

**Central Bucks
School District
Business Office Study**



**Visitation Conducted
February 24, 2016**

Pennsylvania Association of School Business Officials

P. O. Box 6993

Harrisburg, PA 17112-0993

(717) 540-9551

Fax (717) 540-1796

www.pasbo.org

INTRODUCTION

Under the direction of the Pennsylvania Association of School Business Officials (PASBO), two School Business Officials, recognized as experts in the field of school district business operations, were assembled to conduct a Business Department Review of the Central Bucks School District. This review was at the request of the School District.

Jeff Ammerman, MBA, PRSBA

The PASBO Study Team (Study Team) was assembled through the efforts of **Jeff Ammerman, PRSBA, Director of Member Assistance for PASBO**. Prior to his current position with PASBO, Mr. Ammerman was the Business Administrator at State College Area School District where he also served in a dual role as Director of Human Resources for a period of time. Jeff Ammerman graduated with a BS in Economics in 1988 from Penn State University and a MBA from Penn State University in 2004. Mr. Ammerman also worked as Business Manager at Philipsburg-Osceola Area School District and South Middleton School District. He was a PASBO regional chapter president in 2004 and prior to that Mr. Ammerman served as a Vice President of a regional chapter in the preceding two years.

Wayne McCullough, DBA, PRSBA

Dr. McCullough is the Chief Financial & Operations Officer and Board Secretary at the Southern York County School District. As Chief Financial & Operations Officer, he is responsible for all business functions, human resources, technology, operations and maintenance, food service, student transportation, public relations and marketing, safety and security, and community education programs. Dr. McCullough also serves as the Executive Director of the Southern York County School District Foundation, which has been recognized as one of seven highly effective educational foundations in Pennsylvania.

Dr. McCullough has served as President, Vice-President, and a Director on PASBO's Board, Chair of PASBO's Facilities Committee, and Chair of PASBO's Materials Management (Purchasing) Committee. Dr. McCullough is the author of the "Elements of Facilities Management" and co-author of the "Elements of Student Transportation." He received PASBO's 2003 Award of Achievement in recognition of the outstanding practice: "A Guidance Document for Planning, Design, and Construction of Major Projects Using the Design Team Concept" and the 2013 Award of Achievement for the program, "Cooperative Services Agreement between Two Non-Profit Organizations." Dr. McCullough was named the 2013 recipient of PASBO's prestigious Gary Reeser Memorial Award, for the outstanding school business official in Pennsylvania.

Dr. McCullough serves as an adjunct professor for Wilkes University's Master of Business Leadership program - teaching courses related to facilities management, student transportation, technology, and purchasing.

BACKGROUND

PASBO

The PASBO School Business consulting service is dedicated to assisting school entities continuously improve their school business operations through a peer review process in which an experienced team of school business officials is selected to perform an on-site evaluation and analysis required for each unique school consulting project contracted.

PASBO has been conducting School Business Administration Consulting Services since 1994 and to date and has completed staffing and operational reviews of:

- School Business Operations
- Transportation Operations
- Facilities and Custodial Operations and Staffing
- Purchasing Operations
- Technology Operations
- Human Resource Operations
- Child Accounting
- Educational Foundations

Central Bucks School District Business Office

The Business Office is dedicated to providing support and fiscal guidance to school administration and staff so they may focus on addressing the academic and extracurricular needs of our students. The Business Office performs many tasks associated with the non-academic areas of the school district, including but not limited to:

- Development of an annual budget
- Accounting for General Fund transactions
- Accounting for Capital Fund transactions (construction and renovation expenses)
- Processing of payroll
- Purchasing of materials and supplies
- Payment of the District's financial obligations (accounts payable)
- Annual financial reporting to the Pennsylvania Department of Education
- Managing property/casualty/liability insurance policies and associated claims
- Managing outstanding debt (new debt issuances and restructuring of existing debt)
- Managing Federal, State, and Local Audits
- Oversight of the Transportation Department
- Oversight of the Food Service Program
- Oversight of Community School programs (Child Care, Aquatics, Sports camps)
- Oversight of the Graphic Services and Copying Center

METHODOLOGY

Qualified team members under the direction of PASBO (Study Team) conducted a study of the Central Bucks School District business office. The Study Team analyzed and reviewed job descriptions and the organizational structure including job functions, job assignments and assessment of the level of job skills needed to perform the position responsibilities.

