



Department of Finance & Management
Strategic Plan – V.3.3

Planning Period: 2012 – 2015

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Message from the Commissioner

The primary purpose of the Department of Finance & Management is to oversee efficient and effective operations related to the State of Vermont's finances. We serve our stakeholders in many ways including developing the Governor's budget recommendations, delivering reliable financial information, advocating for responsible use of taxpayer dollars, and developing, maintaining and supporting the State's primary financial systems. The Department is composed of the Commissioner's Office and three operational divisions: Budget and Management, Customer Services, and Financial Operations [Statewide Reporting, Statewide Accounting and Payroll].

The Department of Finance & Management, together with Agencies and Departments across state government, as well as the Offices of the State Auditor and State Treasurer, worked together over many years to successfully implement the statewide financial policies and procedures that are geared toward the timely, accurate and complete reporting of financial information. The efforts of this group have resulted in the Department of Finance & Management receiving, for the third consecutive year (FY 2009, 2010 and 2011), the Certification of Achievement for Excellence in Financial Reporting – the highest recognition in the area of government accounting and financial reporting – from the Government Finance Officers Association (GFOA) of the United States and Canada, for Vermont's Comprehensive Annual Financial Report.

The strong fiscal policies of the State of Vermont and its adherence to sustainable budgets, a consensus revenue process and debt affordability standard have resulted in Vermont receiving the highest overall bond rating in New England.

Finance & Management's work provides core operational services and support to departments that provide direct services to citizens, businesses and other organizations, allowing these more visible departments the ability to focus on their services, policy and programmatic work. Finance & Management is a strong and knowledgeable team providing statewide fiscal oversight, support and direction.

I, as Commissioner, along with the Deputy Commissioner, Division Directors and the entire departmental staff take great personal pride in the efforts and achievements of our department to date; we pledge to continue to serve the State of Vermont to the best of our abilities.

James B. Reardon, Commissioner

Department Overview

MISSION: The Department of Finance and Management is dedicated to the effective and efficient execution of the State's fiscal responsibilities. We are committed to serving Vermont's citizens and our peers by:

1. Establishing and maintaining centralized accounting functions that incorporate appropriate internal controls and generate reliable financial information that is in accord with established accounting principles; and
2. Developing, maintaining, and advocating for fiscally responsible and sustainable budgets and related management recommendations for the Secretary of Administration and the Governor.

ORGANIZATION: Located in the historic Pavilion Building in Montpelier, VT, the Department of Finance & Management occupies offices on the third, fourth and fifth floors of the building. The Department of Finance and Management consists of three divisions, Budget and Management (including the Commissioner's office), Financial Operations and Change Management/Customer Services with a total of 38 current authorized positions.

Budget and Management (5th floor), which includes the Commissioner, Deputy Commissioner, Executive Assistant and Administrative Support Coordinator, manages the development of the Governor's recommended budget, monitors and defends the passage of the budget through the legislature, and manages the adopted budget throughout the fiscal year. An experienced staff of 6 Budget Analysts, supervised by the State Budget Director is responsible for specific agencies and department areas. In addition to managing the department, the Commissioner and Deputy Commissioner have overall statewide responsibility for financial policies and procedures, supporting the Office of the Secretary of Administration in operational areas such as Administrative Bulletins, review of and recommendations to the Secretary for contracts, sole source requests, and fiscal adjustments (e.g. excess receipts, etc.) submitted by departments and managing the Consensus Revenue process.

Financial Operations (4th and 3rd floors) maintains and operates the state's centralized accounting system, VISION. Reporting to the Director of Financial Operations, the Director of Statewide Accounting and a staff of 7 financial and internal control professionals, provide related controls and services for managers and employees of state government, and generate reliable financial information that is in accord with Generally Accepted Accounting Principles (GAAP) (4th floor). Additional responsibilities include cooperation with the State Treasurer in projecting and monitoring cash flow of State government, and under the direction of the Director of Payroll, the oversight and management of the statewide payroll process and 6 staff (3rd floor).

