



MOSSADAMS

SALEM HOUSING AUTHORITY

Finance Division Assessment

Final Report

January 18, 2022





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Scope of Work

The Salem Housing Authority (SHA) contracted with Moss Adams LLP to perform an organizational assessment of the SHA's Finance Division (the Division). The goal of the assessment was to:

1. Evaluate the purpose, role, and function that the finance division performs within SHA;
2. Evaluate the division's organizational structure, reporting lines, staffing levels, and capacity.
3. Review policies and procedures for completeness and adherence to best practice; and
4. Identify opportunities for improvement in service delivery, internal controls, operations, and process efficiency.



Methodology

Our work was performed between October 2021 and January 2022. The project consisted of four phases:

1. **Project Initiation and Management:** This phase concentrated on comprehensive project planning and project management including scope setting, identifying staff to interview and documents to review, communicating the plan, and establishing a game plan for execution.
2. **Fact Finding:** This phase included staff interviews, a review of document and financial reports, and research into industry best practices.
3. **Analysis:** This phase served as the assessment portion of the project. Based on the information gathered, we evaluated the importance, impact, and scope of our observations in order to develop recommendations to increase the efficiency of operations within the SHA's Finance Division. We also held several work sessions with Division staff to begin process documentation.
4. **Reporting:** This phase concluded the project. We reviewed draft observations and recommendations with the SHA's leadership team to validate facts and confirm the practicality of recommendations.



Commendations

Although the focus of this assessment was to identify opportunities for improvement, it is important to celebrate strengths and existing good practices that can be leveraged for further improvement. The following is a list of commendations that the Moss Adams team would like to note:

- **Resilience:** The Finance Division has continually adapted to changes and challenges due to unexpected events (like the COVID-10 pandemic) and shifting responsibilities as the SHA's mission and services have expanded over time.
- **Expertise:** The Finance Division staff have solid technical expertise.
- **Retention:** Many members of the Finance Division have long tenures with SHA, providing a good source of continuity to the agency.
- **Desire for Improvement:** Throughout our interviews, Division staff expressed strong interest in making improvements to department operations.

We would like to thank the SHA and Finance staff for their willingness to assist in this assessment process.



Observations and Recommendations

Section 1: PEOPLE			
#	Category	Observations	Recommendations
1	Leadership Capacity and Delegation	<ul style="list-style-type: none"> The Finance Manager’s workload is unsustainably high and predominantly focused on tactical matters. Within this context, the Finance Manager is not able to work at her highest and best use. Staff report a variety of barriers to appropriate delegation of work from the Finance Manager to other employees within the Division. The Division’s scope of responsibilities has grown over the past five years and the SHA anticipates future growth as the agency’s mission and services expand. As responsibilities increase, staff report difficulties prioritizing competing demands. Given the Finance Manager’s tactical focus, the SHA is lacking necessary oversight and strategic guidance from the Division. For example, the Finance Manager is performing financial reviews less than once per quarter. This can lead to significant issues during the agency’s audit process, in addition to negatively impacting daily operations. 	<ul style="list-style-type: none"> Increase the Finance Manager’s capacity to work at her highest and best use by: <ul style="list-style-type: none"> Reviewing functions overseen by the Finance Manager as part of the process improvement work (see Observation 8) to identify opportunities for delegation. Delegating the HR/benefit management-related duties currently handled by the Finance Manager to another member of SHA staff. Re-establishing regular Division team meetings to discuss upcoming work, delegate tasks, and answer questions. Provide coaching to Division leadership on change management, strategic prioritization, and performance management (see Observation 3). Ensure that financial reviews are performed once per month.