SCOPE OF WORK

- A. Provide a comprehensive on-site review of the Business Office operations.
- B. Analyze human resource utilization and needs and provide recommendations for staffing alignment to meet School District needs.
- C. Review the flow of Business operations between the various offices, and provide recommendations for improving efficiencies.
- D. Review the Business Office accounting and financial reporting process.
- E. Review the payroll, purchasing and accounts payable operations of the School District.
- F. Review the accounts receivable/taxes operations of the School District.
- G. Prepare a comprehensive report; identifying directors, clerical and other staff support for district business office operations. Included in the report will be recommendations in the form of an organizational chart, discussion of major job duties and specific procedural guidance for business office operations. This will include discussion of appropriate segregation of duties as well as fraud/risk analysis.
- H. Provide an exit conference prior to leaving the School District.
- I. Fifteen (15) copies of the approved final written report will be provided.
- J. If requested, a presentation of the final report will be made to the School District Board of School Directors at a date and time mutually acceptable. The cost of the presentation is included as a part of this proposal.

The following individuals were interviewed during the visit:

Dr. Dave Weitzel, Superintendent
David W. Matyas, Business Administrator
Andrea Didio, Human Resources Director
Suzanne Vincent, Director of Finance
Juliet Meehan, Purchasing Manager
Cheryl Rubanich, Supervisor of Accounting

SECTION A: REVIEW OF AUDITS AND FINANCIAL REPORTS

The following documents related to audits and financial reports were review by the PASBO Study Team:

Annual Financial Report Year Ended June 30, 2015 – Independent Auditors’ Report
Annual Financial Report Year Ended June 30, 2014 – Independent Auditors’ Report
Annual Financial Report Year Ended June 30, 2015 – Pennsylvania Department of Education
Annual Financial Report Year Ended June 30, 2014 – Pennsylvania Department of Education
Performance Audit July 2015 – Department of Auditor General
Performance Audit July 2011 – Department of Auditor General

Study Team Comments

The state and local audits are outstanding, which represents best practices in financial reporting. The accounting system used by the business office provides the information necessary to prepare financial reports that present fairly and with full disclosure the financial position and results of financial operations of the CBSD. The expertise in the business office is at a high level resulting in outstanding audits and financial reports.

Commendation

The Management’s Discussion and Analysis information provided in the Financial Section of the Annual Financial Reports for Year Ended June 30, 2014 and Year Ended June 30, 2015 are exceptional, if not the best ever reviewed by the PASBO Study Team. The CBSD Management team reported that after participating in a PASBO webinar on compliance with the Securities and Exchange Commission’s (SEC) continuing disclosure requirements three years ago, it was determined that the District needed to provide more financial data. To comply with SEC requirements, the District expanded the Management Discussion & Analysis section of the yearly audit report to provide further analysis on enrollment trends, tax collection, top real estate tax payers within the district, and percentage of real estate taxes paid past the due date along with a broader general overview of the District.

Transparency

One of the goals of the Management’s Discussion and Analysis section is to increase accessibility of the financial statements to the general public. The other sections of the financial reports are technical in nature and specialized in governmental accounting. The CBSD should be commended for this section as it is written in layman’s terms and demonstrates an extremely high level of transparency.

Fund Balance

The Study Team **commends** CBSD for having an appropriate fund balance and the use of fund balance to pay down debt. Due to the Act 1 limits, a best practice of school districts with appropriate fund balance is to use funds, as available, to reduce debt service. This practice

allows for maintenance of sufficient funds to maintain programs and fund increases in other expenditures, such as PSERS.

School districts with an appropriate fund balance can: (a) avoid excessive short term borrowing thereby avoiding associated interest cost; (b) accumulate sufficient assets to make designated purchases or cover unforeseen expenditure needs; (c) demonstrate financial stability and therefore preserve or enhance its bond rating, thereby lowering debt issuance costs; and (d) pay down debt.

SECTION B: BUDGETING

The following documents related to audits and financial reports were review by the PASBO Study Team:

- 2016-17 General Fund Proposed Budget Report PDE-2028
- 2016-17 General Fund Preliminary Budget Report PDE-2028
- 2016-17 Budget Calendar
- 2015-16 General fund Final Budget Report PDE-2028
- 2014-15 General Fund Final Budget Report PDE-2028

The PASBO Study Team commends the Business Office for best practices in school district budgeting. The budget process reviewed is focused on optimizing student achievement within available resources. The numerous communication tools, including presentations posted on the District's website, is extremely professional and considered a best practice for school districts.