This effort culminates in the publication of the State's Comprehensive Annual Financial Report (CAFR), and federally required reports, prepared under the expertise of the Director of Statewide Reporting and a staff of 5 professionals.

Change Management/Customer Service promotes correct utilization and adoption of federal, State and Finance & Management systems and guidelines. This Team supports users of the VISION system

by providing training classes and material, answering questions about VISION in a manner consistent with Department and Agency policies. Customer Service is the first point of contact for most customers, and facilitates the intersection of users, the technical staff and Financial Operations. All questions related to modifying VISION or requests for added functionality, such as adding business processes to modules to support state operations, are handled by the Director of Change Management and 4 Finance Support Team specialists.

Department Strategic Planning Process

Several high level strategic discussions between the Commissioner and Deputy Commissioner occurred as a result of the Governor’s Strategic Planning Retreat and after cabinet meetings, in addition to agency works sessions. The Deputy Commissioner then led the department’s strategic planning core team, composed of the deputy and the three division directors. An initial one-page draft document was collaboratively developed, modeled on the Vision, Values and Priorities document developed as a result of the Governor’s Cabinet Strategic planning retreat held on June 22, 2011.

After the initial draft document was created, each division director met with key staff members to review the previous mission statement and organizational narratives for comparison purposes, resulting in suggested changes to the document. Financial Operations and Customer Service were able to leverage activities (meetings and discussions) previously held during the initial risk assessment process for the VISION/HCM upgrade project Risk Committee. Budget & Management incorporated the strategic discussion into the agenda for the weekly Budget & Management Staff Meeting. The core team then incorporated suggested changes and edits, as appropriate for final editing, review and approval by the Commissioner.

This document is intended to be a “living document” with updates and changes made as necessary. Therefore, a Version Control Chart is shown below:

Version Control

V.1	7/1/2011 to 9/28/2011	Initial draft for work group development (Deputy Commissioner & Department Directors)
V.2	10/28/2011	Draft - Submitted to Commissioner & Secretary for Comment
V.3	3/16/2012	Final Version – Approved by Commissioner & Secretary for Review; Submitted to Secretary of Administration for Review
V.3.1	5/17/2012	Final Version with Minor edits to clarify certain acronyms.
V.3.2	5/25/2012	Resubmit with incorporation of new Goal related to the Expense Module

Agency Mission (if available)

Agency Vision (if available)

(Overarching goal for this strategic planning period, in alignment with Statewide vision.)

Agency Values (if available)

Department Mission (optional)

The Department of Finance and Management is dedicated to the effective and efficient execution of the State's fiscal responsibilities. We are committed to serving Vermont's citizens and our peers by:

1. Establishing and maintaining centralized accounting functions that incorporate appropriate internal controls and generate reliable financial information that is in accord with established accounting principles; and
2. Developing, maintaining, and advocating for fiscally responsible and sustainable budgets and related management recommendations for the Secretary of Administration and the Governor.

Department Vision, 2015 (optional)

By 2015, the Department sees expansion of our primary Enterprise Resource Planning (ERP) financial systems as follows:

- 2011 – 2013 Upgrade and enhance Human Capital Management (HCM) – complete transition away from Paradox and to a fully integrated system for managing employees and associated costs;
- 2012 legacy Budget Development System (BDS) replacement – complete and used to create the 2014 budget;
- 2013-2014 Upgrade and enhance VISION – Perform necessary upgrades and add functionality to reduce the use of side systems;
- Replace the Vermont Department of Labor's (VDOL) legacy system functions into the existing VISION statewide ERP financial system;
- Replace the Vermont Agency of Transportation (VTrans) project accounting (STARS) by expanding VISION to include a Project Costing Module, and a Contract Management Module – in progress;
- Design and implement a Financial Transparency Website.

