



# VASS-VASBO Budget Workshop

December 2016

# Session Overview

- Background
- Recent Local Government Financial Dilemmas
- Financial Risk Factors
- Diagnostic Questionnaire
- Q&A and Next Steps

# Background

- VDOE – Federal Oversight Obligation of Federal Funds
  - 2 CFR 200 (Super Circular)
  - Federal Audit Clearing House (Now System of Record)
- Requires VDOE to Review Audit Reports
  - Federal *Education* Findings and Corrective Action(s)
- Top Three Federal Programs
  - Title I
  - Special Education
  - School Nutrition

# Background

## Typical Federal Audit Findings

- Title I, Special Education
  - Not Completing Semi-Annual Time Certifications
  - Unallowable Costs
  - Late Reimbursement Requests (> Quarter)
- School Nutrition Programs
  - Missing Applications
  - Misclassified (Paid, Free, or Reduced)

# Recent Local Government Financial Dilemmas

- Not Widespread, but Highly Publicized
- Overspending Local Funds
  - Public Angst
  - Emergency Request for Infusion of Cash from Governing Body
  - Forced Resignation of Officials, in Some Cases
  - Involvement by Federal and/or State Law Enforcement Agencies
  - Distraction from the Core Mission of Education
- Common Cause: Officials Did Not Promptly Address Financial Imbalance

# Recent Local Government Financial Dilemmas

- Qualitative Review for Overall Fiscal Operations
- Development of Financial Risk Factors
- Auditor Correspondence
  - Required Communication with Those Charged With Governance
  - Management (Suggestion) Letters, If Issued

# Financial Risk Factors

- Various Audit Performance Indicators
- Non-compliance with timely audit and/or public meeting on the results of the audit
- Downward Trend in Average Daily Membership
- Local Composite Index of 30 or Less
- Failing to Meet Required Local Effort and/or Sped Maintenance of Effort
- A Rating of “High” for a VDOE Sped Risk Assessment (13 Factors)
- A Local Government Fiscal Stress Rating of “High” by the Commission on Local Government

# Diagnostic Questionnaire

- Intended to Be Strategic in Nature
- Not a “Test”
- Why Not Strictly Financial?
- Several Items are Real World, Some in the Media
- Not Intended to Cover All Situations



# Budget Workshop

## Finance Diagnostic Questionnaire - Topics

1. General Management Environment
2. Strategic Plan Monitoring-Accomplishment of Goals and Objectives
3. Budget Monitoring (Operating and Capital)
4. Annual Audit Performance
5. Grants Accounting and Administration
6. Fraud Awareness and Prevention
7. Business Continuity Plan
8. Information Technology Security
9. Facilities Management
10. Pupil Transportation

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## Finance Diagnostic Questionnaire

### 1. General Management Environment

- Management Including Tone at the Top
- Human Resource Controls
- Broad Financial and Administrative Questions
  - Financial P&P Manual and Training
  - Fiscal Transparency
  - Procurement
  - Virginia Public Records Act
  - Multi-Hazard Crisis Management Plan
  - Insurance/Surety Bonding

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## Finance Diagnostic Questionnaire

### 2. Strategic Plan Monitoring

- Formally Adopted and Approved
- Prioritized and Up to Date
- Established Milestones
- Ongoing and Formal Status Reporting
- Frequent or Annual Update

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## Finance Diagnostic Questionnaire

### 3. Budget Monitoring

- Statutory Deadlines (Development, Public Hearing, Publication, Approval)
- Anticipate Changes (ADM, LCI, Sales Tax, Local Revenues)
- Local Economy Impact on Student Enrollment
- Detail Tracking of Salary and Benefit Costs
- Financial Status – Monthly School Board Agenda Item
- Periodic Joint School Board and Governing Body Meetings (Strategic and Financial Topics)

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## Finance Diagnostic Questionnaire

### 3. Budget Monitoring (Continued)

- Cafeteria Operations – Should be Self-Sustaining
- Review Budget Periodically for Efficiency and Best Practices
- Capital Budget: 5-Year Plan Updated and Adopted
- Document Age/Condition of Facilities
- Funding and Debt Service for Capital Improvements

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## Finance Diagnostic Questionnaire

### 3. Budget Monitoring (Continued)

- Some End of Year Red Flags:
  - Holding Checks – Goods/Services Not Yet Delivered
  - Prepaying Non-Typical Expenditures
  - Holding Vendor Invoices For Next Fiscal Year (Past Due Date)
  - Moving Payroll Expenditures into Next Fiscal Year (10 Mo. Employees Paid over 12 Months)

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## Finance Diagnostic Questionnaire

### 4. Annual Audit Performance

- Unmodified (“Clean”) Opinion
- Avoid Material Weaknesses, Repeat Findings
- Act Promptly on Auditor Findings and Suggestions
- Actively Monitor School Activity Funds (SAF)
  - High-level of risk for SAF
  - Review Monthly Reports Closely
  - Develop SAF Procedures Manual and Train Staff
  - Senior Management Audit Follow Up on Findings and Suggestion
- Obtain all Relative Audit Correspondence and Attend any Scheduled Audit Exit Conference

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## Finance Diagnostic Questionnaire