The timeline developed and used by the business office is thorough, accurate, and meets all required deadlines.

Management reported that in the past the budget calendar did not allow for all of the complexities of Act 1 for calculating the days the budget must be available for public display, 20 days, and days between the school board vote on the proposed final budget and the final budget, 30 days, but this process has been corrected for the last 3 budget cycles.

ASBO Meritorious Budget Award

The PASBO Study Team commends the entire business office for achieving the Association of School Business Officials Meritorious Budget Award. Only a small fraction of Pennsylvania school districts have received this prestigious award. The award is given to school districts that demonstrate best practices in budgeting, including accuracy and transparency. Criteria includes a budget document that presents clear budget guidelines, promotes communication between departments and the community, encourages short- and long-range budget goals, and supports effective use of educational resources.

Commendation

The business office has a long range planning process.

Commendation

The business office is able to produce timely and accurate financial reports and scenarios necessary for budgeting, planning, and negotiation of contracts.

SECTION C: PAYROLL, PURCHASING, AND ACCOUNTS PAYABLE

Payroll

Payroll administration is the most visible function of the school district's business operation and employees tend to shape its view of the business operation (and central administration) as a correlation to the payroll operation. The goal of every business office function is to get everything right, but it is particularly important that the payroll be right.

On average, payroll expenditures and related benefits account for nearly 70% of a school district's operating budget; there is nothing in an LEA accounting function that approaches the complexity of its payroll operation; there is no other single expenditure category that drives the budget or defines demand on taxpayers; there is no aspect of school operation where an error will be so immediately noticed, or the business office's work so meticulously scrutinized by hundreds of "internal" auditors on a biweekly basis, as with payroll. For example, payroll deductions alone include the following: (a) federal income taxes, (b) state income taxes, (c) earned income tax, (d) PA retirement system, (e) tax sheltered annuities, (f) unemployment compensation, (g) employee insurance contributions, (f) other voluntary deductions, and (g) wage attachments.

The CBSD Payroll Department processes payroll in compliance with federal, state and local regulations for approximately 2,800 full and part time employees. In total 3,700 W-2's are issued through the payroll department each calendar year.

There were no identified weaknesses related to payroll administration during the review.

Purchasing

The Purchasing Department at Central Bucks School District is an integral part of everyday operations. The Department is responsible for the prudent procurement of goods and services through the implementation of policies and procedures that are in place through Federal and State law as well as District policy.

The goal of the Purchasing Department at Central Bucks School District is to continuously ensure that the District is receiving the best possible pricing from its vendors to maximize taxpayer dollars while still providing the best value to the District.

The Study Team reviewed the District's requisition and purchase order process and found the process to be effective as outline below:

- Requisitions are required for most purchases, district-wide. The only exception is for small items that are purchased using a check request, which is also subject to approval.
- Requisitions are entered by staff at each school and department using the business office software.
- Principals and supervisors approve requisitions by utilizing an electronic approval process that flows to various administrators based on their budget responsibility.
- Approved requisitions are then converted into purchase orders

- Purchase orders are sent or communicated to vendors electronically or via a fax after conversion to initiate the order.
- Purchase orders are printed and kept on file in purchasing, with electronic access available to accounts payable, and to the site initiating the order for their reference when items are received.

Commendation

The Study Team reviewed the “CB Finance 101” which is used for training purposes for staff members, including new employees. The training document is outstanding and should be considered a best practice in school business operations.

Procurement Cards

CBSD should consider expanded use of procurement cards.

Procurement card spending can be restricted by dollar amount and by merchant and the district can receive a rebate on spending done through the cards. Creating a card account by staff member will also allow for payments to be tracked to the individual card holder and make identifying charges easier.

If properly implemented, a procurement card system should allow for a good accounting trail for all purchases and adequate controls over those expenditures. The time saved from having less paperwork to process through the purchasing department should allow the buyer more time for negotiating or developing specifications for bids that are used to obtain discounted pricing from the vendors that would be guaranteed timely payment through the procurement card system.

In a joint venture, PASBO along with the Pennsylvania Association of School Administrators (PASA), Pennsylvania School Boards Association (PSBA) and Pennsylvania School District Liquid Asset Fund (PSDLAF) has created a procurement card program specifically tailored for local education agencies. The Easy Procure Card is a no fee PNC Bank Visa© Card with a rebate. Rebate rate is annually calculated based on the program participants’ aggregate purchase total. Rebate term runs June 1 – May 31.