Department Values, 2015 (optional):

Unchanged

Statutory Environment

The Agency of Administration was formed by the General Assembly by Act 92 of 1971. The Agency's organization and authority is described in 3 V.S.A. Chapter 45 § 2202; the Department of Finance and Management's creation and authority 3 V.S.A. Chapter 45 § 2281. The appointed (exempt) Commissioner is the department head and an exempt Deputy Commissioner serves as the Commissioner's designee. The primary duties of the Commissioner and therefore the department are contained in 32 V.S.A § 182. The Commissioner is named in several other statutes for the purpose of oversight and/or related responsibility over specific statutory items within other departments.

The Department is principally responsible for: overseeing the operations related to the State of Vermont's finances; coordinating the preparation and submission of the Governor's budget recommendations; statewide financial reporting; and providing and supporting the State's primary financial systems. The Commissioner of Finance & Management is charged with responsibilities in many areas in statute and in Executive Orders. See Appendix A for a list of current references to the Department of Finance & Management and/or the Commissioner.

Department Goals for the planning period, related to Statewide Priorities

Resources, both financial and staffing, continually challenge the department's strategy. Although we have a statewide mission, the activities for which we are responsible are decentralized in the individual agencies and departments. Federal and state reporting is ever changing which requires staff to regularly expand their expertise and skills. Evolving industry standards and major ERP system obsolesces require frequent upgrades and full system implementations. An ongoing challenge is to execute financial discipline across the entire State when not all people performing these functions have the requisite accounting/financial knowledge necessary to fully understand the accounting architecture, fiscal best practices, and Generally Accepted Accounting Principles. While we are successful at providing statewide employees with the tools and business processes necessary to perform their fiscal duties, we are not as successful, nor do we have sufficient resources, to fully educate agency and departmental staff in these areas.

- To address our internal staff resources issues for the ERP Projects, we reassigned the Director of Statewide Reporting to the VISION/HCM project team and backfilled that position with a seasoned government financial reporting professional for the duration of the project; this allows our most experienced and skilled reporting individual to focus almost exclusively on the project. Staff resources for the Budget System replacement are being addressed somewhat by the hiring of an outside project management consultant and to have the Deputy Commissioner act as back-up to the Budget Director and Budget Analyst assigned. This is intended to allow the project to proceed uninterrupted despite the timing of the project initiation running concurrent with the development of the Governor's FY 2013 Budget Recommendation.*
- To address the financial discipline, the ERP projects will require statewide standardization of the chart of accounts and use thereof. The project will provide the opportunity to train users on how to*

use the new software, as well as on how to properly use the accounting architecture (chart of accounts);

- *With the completion of the ERP projects, the expanded nature of these systems will require sufficient technical development resources to ensure reliable operations and maximize the State's return on its investment. Similarly, maximizing the potential of these systems, adhering to financial standards, and evolving demands will require an ongoing evaluation of departmental business processes.*

PRIORITIES

1. Create a working environment within our department that encourages personal growth and responsibility within our management and staff.
2. Assist the financial staff in agencies/departments statewide to achieve their departmental financial goals, including compliance and accountability, as a part of the statewide financial goals.
3. Complete our two major software system upgrade implementations (HCM/VISION and BDS replacement) within the prescribed project schedule and budget, with as smooth a go-live transition process as possible. This will require the dedication of the project team and the commitment of agency and executive management to ensuring the necessary resources are available to achieve full pre-go-live user training and on-going post-go-live support.
4. Protect the State and its citizenry from fraud and the misuse of state assets through: the dissemination of Internal Control Best Practices; issuance and monitoring of formal Finance and VISION Policies and Procedures; and working collaboratively with the State Auditor's Office, outside auditors (principally KPMG LLP), agencies/departments and federal agencies to resolve and reduce audit findings.
5. Provide clear and timely instructions, guidance and schedule to departments for: preparation of annual budgets, budget adjustment and/or modifications; and annual year-end fiscal close-out.
6. Work collaboratively and cooperatively with departments to develop and adopt annual Governor's Executive Budget Recommendations that maximize departments' abilities to achieve their respective Vision/Values/Priorities within the context of sound budgeting practices, statewide fiscal constraints, and the Governor's policy priorities.
7. Develop clear and powerful budget presentation materials to effectively present the Governor's budget to the legislature, news media, and public.
8. Provide a publically accessible website, with ever improving content, intended to inform and educated the public by providing transparent financial information and open publication of all financial policies and procedures.

