for GFOA members (no consulting required)
- Why borrow from CIPFA (UK Chartered Institute of Public Finance & Accounting)?
 - CIPFA's FM Model in use since 2004, in 3rd generation – proven tool
 - Financial management concepts cross national boundaries
- GFOA customized the model for North America
 - Task force of practitioners reviewed survey statements, added sections and statements, test drove the system

What the FM Model Provides

- The CIPFA-GFOA FM self assessment model self-assessment model helps governments
 - Understand current status of financial management within the organization
 - Highlight strengths and weaknesses
 - Identify predominant style and roles of financial management
 - Chart a path for progressive improvement
- Not a “box-checking” exercise
 - Ability to break down results lets you see the story behind the numbers
 - Statements become the source of improvement
 - GFOA best practices provided in the system

What it does

- The CIPFA-GFOA FM Model allows government leaders to examine financial management in depth, across their organizations, to:
 - Understand the predominant style of financial management.
 - See how financial management style supports strategic goals.
 - Promote a conversation about the role of the financial function and how it will evolve.
 - Support organizational leaders' skills in financial management.
 - Build a team-based approach to high performance in financial management.
 - Help prioritize improvement needs.
 - Develop an action plan.
 - Review and track progress over time.

Essential Characteristics

- Profile strengths and weaknesses
- Identify role and style of the finance function
- Charts a path for progressive improvement
- Encourages collaboration
 - Within the organization
 - Outside of the organization

Progressive & Multi-Dimensional

- FM model features:
 - 3 “styles” of financial management
 - 4 “dimensions”
- These combine to form a progressive and multi-dimensional assessment approach

3 Styles of Financial Management

1. Securing Stewardship

- Control, accountability, regulatory requirements

2. Supporting Performance

- Customer focus, efficiency, effectiveness

3. Enabling Transformation

- Managing change and risk; receptive to new ideas

4 Management Dimensions

1. Leadership

- Strategic direction, business management, “tone from the top”

2. People

- Competencies and engagement of staff

3. Processes

- Design, management and control of financial processes

4. Stakeholders

- External and internal customer focus, relationships with those with interest in financial health

The FM self-assessment system is multi-dimensional and takes a progressive perspective

	Leadership	People	Process	Stakeholders
Securing Stewardship	Good Practice Statements & Questions	Good Practice Statements & Questions	Good Practice Statements & Questions	Good Practice Statements & Questions
Supporting Performance	Good Practice Statements & Questions	Good Practice Statements & Questions	Good Practice Statements & Questions	Good Practice Statements & Questions
Enabling Trans-formation	Good Practice Statements & Questions	Good Practice Statements & Questions	Good Practice Statements & Questions	Good Practice Statements & Questions

What is your financial management style?



Enabling
transformation

Supporting
performance

Securing
Stewardship

What do you want it to be?

Financial Management Styles

- **Securing stewardship**
 - The baseline style, the bedrock of financial management
 - Emphasizes control, probity, meeting regulatory requirements, and accountability.
 - Traditional role of finance function

Securing
Stewardship



Financial Management Styles

- **Supporting performance**
 - Going beyond securing stewardship
 - this style emphasizes
 - responsiveness to customers,
 - efficiency and effectiveness, and
 - a commitment to improving performance
 - Both within the function and at the organizational level



Supporting
performance

Financial Management Styles

- **Enabling transformation**

- At this stage, organizations can transform themselves into:
 - jurisdictions that are strategic and citizen-centered,
 - oriented toward the future,
 - proactive in managing change and risk,
 - focused on outcomes, and
 - receptive to new ideas.



Enabling
transformation

Financial Management Dimensions

■ Leadership

- Focuses on strategic direction and business management, and;
- The impact on financial management of the vision and involvement of the organization's Board members and management team;
- The tone set from the top will be critical.



Financial Management Dimensions

- **People**

- which includes both the competencies and
- the engagement of staff,
 - within and throughout the organization



Financial Management Dimensions

- **Processes**

- examines the organization's ability to
 - design,
 - manage,
 - control and
 - improve
- its financial processes to support its policy and strategy.