The purchasing staff is currently working on a purchasing training intranet site.

There were no identified weaknesses in the area of purchasing.

Accounts Payable

The CBSD Accounts Payable provides financial, clerical assistance, and support to maintain accurate and on time payments to our vendors.

The following forms and procedures were reviewed by the Study Team:

- Accounts Payable Schedule 2015-16
- Petty Cash Reconciliation

- Cash Transmittal Form
- Stipend Forms – 1099 Misc. Forms
- Building Budget Activity Stipend Request
- Instructions for Building Budget Stipend Payments
- Student Activities Stipend Request
- Instructions for Building Budget Student Activity Stipend Payments
- Student Activity Account Carry-over Request
- CBSD Policy 618 Special Activity Funds
- Gift Report Instructions
- Reimbursement Instructions

The Study Team reviewed the District’s accounts payable process and found the process to be effective as outline below:

- Invoices are matched with signed packing slips or building copy of the purchase order before a payment is processed
- Checks are printed and mailed after Board approval for disbursement is given.
- Accounts payable mails the checks to the vendor after it is printed and is responsible for noting the check number on the invoice and packing slip. If there is a need to view the actual check, it can be viewed electronically.
- The accounts payable department is following proper accounting procedures by matching signed packing slips/receiving copies with invoices before processing payments

Commendation: Again the “CB Finance 101” which is used for training purposes for staff members provides a strong overview of these procedures.

There were no identified weakness in accounts payable.

SECTION D: ACCOUNTS RECEIVABLE AND TAX COLLECTION

Study Team Comments

The Study Team **commends** the business office for having appropriate procedures in place for accounts receivable and tax operations. Below, please find a list of best practices related to accounts receivable and tax operations as noted by the Study Team during the visit.

- The board has authorized all district bank accounts.
- Procedures are in place to periodically verify that only board-authorized accounts have been established.
- Employees who handle cash are insured and central office check signers are bonded.
- Only board-authorized individuals collect cash and pre-numbered receipt forms are used when the funds are collected.
- The district uses receipt forms (cash register, logs of tickets sold, pre-numbered tickets) to establish accountability for all funds collected including such items as school lunch sales, soft drink sales, library fines, lost book fees, ticket sales for sporting events, concerts, plays, adult education tuition, or other miscellaneous fees and charges.
- Checks and/or cash are deposited by staff at the site of collection. There is a second party verification of the monies collected, based on receipt back-up which is confirmed against the deposit amounts.
- The District has a procedure whereby the bank will only wire funds after it receives confirmation to do so from a second person which the district has authorized to approve the transfer.
- All wire transfer notices are retained to support the transaction.
- All checks are restrictively endorsed upon receipt.
- All cash and checks are kept in a secure location and deposited in the bank on a timely basis. The Central Office and the Community School utilize remote deposit for all checks. There is minimal cash collected, but when it is the deposit is immediate.
- Cash balances on the bank statements are reconciled to the cash balances on the accounting records on a monthly basis.
- The bank account reconciler obtains bank statements directly from the bank.
- The individual responsible for the bank account reconciliations does not have any duties related to cash receipts and disbursements.
- The bank account reconciler obtains the "book balance" directly from the general ledger, not through an intermediary person or from some other document.
- The bank account reconciler compares bank statement deposit dates and amounts with cash receipts book entries.
- The bank account reconciler compares, on a test basis, the date, payee, and amount on cancelled checks with cash disbursements book/warrant entries.
- The bank account reconciler, on a sample or risk basis, evaluates endorsements on checks for reasonableness.
- Once the reconciliations are completed, someone independent of the process reviews them for completeness and to ensure they do not include outdated reconciling items.

- There is adequate separation of duties for bank reconciliations, access to cash, and record keeping.
- The district has procedures in place to ensure it receives the revenue it is entitled to.
- The district uses monthly billings, overdue notices, an accounts receivable aging report, and the contacting of delinquent debtors as part of its accounts receivable process.
- The individual responsible for the accounts receivable billings is prohibited from completing cash receipt and disbursements duties.

There were no identified weaknesses in accounts receivable.

Tax Manual

Appendix A includes a sample tax manual from the Southern York County School District. The Study Team suggests a similar manual be prepared, approved by the Board, and share with tax collectors during an annual meeting.