Observations and Recommendations

Section 1: PEOPLE

#	Category	Observations	Recommendations
2	Staffing	<ul style="list-style-type: none"> The Division has a relatively flat structure, with three accountants, a senior accounting assistant, and a staff assistant who all report to the Finance Manager. As a result, the Finance Manager has limited back-up and reports difficulty taking time off work to rest and recharge. A Senior Accountant position has been approved, but unfilled for years. Grant management is currently a decentralized function within SHA. Program managers seek to identify, secure, and manage grants to support their individual areas, but multiple interviewed staff noted that they would benefit from additional support in this area. There are limited opportunities for career growth and advancement within the Division which has been a desire expressed among employees. 	<ul style="list-style-type: none"> Continue efforts to immediately hire the Senior Accountant position. This role should both help to reduce the Finance Manager's workload and be cross-trained in critical functions. In addition, this role will create an additional career growth opportunity within the team. Consider establishing a Grant Manager or Grant Coordination position within the Division. This position could develop an overarching grant strategy for the agency, provide centralized coordination, and help train and support program managers in appropriate grant management practices. Develop training and career growth plans to support employees who wish to expand their skills.
3	Performance Management and Division Culture	<ul style="list-style-type: none"> To create a productive work culture, each member of the Finance Division staff must be professional in all interactions, respectful of each other, open to embracing change, and willing to take ownership over their assigned responsibilities. Several relationships within the Division are currently characterized by low levels of trust, frustration, and resistance to change. Staff report that performance evaluations are considered a formality and have frequently been skipped in previous years. The agency does not utilize a performance evaluation structure that is tailored to individual job classifications or position responsibilities. Interviewed supervisors within SHA report limited training or coaching on effective performance management. Several managers also noted concerns about how to appropriately manage employee performance within a represented environment. 	<ul style="list-style-type: none"> Work with City HR to ensure the performance review process is meaningful for staff, related to specific performance expectations for each position, and completed for all employees on an annual basis. Provide supervisors training and/or coaching to further develop performance management skills, with a focus on appropriate tools, practices, and resources for employee accountability within a represented environment. Work with all members of the Division to develop a shared set of value statements. Values define what a group believes and the standards it agrees to live by every day. Values also set expectations for how employees behave when interacting with colleagues, customers, or external parties.



Observations and Recommendations

Section 2: PROCESSES

#	Category	Observations	Recommendations
4	Critical Deadlines	<ul style="list-style-type: none"> The factors noted in Observations 1, 2, 3, 7, and 8 have created an environment where critical finance deadlines are frequently missed and/or staff are consistently obligated to rely on grace periods. This has created serious challenges for the agency and has the potential to cost SHA future funding, resources, and relationships. 	<ul style="list-style-type: none"> Develop a new organizational tool or software system to appropriately track and manage to critical deadlines. The tool should be available and easy to understand so that staff throughout SHA can have transparency into deadlines.
5	Planning	<ul style="list-style-type: none"> The Division does not routinely develop annual work plans. Interviewed staff report that Division work is primarily reactive, due to high workloads and inefficient processes. This type of environment tends to create a reactive, heads-down culture with limited time for effective prioritization, improvements, or proactive planning. 	<ul style="list-style-type: none"> Develop an annual operating plan for the Division. While an operating plan does not need to be overly complex, it should outline high-level goals and action items to achieve the goals, along with identifying feasible timelines and responsible parties.
6	Policies and Procedures	<ul style="list-style-type: none"> The Division has developed some relevant policies and procedure documentation. However, staff noted several challenges including: <ul style="list-style-type: none"> Lack of awareness of process documentation or the inability to find the most up-to-date version Limited accountability to follow documented processes Limited cross-team communication when process changes are implemented The lack of clear and accessible policies and procedures has multiple impacts, including lack of process consistency, risk of losing institutional knowledge, cross-departmental communication challenges when responsibilities are unclear, and a lack to accountability to abide by established procedures. 	<ul style="list-style-type: none"> Continue efforts to develop strong process documentation by documenting gaps and creating a prioritized schedule for the development and update of Division policies and procedures. For critical procedures, the Division should also develop a step-by-step guide to ensure processes are performed appropriately, consistently, and in a timely manner. Updated policies and procedures should be available in a centralized location, such as an intranet, for employees to easily access and reference. Develop a plan outlining the frequency and process for reviewing and updating policies and procedures. Appendix B contains a high-level gap analysis of current policies and procedures.