Financial Management Dimensions

■ Stakeholders

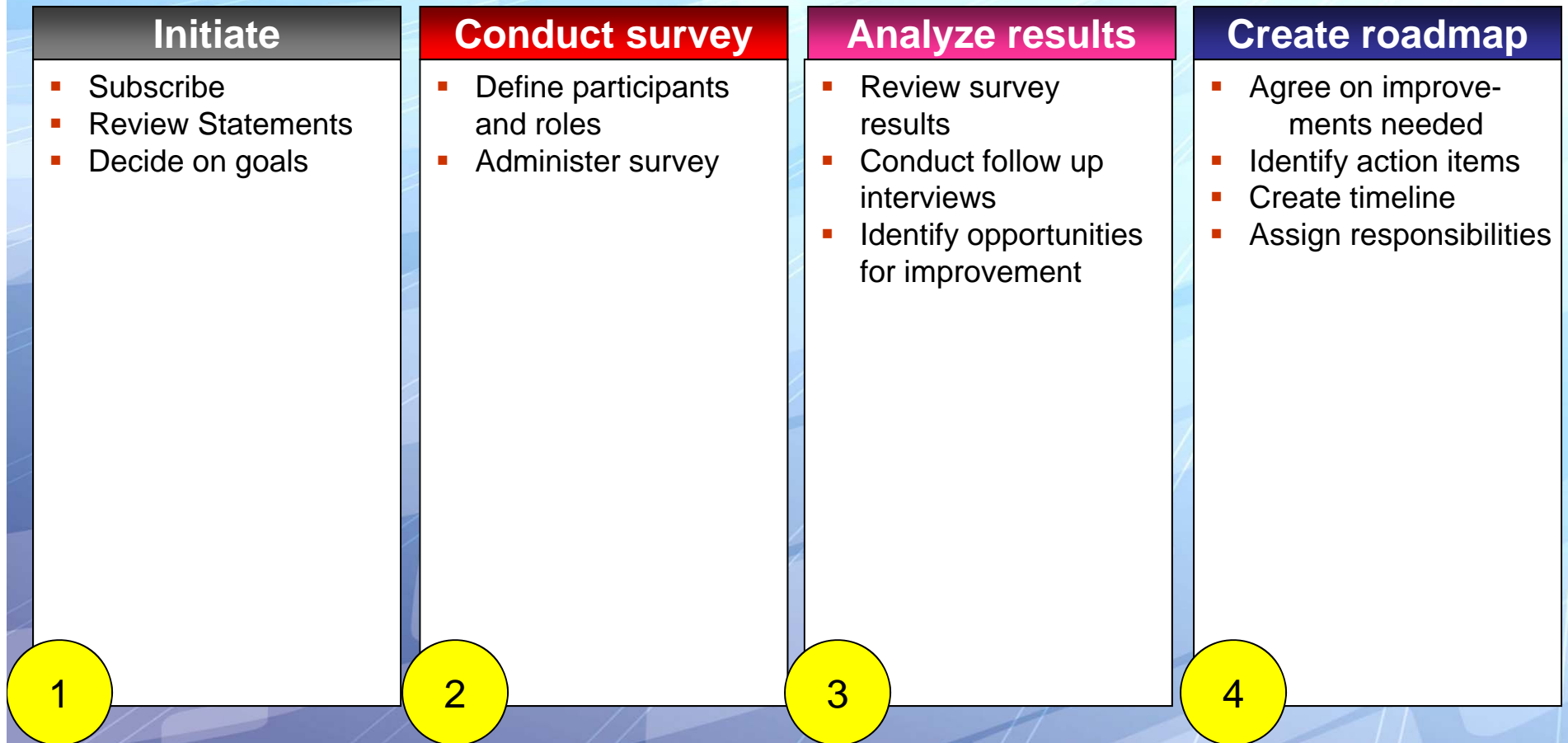
- acknowledges the relationships between the organization and those with an interest in its financial health.
- Public service organizations interact with a web of stakeholders from government, inspectors, taxpayers, partners, suppliers, customers or clients.
- External stakeholders have legitimate expectations about the finances of the organizations. This is enveloped by the public interest.