STATE BUDGET AND FINANCIAL & INFORMATION:

Goal 1: To produce informative, easy- to- understand documentation of the Governor’s recommended budget.

- A. This goal serves Statewide Priority #5 (State Government and Employees) by improving accountability and customer service.
- B. Performance measures:
 - a. Measure 1A: Post annual budget and budget adjustment documentation to a publically accessible website no later than 1 week after a triggering event (Governor’s budget address, enactment of bill, etc.)
- C. Goal Strategies:
 - a. Strategy 1.1: Work to continually improve the underlying supporting documentation necessary to effectively explain and inform the public about the Governor’s recommended budget priorities; incorporate appropriate budget elements into a departmental dashboard which flows through to the Governor’s dashboard;

Goal 2: To design and implement a Financial Transparency Website.

This goal serves Statewide Priority #5 (State Government and Employees) by improving accountability and customer service.

- A. Performance measures:
 - a. Measure 2A: Completion of Work Plan with content by 5/31/2012;
 - b. Measure 2B: Initial website open to public by September 1, 2012 (initial version);
- B. Goal Strategies:
 - a. Strategy 2.1: Align with Governor’s Dashboard project;
 - b. Strategy 2.2: Develop governance model for sustainability and expansion of website content and functionality.

Goal 3: To implement a state-wide budgeting system that facilitates program-based budgeting and that has the capability to retain performance measures related to those programs.

- A. This goal serves Statewide Priority #5 (State Government and Employees) by improving accountability and performance measurement.
- B. Performance measures:
 - a. Measure 3A: By 9/15/2012, new budget system implemented and open for access to statewide business office users to develop FY 2014 budget requests ;
 - b. Measure 3B: 100% of departmental basic budget development completed using new budget system;
 - c. Measure 3c: Programmatic budgets included for state programs in departmental budget submission in new system: 10% of all programs for FY 2014; and 25% for FY 2015.
- C. Goal Strategies:
 - a. Strategy 3.1: Ensure the successful implementation of the new budget system by: Contracting for Project Manager to oversee the project as internal state staffing

resources are insufficient; expansion of the engagement for our existing consultant to include Project Management leverages the knowledge gained by the State and the consultant during the successfully completed needs assessment and budget system/implementer procurement phase of the Project;

- a. Strategy 3.2: Prioritize by individual program the timing (which fiscal year budget) each will be included in the new programmatic budgeting capability; this will allow for a staged roll-out of programmatic budgeting and ensure all programs are incorporated successfully within a reasonable number of budget cycles (fiscal years).

FINANCIAL REPORTING:

Goal 4: To produce accurate and informative annual financial statements in accordance with Generally Accepted Accounting Principles (GAAP) and the Government Accounting Standards Board Statements.

- A. This goal serves Statewide Priority #5 (State Government and Employees) by improving accountability and transparency.
- B. Performance measures:
 - a. Measure 4A: Maintain Government Finance Officers Association (GFOA) Award of Excellence in Financial Statement Reporting annually;
 - b. Measure 4B: Resolve 100% of audit findings within 12 months of audit publication.
- C. Goal Strategies:
 - a. Strategy 4.1: Annually, issue clear year-end closing instructions with specific deliverables and deadlines; provide follow-up reminder emails as individual deliverable deadlines approach; post instructions and reminders on website;
 - b. Strategy 4.2: Develop corrective action plan and assist departments in doing so for all repeat and one-time audit findings;
 - c. Strategy 4.3: Provide departments with the support necessary to continually strengthen their activities regarding financial monitoring and reporting.