Observations and Recommendations

Section 2: PROCESSES

#	Category	Observations	Recommendations
7	Systems and Reporting	<ul style="list-style-type: none"> The SHA's enterprise resource planning system—Housing Management Software (HMS)—is out of date and insufficient to meet agency needs. The HMS does not support digital workflows, which has created a reliance on paper-based processes. Staff report significant challenges getting data out of HMS and manual intervention is required for almost all reporting. This increases the risk of error, limits the use of data in agency decision-making processes, and creates risks related to accurate financial management. Program managers cannot access real time financial data without involving the Finance Director. Many program managers are manually tracking their budgets in static spreadsheets. The SHA is planning to replace HMS by the end of 2022. However, staff report concerns that there are insufficient employee resources and capacity to ensure a successful transition to the new system. 	<ul style="list-style-type: none"> Continue efforts to replace the HMS system. As part of this work, develop a clear plan for system implementation that includes: <ul style="list-style-type: none"> A clear timeline for the transition Resources to document current and new workflows and processes Resources to clean the current system data Resources to build out system workflows and standard financial reports Resources to provide adequate training to both Division and program staff, including training on how to access standard financial reports A communication plan for internal and external stakeholders
8	Processes	<ul style="list-style-type: none"> Multiple processes within the Division are inefficient and poorly defined. This has been caused, in large part, by the limitations of the HMS system. However, there are opportunities to improve processes by creating clear documentation and clarifying roles and responsibilities. 	<ul style="list-style-type: none"> Continue efforts to document processes and to clarify roles and responsibilities and identify opportunities for streamlining.



Observations and Recommendations

Section 3: CUSTOMER SUPPORT

#	Category	Observations	Recommendations
9	Communication and Collaboration	<ul style="list-style-type: none"> Program division staff noted that Division employees often strive to be helpful and responsive, despite heavy workloads. Program divisions staff and external third-party stakeholders report that response times from the Division are often lengthy and that action items often require continual follow up. The SHA's current auditors report significant delays in receiving information and have chosen not to continue their professional relationship with the agency. Due to the previously noted system limitations, program managers must wait on the Division for important financial reports. Some stakeholders mentioned a lack of clarity about which member of the Division to contact for specific inquiries and misdirected emails can further delay communication. 	<ul style="list-style-type: none"> Establish an internal standards for when inquiries and requests will be answered (for example, within two business days). Consider establishing a regular reporting routine where all program managers receive relevant financial reports on a weekly or monthly basis. Develop an expanded staff directory for the Division that includes the role, individual, and contact information, in addition to a high-level description of activities associated with each role. The Division can also create a "quick-guide" with common issues program departments face and who they can contact for help with their issue. Consider establishing a single point of contact for external third-party relationships.
10	Training	<ul style="list-style-type: none"> The Division has not yet implemented standard onboarding for new employees or regular trainings for program department staff who are responsible for various financial functions—including use of the financial system, grant management, budget management, or procurement. Given the limitations of the HMS system and lack of training or procedure documentation, multiple program managers report that they frequently do not have the data necessary to successfully accomplish their work, track their budgets, or make data-driven decisions. 	<ul style="list-style-type: none"> Develop a standard onboarding curriculum for new staff members who will engage in financial functions. Host annual trainings for all staff involved in supporting financial functions. Consider establishing monthly meetings with the program manager team to share information, introduce process changes, and answer questions. Continue efforts to replace the HMS system and ensure that program staff are adequately trained so they can easily access relevant data.



Implementation Plan

TOPIC	RECOMMENDATION	PRIORITY	RESPONSIBLE PARTY
Staffing	Continue efforts to immediately hire the Senior Accountant position. This role should both help to reduce the Finance Manager's workload and be cross-trained in critical functions. In addition, this role will create an additional career growth opportunity within the team.	Critical	Finance Manager
Critical Deadlines	Develop a new organizational tool or software system to appropriately track and manage to critical deadlines.	Critical	Finance Manager
Leadership Capacity and Delegation	Ensure that financial reviews are performed once per month.	Critical	SHA Director
Leadership Capacity and Delegation	Re-establish regular Division team meetings to discuss upcoming work, delegate tasks, and answer questions.	High	Finance Manager
Leadership Capacity and Delegation	Delegate the HR-related duties currently handled by the Finance Manager to another member of SHA staff.	High	SHA Director
Leadership Capacity and Delegation	Provide coaching to Division leadership on change management, strategic prioritization, and performance management. Provide supervisors training and/or coaching to further develop performance management skills, with a focus on appropriate tools, practices, and resources for employee accountability within a represented environment.	High	SHA Director
Processes	Continue efforts to streamline and document finance processes.	High	Finance Manager
Systems and Reporting	Continue efforts to replace the HMS system. As part of this work, develop a clear plan for system implementation.	High	SHA Director/IT
Staffing	Consider establishing a Grant Manager or Grant Coordination position within the Division. This position could develop an overarching grant strategy for the agency, provide centralized coordination, and help train and support program managers in appropriate grant management practices.	High	SHA Director