Financial Management Dimensions

- Boards, Finance professionals, and Management can use the FM Model together
 - Promotes collaboration
 - It will give the Board a picture of FM practice in the organization, creating a profile of strengths and weaknesses, the predominant style, and how style supports (or fails to do so) the organization's strategic goals.
 - It can be put to a variety of uses, including testing existing arrangements against good practice and identifying improvements, encouraging change, and creating standards.

The Self-Assessment Process



Review statements

Individual contributor feedback - Statement L6

- L6 : Statement Questions

previous statment



[Statement Overview](#)



next statement



[Back to Dashboard](#)



Statement		Yes	No	Partly	Don't know
L6	The Government integrates its business and financial planning so that it aligns resources to meet current and future objectives and priorities. Performance management is enabled through measures of outcomes and efficiency.				
1.	Has the City Council set the strategy expressed in the Strategic Plan?	✓			
2.	Does a focus on results that matter to citizens permeate strategies, processes, and decisions?	✓			
3.	Does a Business Plan describe the organization's goals/objectives design to achieve the strategies in the Strategic Plan, activities to reach the goals, and link these with financial impact and resource requirements?	✓			
4.	Is the Business Plan directly linked to allocations in the budget? Do changes in budgetary allocations link directly to a change in strategy/policy as articulated in the Business Plan?				✓
5.	Does the Business Plan estimate resource needs and impacts for at least three years into the future?		✓		
Contributors Comments:		<div>No comment yet</div>			

Logged in as sue.iverson@ci.arden-hills.mn.us

Initiate

Decide on Goals: articulate and communicate them

Each jurisdiction has its own goals

General Goals: Assure, move toward, attain, and confirm best practice-based public sector financial management, based on areas of strength and competency your government wants to emphasize.

Initiate

Goals Example

Arden Hills, MN

- How do we objectively and comprehensively evaluate our performance
 - Customer service ethic
- Continuous improvement
 - A learning organization
 - Taking the risks – willing to improve (change)

Initiate



How effective is your jurisdiction's
financial management?

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Goals Example Redmond, WA

- Look at major activities
 - Fiscal policy advice and guidance
 - Department leadership
 - Department administration
- Mission of Redmond Finance Department
 - Collaboratively lead and support business solutions for customers to promote accountable and efficient city operations for the benefit of the Redmond community



Initiate



How effective is your jurisdiction's
financial management?

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Develop a Communication Plan

- Articulate the purpose of the self-assessment (you can use this throughout the process)
- Identify key stakeholders
 - Who are your key stakeholders?
 - What will they want to know?
 - Be especially attentive to survey participants – their part takes time

Initiate

Conduct Survey

- Define participants and roles
 - Identify which survey questions to assign
- Administer survey

Conduct survey

Contributors Complete Survey

Contributors
complete the
assessment.

Statement and
questions allow
respondents to
assess the
extent to which
the best
practice
statement
reflects the
government's
financial
management

Conduct survey

Statement	Yes	No	Partly	Don't know
L1 There is an effective framework of financial accountability that is clearly understood and applied throughout the Government from the CAO through executives, to senior managers, to front-line service Other Finance, Other Finance.				
1. Does the CAO set the tone that finance matters?	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
2. Are there written policies and governance arrangements that define the financial management roles and responsibilities at all levels?	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
3. Does the CAO have an overview of the Government's financial position, including from component units and important partners that provide government services (including major private contractors)?	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
4. Does the CAO have an overview of the Government's risk exposures, including from component units and important partners that provide government services (including major private contractors)?	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
5. Are external audit and associated management letter free from concerns about the Government's governing policies, accountabilities, or decision-making rights?	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>

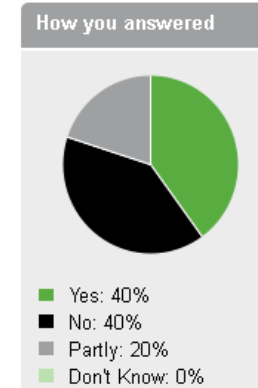
Your scoring

How far does this statement apply?