### 5. Grants Accounting and Administration

- Develop Policies and Procedures
- Ensure Ongoing Training for Grant Administrators
- Submit Monthly or Quarterly OMEGA Reimbursements
- Maintain Payroll Certification Reports for Staff Paid by Grant
- File Required Grant Status Reports by Due Dates
- Closely Monitor Grant Balances to Prevent Reversion of Unused Funds



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## Finance Diagnostic Questionnaire

### 6. Fraud Awareness and Prevention

- Develop/Promote a Fraud, Waste, and Abuse Policy
- Establish an Anonymous Reporting Channel
- Remind Employees of Their Duty to Report
- Implement and Promote an Anti-Retaliation Policy
- Investigate and Act on Sustained Cases

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## Finance Diagnostic Questionnaire

### 7. Business Continuity Plan

- May be a Separate Plan or Part of an All-Hazard Critical Response Plan
- Provide Staff with Plan Information, Roles and Responsibilities
- Maintain Information on the Plan Both On/Off Site
- Update and Test Plan Annually
- Improve the Plan from Lessons Learned During Testing
- Include Continuity of Key IT Systems (Disaster Recovery Plan)

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## Finance Diagnostic Questionnaire

### 8. Information Technology Security

- Provide Initial and Ongoing IT Security Training of Staff
- Adopt/Publish an Acceptable Use Policy
- Utilize a Restricted Use Data Agreement Where Appropriate
- Develop an IT Security Breach Plan
- Maintain an Updated List of Controllable Devices
- Ensure Surplus Devices are Wiped Clean of Data Prior to Disposition
- Consider Appropriateness of Purchasing Cyber Breach Insurance

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## Finance Diagnostic Questionnaire

### 9. Facilities Management

- Maintain a Complete and Up to Date Facilities Inventory
  - Include a Current Assessment of Useful Life and Condition of Major Systems (Roof, HVAC, Plumbing, etc.)
  - Develop an Emergency Backup Plan for Building or System Failure
- Link the Assessment of Facilities to the Capital Budget Plan
- Other: Consider Worker's Comp. Claims Linked to Action on Needed Facility Repairs, Labor and OSHA Compliance, Structured Issuance/Return of Keys, Access Cards, etc.

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## Finance Diagnostic Questionnaire

### 10. Pupil Transportation

- Adequate Staffing of Bus Drivers and Mechanics
- If Applicable, Effective Use of a Fleet Management System (Multiple Questions)
- Periodic Division Review:
  - Accurate/Complete Daily Pre-Trip Checklists
  - Complete and Up to Date Driver Training Documentation
  - Certifications, DMV License Checks, Physicals, etc.
- Review of Driver Incidents/Accidents
- If Applicable, Review of Bus Driver Data (GPS Enabled), Digital Cameras, Videos, etc.

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## **Diagnostic Questionnaire** **Some Possible Applications**

- Fast Start Assessment By New Superintendent and/or CFO
- Proactive Division Review
- Input for a New or Existing Quality Improvement Program (aka – To Do List)
- Spark Conversation with SB/Governing Body

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## Questionnaire Reviewers

### School Divisions

Mr. Dennis R. Jarrett, Chief Financial Officer  
York County Public Schools

Dr. James T. Roberts, Superintendent  
Ms. Victoria Lucente, Director of Finance and Budget  
Chesapeake City Public Schools

Dr. Eric L. Jones, Superintendent  
Mr. Larry Johns, Assistant for Finance and Business Operations  
Powhatan County Public Schools

Dr. Aaron C. Spence, Superintendent  
Mr. Farrell Hanzaker, Chief Financial Officer  
Virginia Beach Public Schools

Ms. Shannon T. Irvin, Assistant Superintendent for Administration  
Nelson County Public Schools

Dr. Michael Thornton, Superintendent  
Surry County Public Schools

Dr. Amy Griffin, Superintendent  
Dr. Chip Jones, Assistant Superintendent of Finance and Operations  
Cumberland County Public Schools

Ms. Rachel Yates, Finance Director  
Isle of Wight County Public Schools

Mr. Chris Sorenson, Assistant Superintendent for Business and Finance  
Chesterfield County Public Schools

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## Questionnaire Reviewers

### School Divisions (Cont'd)

Dr. Patrick Murphy, Superintendent  
Ms. Leslie J. Peterson, Assistant  
Superintendent for Finance & Management  
Services  
Arlington County Public Schools

### Virginia Department of Education

Mr. Kent Dicky, Deputy Superintendent for  
Finance and Operations  
Dr. Steven Constantino,  
Chief Academic Officer  
Ms. Beverly Rabil, Director of School  
Improvement  
Ms. Carol Potter, Education Finance  
Analyst  
Mrs. Tracie Coleman, Special Education  
Budget Manager

### Other

Ms. Janet Brown, Finance Consultant  
(Former Chief Financial Officer,  
Poquoson City Public Schools)

Mr. Steve Bateson, Executive Director  
Virginia Association of School Business  
Officials

Mr. Corbin Stone, CPA, Partner  
Robinson, Farmer, Cox and Associates  
Blacksburg, Virginia

**Many thanks to all for your  
contributions!!!**



# Questions?



## Contact:

**Thomas Broyles**

Director of Business & Risk Management

(804) 371-0028

[Thomas.Broyles@doe.virginia.gov](mailto:Thomas.Broyles@doe.virginia.gov)