

To: Audit Committee

From: Matt Bourgeois, Assistant Superintendent for Business

Re: Agenda Items

Date: August 1, 2014

June Action items:

1) Credit Cards

The district shall maintain two credit cards to be used for specific purposes throughout the year. The first card shall be used for the processing and payment of fingerprinting costs associated with new employees. The second card will be used to secure travel arrangements for international travel and student field trips as well as conference registrations, hotel accommodations, and special orders.

Each card shall have a limit of not more than \$10,000. The cards shall be stored in the district office safe and shall be issued in the name of the school business official and assistant superintendent for instruction. Any use of the card for items other than fingerprinting, shall require two signatures for approval. The approvals shall be provided by the cardholder and the accounting supervisor.

2) Questar III School Lunch Audit Report Recommendations

a) The first audit comment raised was related to inventory as a percentage of total revenues. The industry standard is 46%. Our inventory cost compared to total revenues through May 2014 was 46.4%. We will continue to monitor these figures but we appear to be within the acceptable range.

b) The first observation was related to exploring the possibility of implementing a periodic inventory system. Technology continues to improve in this area but it usually has a significant cost associated with implementing such changes. The alternative of maintaining spreadsheets by each cook manager on a daily basis would require additional hours of record keeping that would inhibit our attempt to achieve break-even status for the program. Our recommendation would be to maintain a periodic inventory until the cost of a new system with perpetual inventory capabilities can be implemented.

c) The next recommendation was to ensure that purchase orders are used as specified in purchasing policy 6700. Bids have been or will be issued to secure competitive pricing for school lunch food items and supplies as required in policy 6700. Once the school lunch bids are awarded, the purchase orders will be created for use throughout the school year as food service items are ordered for the program.

d) The final recommendation indicated that the district should utilize an inventory transfer form when inventory is transferred from one location to another. The district has consulted with neighboring districts and will implement the form for use in the program in the first month of the school year.

April Action Items:

1) Identify Departments in Need of Training Related to Purchasing and Finance Manager

The district will provide training related purchasing policy 6700 to the Facilities supervisor and department secretary as well as instruction on the use of Finance Manager for requisitions and budget. The procurement of materials for routine and emergency maintenance projects performed by our staff as well as work performed by outside contractors present many challenges. The training is ongoing and

will be completed by the end of September. We will also open the training to others that may be interested in a refresher or deeper understanding. Other exceptions will be handled on a case by case basis with follow up and clarification of requirements and expectations.

2) Food Service Follow-up Items

The district continues to identify steps to be taken to improve participation levels at each school including repeating the more popular lunch items throughout the month. Discussions have been held with the cook managers seeking their input and creative thinking as to how we can improve the profitability of the school lunch program. Food service directors in the area and across the state have expressed similar concerns about lack of profitability in their programs.

The district continues to review its inventory controls and has consulted with neighboring districts about best practices. The district's cost of inventory appears to be within suggested industry guidelines but we continue to seek opportunities to further reduce our food costs while maintaining the quality of the program. Additionally, as part of our due diligence, a "spot check" of beverage sales will be performed during the first month to ascertain that inventory, purchases, and sales are recorded properly utilizing our current system.

3) ASEP payments – TRS/ERS Refunds

The district has been corresponding with the Teachers' Retirement System (TRS) identifying "non-pensionable" compensation that was paid to individuals for work done as part of the PTOs' After School Enrichment Programs (ASEP), or the district's Continuing Education program or Coaching salaries funded by parents.

TRS indicated that since the ASEP and Continuing Education classes did not require a certified teacher, the work performed should not be included as pensionable earnings. Since the coaching salaries were funded by outside groups, those salaries should also not be reported as pensionable earnings.

The total pension contributions paid in by the district related to these individuals for the 2011-12, 2012-13 and 2013-14 school years totaled approximately \$7,000. The district is working with TRS to secure refunds for the pension contributions made to TRS for these individuals.

For ERS, we had some staff members that were paid through ASEP and Continuing Education but TRS indicated that the rules for ERS are less restrictive and that these earnings will likely be includable as pensionable earnings.

March Action Items

1) Summer Handicap Reimbursement Process

The district runs a state approved summer program (4408) for students with disabilities. The office of Student Support Services files the necessary STAC and AVL forms through the state's STAC online reporting system. The district reports the costs associated with the summer school program on the ST-3 and completes supplemental schedules SS10-16. The State Education Department (SED) limits the cost aided for transportation costs to \$5,500 per student.

Costs incurred that are not approved or, are in excess of the allowable limits, must be funded by inter-fund transfer in order to provide sufficient revenues to offset the costs incurred to operate the program.

The district is reimbursed for 80% of the approved costs (tuition, maintenance, and transportation costs) associated with summer school special education placements. The other 20% is provided via an inter-fund transfer from the general fund. All program costs are recorded in the special aid fund.

The 80% is paid in increments as the funds become available from the state. The state reimburses 70% of the 80% in the first year. In year two and beyond, the state reimburses the remaining 30% of the 80% approved expenditures as the funds become available. An example of the funding reimbursement is attached.