Hardly		Somewhat		Mostly		Strongly		
0.0	0.5	1.0	1.5	2.0	2.5	3.0	3.5	4.0
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

You answered

100%
of the questions
above



Comments:

The County is currently undergoing a strategic planning process with budgeting for outcomes included. An ERP system will also be installed to track process of BFO and strategic plan process.

previous statement

next statement

Back to Index

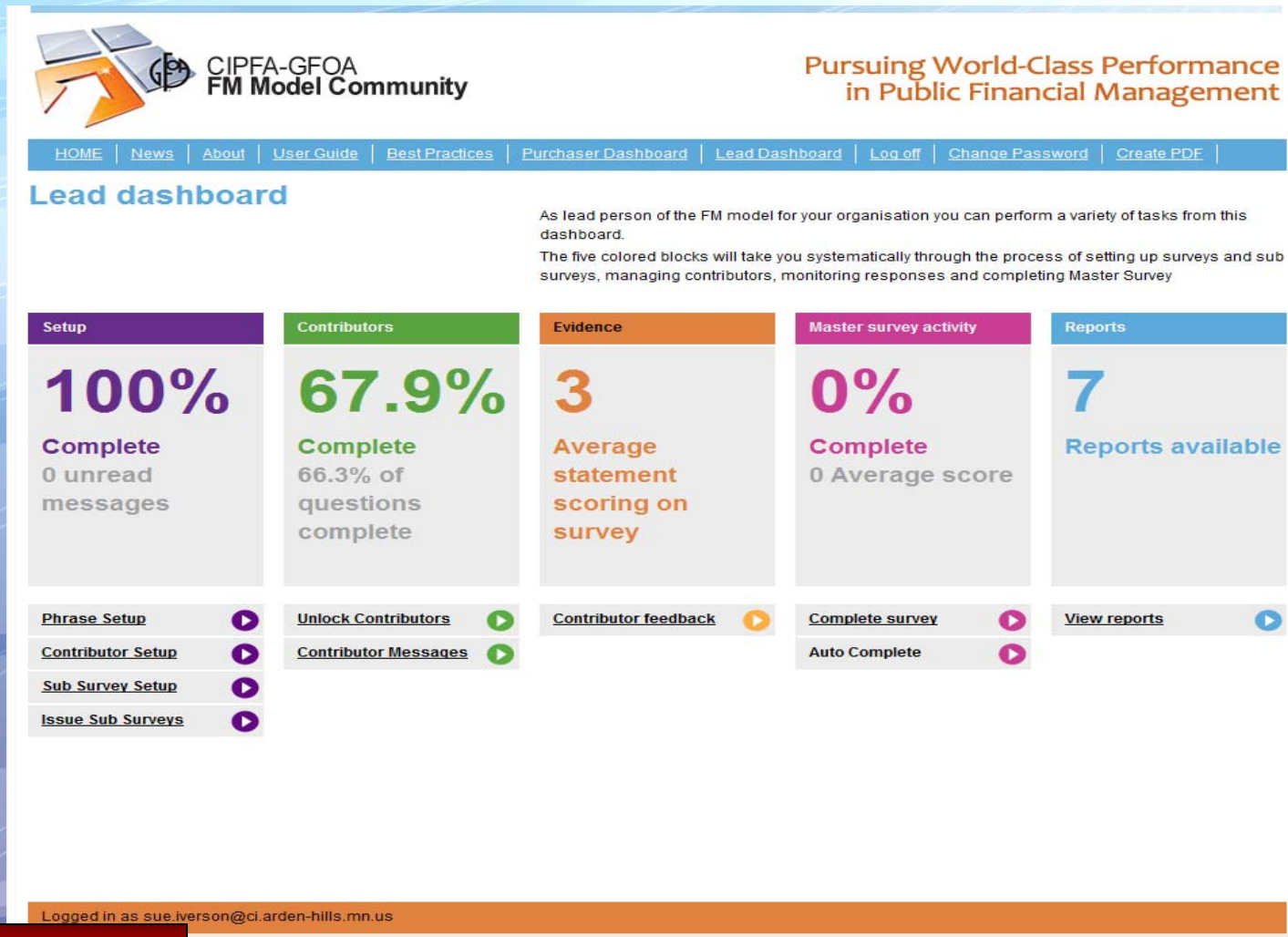
Back to Dashboard



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financial management?