Goal 5: To provide statewide managers and business staff with a general framework for developing and evaluating their internal controls.

- A. This goal serves Statewide Priority #5 (State Government and Employees) by improving accountability and transparency.
- B. Performance Measures:
 - a. Measure 5A: 100% participation by all State agencies and departments in the Annual Self-Assessment of Internal Controls Survey; .
 - b. Measure 5B: Percentage of questions answered YES by participants exceeds 90%;
- C. Goal Strategies:
 - a. Strategy 5.1: Publish and disseminate Finance & VISION Policies and Procedures, Internal Control Best Practices, Quarterly User Newsletter, and annual Self-Assessment of Internal Controls as well as posting results on the website.

Goal 6: To successfully complete the transition of employee travel-related expense reimbursement processing from Paradox to the new PeopleSoft Expense Module; payment of same from Payroll module

to Accounts Payable; consolidation of travel-related and non-travel related expense reimbursement in one unified system with improved reporting, processing time; and compliance with State policy and IRS requirements.

- A. This goal serves Statewide Priority #5 (State Government and Employees) by improving accountability and transparency.
- B. Performance Measures:
 - a. Measure 6A: 100% participation by all employees in submission of expense reimbursement claims through the Expense Module;
- C. Goal Strategies:
 - a. Strategy 6.1: Reissue Agency of Administration Bulletin 3.4 ~ Reimbursement for Travel Related Expenses to reflect the requirements of the new Expense Module and the inclusion of employee reimbursement for non-travel related items;
 - b. Strategy 6.2: Develop documentation and training materials;
 - c. Strategy 6.3: Schedule and hold statewide user and supervisor training.

FINANCIAL SYSTEM USER CUSTOMER SUPPORT:

Goal 7: To communicate with and educate financial stakeholders, including users of the State's financial systems (ERP) to ensure business operations and accounting transactions are accurate and in compliance with federal, state and financial requirements.

- A. This goal serves Statewide Priority #5 (State Government and Employees) by improving accountability and transparency.
- B. Performance Measures:
 - a. Measure 7A: By January 2014, develop Government Accounting 101 training class for business managers, in cooperation with the Summit, for implementation by June 2014;
 - b. Measure 7B: 100% of all existing business managers without accounting degrees attend Government Accounting 101 class by June 2015, or within 1 year of hire or promotion into a business manager (or equivalent) position.
 - c. Measure 7C: 25% of ERP users attend at least 1 VISION training class per year;
- C. Goal Strategies:
 - a. Strategy 7.1: Ensure all communication and materials are up to date for changes in business process, policy, and system functionality.
 - b. Strategy 7.2: Provide financial ERP users support via the phone, email and written documentation so that they have the knowledge to correctly record and monitor transactions in the system.
 - c. Strategy 7.3: Hold regularly scheduled classroom training that avoids peaks in the financial business cycle (State and Federal fiscal year end) to maximize attendance; monitor attendee and course trainer feedback to adjust course delivery in order to maximize relevance and retention of material.

- d. Strategy 7.4: Cross-train customer service employees so that 80% of problems can be resolved by the first point of contact thereby eliminating handoffs and ensuring continuity.

