

**MEMO TO: BOARD MEMBERS
 DR. SARAH RISS**

**FROM: DR. DIANE MOORE
 MS. JOANN KITE**

DATE: MARCH 7, 2016

RE: FINANCE ADVISORY COMMITTEE REPORT

The Finance Advisory Committee created a subcommittee this school year to closely review the school district's business office procedures. For the past several months this subcommittee reviewed state guidelines, other district practices and developed recommendations regarding three critical areas – budget, internal controls and operations.

Brett Moorehouse, Chairman of the Finance Advisory Committee and member of this subcommittee, will present this report during the March 7 Board meeting.

If you have any questions regarding the findings or recommendations within this report, please feel free to contact Ms. JoAnn Kite or me.

Webster Groves School District Finance Advisory Committee

A Review of Business Office
Procedures

An FAC Subcommittee Report

Finance Advisory Subcommittee Review of Business Office Procedures

Subcommittee Membership:

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| Shelley Kinder | Maplewood Richmond Heights School District CFO |
| Mike Romay | Kirkwood School District CFO |
| Brett Moorehouse | Finance Advisory Committee Member |
| Chris Wood | Finance Advisory Committee Member |
| Steve Dioneda | Finance Advisory Committee Member |
| JoAnn Kite | Webster Groves School District Comptroller |

Purpose:

The Finance Advisory Committee developed a subcommittee to review the district's business office procedures. Three areas were identified for review: budget, internal controls and operations. Subcommittee members discussed state guidelines, other district practices and developed recommendations to enhance each of these areas for the Webster Groves School District.

Below is an outline of the topics discussed, subcommittee findings and recommendations developed for each area:

I. Budget Discussion

- a) A review and discussion of the current format of the WGSD budget documents;
- b) Does the existing budget format meet state guidelines;
- c) Should debt service schedules be added to annual budget documents;
- d) Are the existing budget documents easy to understand;

Findings: Subcommittee members noted the current WGSD budget documents were user-friendly and provided an excellent summary of current and past operating and debt service revenues and expenditures. In addition the online budget notebook provided on the district website is also user-friendly and easy to expand. Discussion focused on the ability of the Business Office to add additional documentation to keep the general public informed on finances. The current summary budget and the online budget notebook could include additional documentation such as updated debt service schedules. In addition, members noted the summary budget document could be updated to eliminate line items that are no longer used and considered obsolete according to the Missouri Department of Elementary and Secondary Education's Accounting Manual.

Recommendations

1. Continue to maintain the current format that is easy to understand for budget presentations and updates throughout the school year;
2. BOE adoption of budget should meet state guidelines and additional detail could be added to the online budget notebook based upon BOE guidance;
3. Include an annual update for the debt service schedule.

II. Internal Controls Discussion

- a) Separation of duties to meet audit expectations;
- b) Procedures for the collection and safe keeping of cash within the schools;
- c) PTO finances kept separate from district finances;
- d) Safekeeping of district-wide deposits;

Findings: The Business Office administration uses office employees in an effective and efficient manner to meet the annual standards set and reviewed by independent auditors. With limited Business Office staff, the administration has successfully cross-trained and utilized existing staff to currently meet the required separation of duties. An ongoing challenge exists to continually educate school staff on proper cash handling procedures. These procedures include appropriate documentation regarding the collection of cash/checks and required procedures for maintaining cash within school buildings. The Business Office recently acquired safes for a few buildings that no longer had access to secure cash. The Business Office also has an effective courier process in place to document and transport funds to and from the bank.

The Business Office administration has offered assistance to independent groups (parent clubs) supporting schools in the past. This assistance was typically associated with advice regarding proper handling of finances and independently reviewing funds for parent groups. While parent groups are independent of the school district and maintain independent tax identification status, these volunteers often have little or no financial background. The district must maintain a clear separation of responsibilities to avoid audit concerns. Business Office administration can continue to offer financial advice and audit assistance for these groups while still maintaining a clear organizational and financial separation.

Recommendations

1. Continuous education must be provided within schools of proper cash handling procedures;

2. The Comptroller or COO should address all school district staff periodically regarding safekeeping of money within buildings;
3. The Business Office should develop record keeping templates for district employees to use within the schools (i.e. field trip collections, fund raisers etc...) .
4. Even though parent groups do not fall under the district's TIN (tax identification number) education of proper money handling could be given to these groups annually. Business Office administration could also continue to assist parent groups with independent financial audits/reviews when requested.

III. Operations

1. A review of current accounting procedures and software;
2. A review of current payroll software and processing;
3. Existing and future streamline automation of HR and Business Office;

Findings: Subcommittee members discussed the district's current accounting process. As indicated by the Board of Education's independent auditor, the district's current cash accounting process is an effective and appropriate accounting process for public school districts. Finance Advisory Committee members agreed earlier this school year with the district's independent auditor that cash basis accounting for public school districts is more transparent and more appropriate given the complexities and cost associated with federal GASB requirements. The subcommittee reviewed the current use of School Information System Financial software (SISFin) used by the Business Office. The public school finance software is designed specifically to address Missouri public school finance requirements. Subcommittee members agreed the software works well and integrates into state mandated reporting requirements.

The SISFin software package cannot electronically transfer data into the ADP payroll software. The Business Office payroll specialist must enter the same data into the ADP software to process payroll. This duplication of effort is an ongoing concern for the Business Office. Eliminating multiple data entries would decrease the potential for human error and provide additional efficiencies within the business office.

The district uses ADP Payroll Services to process payrolls. The use of an external payroll company started over twenty years ago to assure payroll was processed regardless of any personnel changes within the Business Office. While it is typically more expensive for the school district to outsource payroll, previous board members felt the security of outsourcing payroll was a high priority. Subcommittee members reviewed this issue and felt

it was important to recognize the positives and negatives associated with moving payroll in-house:

Positives: It would be less expensive to process payroll utilizing district staff. A cost analysis indicated the savings would be estimated at approximately \$45,000.00.

Negatives: The district would need to hire a second full time payroll specialist to meet the audit expectations of separation of duties. The district would increase its liability by moving payroll and subsequent federal and state tax reporting in-house. If the Webster Groves School District would determine that Sisfin does not meet our operational needs a new product would cost close to \$100,000 to implement.

Recommendations

1. No changes are currently recommended for the existing SISFin accounting software.
2. The subcommittee recommends investigating the possibilities to streamline SISFin with ADP to eliminate multiple entries of the same data;
3. The Board of Education should discuss the positives and negatives of eliminating ADP Payroll Services.