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Monitoring Progress



Conduct survey

Analyze Results

- Review responses
 - Compare participant responses to Master
 - Look at differences between categories of contributors
 - Scores related to styles and dimensions
 - Try to understand what it means – tentative conclusions

Analyze results

Analyze Results

Green: existing financial policies are aligned with strategic goals
Yellow: some misalignment of policies and goals
Red: Misalignment between financial policies and goals

REF: REPTL1

Traffic light report using average from master survey

Master average scoring

Horizontal bar chart here, y axis as below, x axis 1-5 score:

Leadership average
 People average
 Processes average
 Stakeholders

Securing stewardship average
 Supporting performance average
 Enabling transformation average

Contributor average scoring

Horizontal bar chart here, y axis as below, x axis 1-5 score:

Leadership average
 People average
 Processes average
 Stakeholders

Securing stewardship average
 Supporting performance average
 Enabling transformation average

Printing your report

To create a PDF of the page click on the 'Create PDF' link above.
 To print this page out click 'CTRL+P' or click on the 'Print' link above.

Master coring by Management dimension/Financial management styles

Financial Management Styles:	Management dimensions:			
	Leadership	People	Processes	Stakeholders
Securing Stewardship	3.5	2.0	3.0	3.0
Supporting Performance	2.5	2.0	2.5	2.5
Enabling Transformation	2.0	1.5	2.0	2.5

Contributor scoring by Management dimension/Financial management styles

Financial Management Styles:	Management dimensions:			
	Leadership	People	Processes	Stakeholders
Securing Stewardship	3.5	2.0	3.0	3.0
Supporting Performance	2.5	2.0	2.5	2.5
Enabling Transformation	2.0	1.5	2.0	2.5

Analyze results



How effective is your jurisdiction's financial management?

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Analyze Results

Agree on
improvements
needed

Identify action
items

Create timeline

Assign
responsibilities

- Results are aide to guide the improvement plan
- Identify Strengths / Weakness
 - Develop Road Map for Improvement
- Identify who to collaborate with

Gather more information to get in-depth information

- Identify what you want to know more about
 - Use follow up interviews with individuals
 - Use focus groups to learn more, try out possible solutions
 - Expand the application of the survey tool itself to more contributors

Analyze results



How effective is your jurisdiction's financial management?

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Communicate the Results

- Communication is not just at the end, it's at the beginning and the middle
- Understand the implications of assuming others have as high an opinion of you as you do
- There is always something good to report
- And just the act of self-assessment is positive

Analyze results



How effective is your jurisdiction's
financial management?

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Develop Roadmap

Agree on
improvements
needed

Identify action
items

Create timeline

Assign
responsibilities

- Identify who to collaborate with
- Work as a team rather than individually
- Be particularly careful not to draw incorrect conclusions
Find out more about why respondents scored statements as they did through interviews/focus groups

Create roadmap

Develop Roadmap

Agree on
improvements
needed

Identify action
items

Create timeline

Assign
responsibilities

- Identify strengths, make sure you keep these
- Be selective about what you want to change
- Develop a timeline, tasks and accountabilities

Create roadmap

Re-Assess

- Compare to baseline
- Identify who will participate
- Continually improving?
- Slip in some area?