Department Goals for the Planning Period, NOT directly related to Statewide Priorities

Appendix A: Department Statutory Authority/Relevant Rules & Regulations

STATUTORY REFERENCES:

- 1 V.S.A. § 614;
- 2 V.S.A. § 14 and § 19;
- 3 V.S.A. §§ 9, 108, 154, 160, 266, 579, 632, 902, 2202(a)(1); and 2281
- 4 V.S.A. §§ 16, 606, 655, 695, 802 and 902;
- 5 V.S.A. §§ 38, 209, and 3585;
- 7 V.S.A. § 575 and §600;
- 8 V.S.A. §§ 80, 4250, and 6017;
- 9 V.S.A. § 5613;
- 10 V.S.A. §§ 105, 1102, 1176, 1177, 1594, 1627, 1938, 2461, 4135, and 4511;
- 13 V.S.A. §§ 5136, 5239 and 6505;
- 16 V.S.A. §§ 2539, 4025 and 4026;
- 18 V.S.A. §§ 120, 506, 509, 623, and 9404;
- 19 V.S.A. §§ 11b, 20, 25, 1508a, and 1509;
- 20 V.S.A. §§ 544, 1604, 1715, 2221, and 2273;
- 21 V.S.A. § 157 and § 1104;
- 23 V.S.A. §§ 325, 326, 328, and 1415;
- 24 V.S.A. § 366 and § 1409;
- 26 V.S.A. § 3104
- 29 V.S.A. §§ 165, 906, 907, and 1502;
- 30 V.S.A. § 17 and § 24;
- 32 V.S.A. §§ 163, 166, 182 (Duties of the Commissioner), 183, 202, 301, 302, 305a, 308, 308a, 308d, 313, 314, 401, 402, 461, 462, 463, 465, 466, 467, 464, 476, 503, 506, 510, 511, 585, 605, 1557, 1595, 1637, 1760, 4965, and 7819;
- 33 V.S.A. §§ 1901a, 1901e, and 1903;

EXECUTIVE ORDER REFERENCES:

- 3-23. *(No. 01-93)*;
- 18-19. *(No. 06-10)*

Appendix B: Action Plans for Each Goal in the Strategic Plan

Goal 1: To produce informative, easy-to-understand documentation of the Governor's recommended budget.

1. Work with implementation consultant to develop new system capability to produce the Executive Budget Recommendations Summary book (a.k.a. Little Budget Book);
2. Budget Web-Content team and business process to be established.

Goal 2: To design and implement a Financial Transparency Website.

This goal serves Statewide Priority #5 (State Government and Employees) by improving accountability and customer service.

1. Propose concept to Sec. Admin for approval (approved);
2. Write Work Plan (drafted) for approval;
3. Establish roles, project timeline by phase (under development);
4. Establish sustainable business process for continuity and updates;
5. Implement Phases per Work Plan.

Goal 3: To implement a state-wide budgeting system that facilitates program-based budgeting and that has the capability to retain performance measures related to those programs.

1. Work with implementation consultant to achieve desired capability in new system;
2. Develop phased statewide roll-out to 100% inclusion of all state programs for program-based budgeting and performance measures.

Goal 4: To produce accurate and informative annual financial statements in accordance with Generally Accepted Accounting Principles (GAAP) and the Government Accounting Standards Board Statements.

1. Review all exposure drafts, technical bulletins, Interpretations, concept statements and statements issued by the GASB;
2. Revise state policies and procedures as required to comply with GASB changes.

Goal 5: To provide statewide managers and business staff with a general framework for developing and evaluating their internal controls.

1. Review and revise annual survey questions, based on prior survey results, recent internal control audit findings and any internal control issues which occurred since the previous survey;
2. Obtain consent and approval of department head for any survey changes prior to issuance;
3. For recurring and more serious internal control issues, the Commissioner will determine the revision to existing Finance Policies or the need for and issuance of a new Finance Policy.

Goal 6: To communicate with and educate financial stakeholders, including users of the ERP systems to ensure business operations and VISION transactions are accurate and in compliance with federal, state and financial requirements.

1. Annually review existing material for update and revision to maintain relevance;
2. Develop and implement a more robust and regularly scheduled "Accounting 101" course.

Appendix C: Optional Documentation

This may include:

- *Budget information related to each goal and measure*
- *Products of the strategic planning process – a stakeholder map, results of a Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis, etc.*
- *Other information that will help the strategic plan be useful to all staff in guiding their work*