SECTION E: ORGANIZATIONAL STRUCTURE

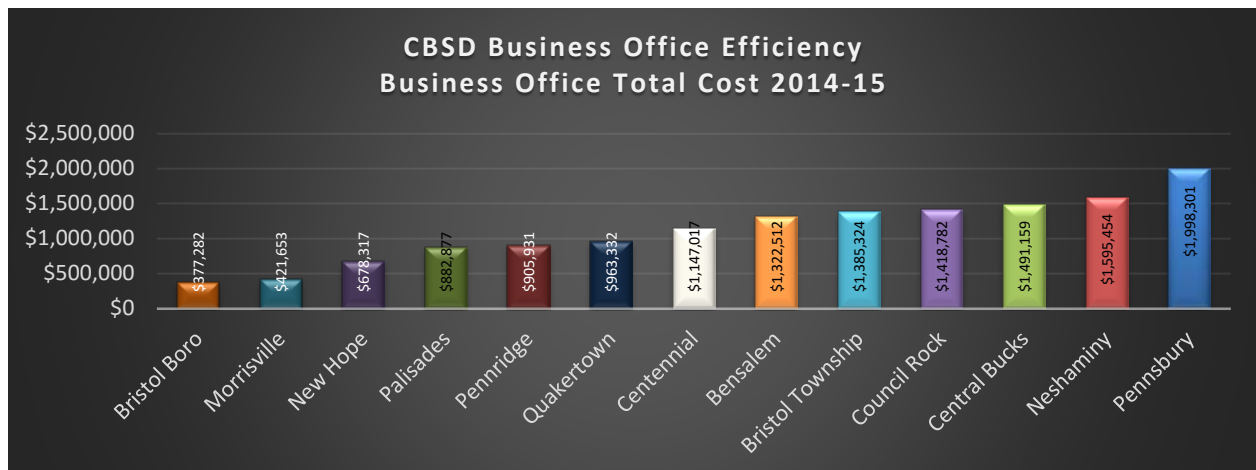
Organizational Structure

A Study Team analyzed the organizational structure staffing levels, and job descriptions for the School District's business office. The organizational structure reviewed was dated October 26, 2015. The Study Team also reviewed the pay rates and employment dates of business office employees.

The business office employees and their pay rates are in line with required responsibilities, educational level, and experience. The demands on the business office are many and the current staffing level is on the low side. It would be reasonable to add staff in the near term to provide the flexibility to expand current reporting capabilities and to address many new regulations such as:

- Indirect Cost reporting requirements
- Access Reporting
- UGG – Uniform Grant Guidelines that impact all federal programs operated by the District
- New GAAP – (General Accepted Accounting Practices) requirements for accounting of Student Activities and Athletics
- Act 10 Investment practices and associated oversight
- Fixed Asset Reporting
- Food Service operation oversight

The following information regarding how the Central Bucks business office compares to other local districts was shared by management and is being included as it provides effective information with regard to the efficiency level achieved in the District's business office operation. Using the 2014-15 Annual Financial Report for each school district in Bucks County shows not only very low business office costs per student, but also total spending levels below some other districts with smaller student enrollment.



District	Business Office Total Cost, 2014-15 AFR Function 2500	Enrollment	Cost Per Student
Bristol Boro	\$377,282	1,261	\$299.19
Morrisville	\$421,653	921	\$457.82
New Hope	\$678,317	1,511	\$448.92
Palisades	\$882,877	1,708	\$516.91
Pennridge	\$905,931	7,386	\$122.66
Quakertown	\$963,332	5,324	\$180.94
Centennial	\$1,147,017	5,546	\$206.82
Bensalem	\$1,322,512	6,370	\$207.62
Bristol Township	\$1,385,324	6,701	\$206.73
Council Rock	\$1,418,782	11,073	\$128.13
Central Bucks	\$1,491,159	19,090	\$78.11
Neshaminy	\$1,595,454	8,758	\$182.17
Pennsbury	\$1,998,301	10,462	\$191.01

Communications

The Study Team observed that business office employees have received the proper resources and training to be successful and communication between employees works well. There seems to be open and ongoing communication between employees and supervisors.

The Study Team also observed good flow of communication between the business office and human resources department. As a best practice, the two departments are collaborating on expanding the functionality of the HR/Finance software to establish a position control function and to build automated flow of HR information into payroll where applicable.