Create roadmap



**How effective is your jurisdiction's
financial management?**

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Case Study – City of Redmond

- Deployed the model on three levels
 - Focus internal to finance
 - Self assessment – internal norms, beliefs, opinions
 - Focus on city management team
 - Department directors and senior managers
 - Confirm or challenge Finance assessment
 - Customer's perspective
 - Focus on city political leadership
 - Vested in our process improvement efforts
 - Political perspective

Case Study – City of Redmond

- **Redmond Culture**

- Strong mayor form of government
 - Very good (safe) politics
- Progressive / engaged community
 - Pride in their local government
- Team oriented
 - Financial management a “team sport”
 - Budgeting for Outcomes
 - Performance Management ethic

Case Study – City of Redmond

■ What Redmond learned

- Have only deployed in phases 1 and 2 thus far
- They assumed they had a very good finance function, but
 - Observed many “gaps”
 - Compared gaps to organizational vision, goals and culture to prioritize next steps
 - Aligned FM Model learning with city’s internal “process improvement” efforts
 - This is especially true where customers have identified gaps

City of Redmond

Gaps: internal assumptions vs external perceptions

Statement		Yes	No	Partly	Don't know
S1	External stakeholders have confidence in the integrity of the Government's financial conduct				
1.	Does the budget document and on-line presentation include a concise summary and guide to the key issues and aspects of the operating and capital components of the budget, which is accessible to non-expert users?	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
2.	Is a summary of year-end financial information presented in a way that is accessible to non-expert users, such as an on-line popular annual financial report (PAFR)	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
3.	Are there appropriate public-facing mechanisms to support public confidence in basic stewardship (e.g., whistle-blower protection policies; ethical standards/codes of conduct; disclosure of conflicts of interests; fair and open purchasing policies)?	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
4.	Does the Government publicize how the public can register concerns or complaints (e.g., a 311 telephone number, website)?	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
5.	Do the Management Team and Council openly advocate for and actively promote high ethical and professional standards?	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Your scoring

How far does this statement apply?

Hardly			Somewhat		Mostly		Strongly	
0.0	0.5	1.0	1.5	2.0	2.5	3.0	3.5	4.0
<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

You answered

100%
of the questions above

How you answered

☒ Yes: 20%
☒ No: 60%
☒ Partly: 20%
☒ Don't Know: 0%

Case Study – City of Redmond

- Next steps
 - Intend to extend tool (on limited basis) to policy makers
 - Expect to have (continue) active dialog about how we can enable transformation
 - Will leverage Budgeting for Outcomes dialog with model observations
 - The Budgeting for Outcomes is an active source of progressive dialog with our council and community

Case Study – City of Arden Hills

- **Have deployed to:**
 - City management team
 - City Administrator
 - Director of Finance and Administrative Services
 - Community Development Director
 - Public Works Director / City Engineer
 - Financial Planning & Analysis Committee
(Citizen Committee appointed by the City Council)

Case Study – City of Arden Hills

- Arden Hills learnings

- ☐ Very different results between the Management Team and the Citizen Committee

PR21 - All sub-survey average

The Government's long-term financial planning process underpins financial sustainability.

All survey groups average score

Individual survey group average score: FPAC Financial Model Test

Individual survey group average score: Management Team Financial Model Test

Individual survey group average score: Mgmt Team FM Model Test

Individual survey group average score: FPAC FM Model Test

0 1 2 3 4
Score

PR21 - Scoring breakdown by sub-survey and category

Sub-survey average	Category average					
	All	1	2	3	4	5
All sub-surveys	3.1	N/S	2.7	N/S	N/S	N/S
FPAC Financial Model Test	3.4	N/S	N/S	N/S	N/S	N/S
Management Team Financial Model Test	1.5	N/S	1.5	N/S	N/S	N/S
Mgmt Team FM Model Test	2.7	N/S	2.7	N/S	N/S	N/S
FPAC FM Model Test	3.5	N/S	N/S	N/S	N/S	N/S

Case Study – City of Arden Hills

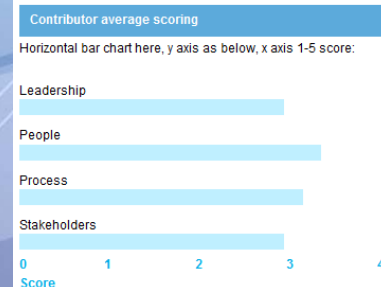
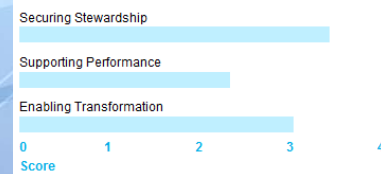
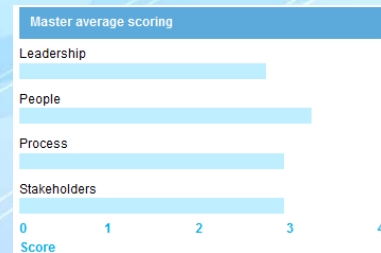
- Arden Hills learnings