Implementation Plan

TOPIC	RECOMMENDATION	PRIORITY	RESPONSIBLE PARTY
Performance Management and Division Culture	Work with all members of the Division to develop a shared set of value statements. Values define what a group believes and the standards it agrees to live by every day. Values also set expectations for how employees behave when interacting with colleagues, customers, or external parties.	High	Finance Manager
Communication and Collaboration	Consider establishing a regular reporting routine where all program managers receive relevant financial reports on a weekly or monthly basis.	High	Finance Manager
Training	Consider establishing monthly meetings with the program manager team to share information, introduce process changes, and answer questions.	High	Finance Manager
Performance Management and Division Culture	Work with City HR to ensure the performance review process is meaningful for staff, related to specific performance expectations for each position, and completed for all employees on an annual basis.	Medium	City HR
Planning	Develop an annual operating plan for the Division. While an operating plan does not need to be overly complex, it should outline high-level goals and action items to achieve the goals, along with identifying feasible timelines and responsible parties.	Medium	Finance Manager
Policies and Procedures	Continue efforts to develop strong process documentation by documenting gaps and creating a prioritized schedule for the development and update of Division policies and procedures. For critical procedures, the Division should also develop a step-by-step guide to ensure processes are performed appropriately, consistently, and in a timely manner.	Medium	Finance Manager
Communication and Collaboration	Consider establishing a single point of contact for external third-party relationships.	Medium	Finance Manager
Training	Host annual trainings for all staff involved in supporting financial functions.	Medium	Finance Manager
Training	Develop a standard onboarding curriculum for new staff members who will engage in financial functions.	Medium	Finance Manager
Staffing	Develop training and career growth plans to support employees who wish to expand their skills.	Low	City HR
Communication and Collaboration	Develop an expanded staff directory for the Division that includes the role, individual, and contact information, in addition to a high-level description of activities of each role. The Division can also create a "quick-guide" with common issues program departments face and who they can contact for help.	Low	Finance Manager



Appendix: Policy and Procedure Gap Analysis

We requested and obtained all documented Finance Division policies and procedures (P&Ps). Gaps identified, by policy area, were classified into one of the following three broad categories:

- **Full Gaps:** Documented P&Ps do not exist, or there is minimal and outdated information available.
- **Major Gaps:** Some P&Ps exist; however, there were major gaps in coverage identified or the P&Ps are outdated.
- **Minor Gaps:** P&Ps exist and appear to be comprehensive; however, there were minor gaps in coverage identified and/or the P&Ps need to be reviewed for potential updates required.

For each policy area, we assigned a risk level based on our assessment of adequacy of the current coverage, the volume and substance of the gaps identified, the inherent risks associated with the area, and other driving factors. Each policy area was assigned a risk level to help the Finance Division prioritize the P&P needs including high-risk (priority one), moderate-risk (priority two) and low-risk (priority three).

The gap analysis results are presented on the next slide.



Appendix: Policy and Procedure Gap Analysis

POLICY AREA	TYPE OF GAP	SUMMARY OF ACTION REQUIRED	RISK ASSIGNED	PRIORITY LEVEL
Agency Deadlines	Major Gap	Recreate into a more useful operational tool that allows users to quickly see which deadlines have not been met	High	1
Agency Task List with Due Dates	Major Gap	Recreate into a more useful operational tool that allows users to quickly see which deadlines have not been met	High	1
Annual Workload for SC8 Managers	Major Gap	Recreate into a more useful operational tool that allows users to quickly see which deadlines have not been met	High	1
Finance Manager Continuity Book	Full Gap	Create and finalize	Medium	2
Asset Manager Continuity Book	Major Gap	Update and finalize policy – draft created 5/20/19	Medium	2
Client Services Supervisor Continuity Book	Major Gap	Update and finalize policy – draft created 5/20/19	Medium	2
Compliance Manager Continuity Book	Major Gap	Update and finalize policy – draft created 5/20/19	Medium	2
Credit Cards	Full Gap	Develop Credit Cards procedures	Low	3
Recordkeeping	Full Gap	Develop Recordkeeping P&Ps	Low	3
Accounts Payable	Full Gap	Develop Accounts Payable procedures	Low	3
Accounts Receivable	Full Gap	Develop Accounts Receivable procedures	Low	3
Budget Management	Full Gap	Develop Budget Management procedures	Low	3
General Journal/Journal Vouchers	Full Gap	Develop Journal Entry procedures	Low	3
HUD Procedures	Full Gap	Develop HUD procedures	Low	3
Financial System Documentation	Full Gap	Documentation or “how-to” for the next financial system	Low	3





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Thank You