- ☐ Overall scored well in securing stewardship, but not so well in other areas based on contributors



Case Study – City of Arden Hills

- Internally Arden Hills finance department felt they had a very good finance function, they saw gaps to fill and a need to work internally on process improvement and “educating” internal customers



Master Scoring by Management dimension/Financial management styles

Financial Management Styles:	Management dimensions:			
	Leadership	People	Process	Stakeholders
Securing Stewardship	3.3	3.3	3.4	3.5
Supporting Performance	2.3	2.8	1.8	2.7
Enabling Transformation	3	3.5	3.3	2.3

Contributor scoring by Management dimension/Financial management styles

Financial Management Styles:	Management dimensions:			
	Leadership	People	Process	Stakeholders
Securing Stewardship	3.2	3.2	3.4	3.1
Supporting Performance	2.8	2.8	2.7	2.8
Enabling Transformation	2.8	3.6	2.6	2.5

Case Study – City of Arden Hills

- Arden Hills' next steps
 - Intend to extend tool to all internal staff to identify issues and misperceptions
 - We too expect to have (continue) active dialog about how we can enable transformation

Case Study - Yolo County

- Looking for financial management model that supports financial sustainability.
- Found the FM Model
- Used survey tool to assess current practices
- Analyzed deviations from best practices
- Developed plan to phase in improvements
- Converted plan into tasks for inclusion in Tactical Plan which feeds into the Budget

Case Study - Yolo County

Wanted to Understand Shortcomings

Result of the financial management assessment shows where improvement is needed:

Financial Management Style	Management Dimension			
	Leadership	People	Process	Stakeholders
Securing Stewardship	2.3	2.1	2.3	2.4
Supporting Performance	1.9	1.8	1.9	1.6
Enabling Transformation	2.1	1.7	1.8	1.6

Case Study - Yolo County

Identify Gaps & Improvements

- Strategy: correct basic deficiencies first

Color code	Management Style	Priority	Include in improvement plan?
	Securing Stewardship	1	Yes
	Supporting Performance	2	Yes
	Enabling Transformation	3	No. Defer.

- Example of how to identify improvement:

P3	Managers understand they are responsible for delivering services cost-effectively and are held accountable for results.	1.9
----	---	-----

Best practice questions

- 1 Is there evidence that Managers understand that they must **create Public Value** through service provision, including using resources efficiently?
- 2 Are **Managers at all levels held accountable for financial outcomes** and creating Public Value, with meaningful consequences for their appraisal?

Case Study - Yolo County

Identify Gaps & Improvements

- Strategy: correct basic deficiencies first

Color code	Management Style	Priority	Include in improvement plan?
	Securing Stewardship	1	Yes
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- Example of how to identify improvement:

P3	Managers understand they are responsible for delivering services cost-effectively and are held accountable for results.	1.9
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Best practice questions

- 1 Is there evidence that Managers understand that they must **create Public Value** through service provision, including using resources efficiently?
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Walk-thru the FM Model

Pursuing World-Class Performance in Public Financial Management

■ Testimonials

- *“If you’ve been working with your own locality for years, you’ve grown accustomed to its CAFR, its practices, its budget process and its policies. The FM Model is a way to take a new look at what your locality has in place and to survey the practices, using an objective questionnaire. It helps open the eyes of organizational managers, provide ideas for improvement, and validate the good things already in place.”*

– Chris Morrill, City Manager, Roanoke, Virginia

- *“The model emphasizes stewardship and performance while providing opportunities for transformation to a higher level: from good financial management to great financial management.”*

– Mike Bailey, Finance Director, Redmond, Washington



Thank you!

Questions?

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