

AIS
Minutes of Finance Committee
September 20, 2018

The meeting was called to order by the Chairman at 4:56 PM.

Attendees:

Meredith Johnson - Chairman

Debra Adams – Committee Member

Cheryl Beaco – Committee Member

Paulette Bruno – School Operating Officer

Michael Bruno – Invited Guest

The Chairperson stated that since Melvin Davis has indicated that he cannot attend this meeting, he was recommending the following changes to the order of the agenda:

1. Approval of August 22,2018 minutes
2. Remarks by Chairperson
3. Review of accounting policies and procedures
4. Adjournment

The Chairperson called for a motion to approve the revised agenda. Debra Adams moved that the revised agenda be approved, and Cheryl Beaco seconded the motion.

The Chairman indicated that once again, we were not provided with timely financial information in advance of today’s meeting and no statements were available today. He pointed out that based on the last time he saw financial information generated directly from QuickBooks used by Moton, the data, in particular the statement of activities, needed to be re-formatted using Microsoft Excel software to prepare any of the desired financial information. The Chairperson indicated that he planned to recommend to the Board modifying the QuickBooks software to facilitate generating financial statements in a timely manner. He stated that QuickBooks also has the capability to generate budget to actual reports and he didn’t believe all of QuickBooks functionality was being utilized.

The Chairperson reported that he and a few board members, Dr. Smith, Terri Williams and Melvin Davis met with the auditor. The auditor stated she was prepared to move forward with the audit and explained AIS’s responsibilities and her responsibilities. It was a very cordial and informative meeting. When asked about the expected completion of the audit, she stated that she planned to be completed by no later than October 31, 2018. AIS representatives indicated that the timing was acceptable. The Finance Chairperson stated that next year we should strive to have the audit completed before September 30th, especially since the figures on the Annual Operating Budget and Annual Financial Report (AFR) that must be submitted by September 30th should agree with the audit. The auditor indicated that she was

available to start earlier, but we were ready until recently. The AIS representatives thanked the auditor again for the meeting.

Questions were raised about the status of the cost reimbursable contracts for the prior and current years. The Chairperson indicated that he did not speak with Mr. Davis and thought Mr. Davis would be here until he was notified before coming to the meeting. The Chairperson could not comment on submissions made or payments received on the contracts. There was some discussion by the attendees regarding the lack of timely submissions in the past. Mrs. Bruno stated that she re-called Mr. Davis stating we lost LA-4 money. The consensus of the attendees resulting from the discussions was that the Board needed to make sure the finance office is timely with these submissions.

The Chairperson stated that he was concerned that on more than one occasion when visiting the school, the laptop used in the finance office had been taken home by Mr. Davis. The Chairperson indicated that no one should remove the financial accounting system from the office, especially an independent contractor. The system allows an “accountant’s copy” to be made of the files for work outside of the office and any changes or additions made can be uploaded from the accountant’s copy. He recommended that a desktop computer be put in the finance office to reduce the likelihood of anyone taking it out of the office. He stated that the school could subscribe to “Log-me-in,” a means of connecting directly to the computer away from the office. The Chairperson moved that a desktop computer be placed in the finance office if one is available or one be purchased. Cheryl Beaco seconded the motion and the committee approved.

A question was raised regarding whether the annual operating budget would still be submitted unbalanced – projecting a deficit to be funded from unrestricted net assets. The Chairperson stated that he didn’t see where the organization had a choice at this point in time. The Chairperson indicated that from his review of the budget there no expense categories where significant cuts could be made. He indicated that additional funds would most likely be secured after the student population numbers were submitted by October 1st addressing significant increases in special needs students and students benefiting from Title I support. Even that additional funding will not eliminate the deficit; therefore, the Chairperson planned to continue stressing the need for new revenue sources through grant proposals. Some discussion by the committee members took place regarding grant proposals and the impact the growth in student population had on the budget. The Chairperson did state his intent to recommend that a statement be included with the Annual Operating Budget indicating that the Board approved the use of unrestricted net assets with the understanding that efforts would continue to attract additional and new funding sources during the fiscal year.

Accounting Policies and Procedures

The Chairperson stated that we needed to get policies and procedures in place, as quickly as possible. He read from the Legislative Auditor’s agreed upon procedures, policy areas that were considered to be more at risk, such as: budgeting, cash receipts, cash disbursements, payroll, travel, contracts, procurement, credit cards, and ethics. The Chairperson had drafted policies addressing several of those areas and modified a travel policy prepared by Melvin Davis.

The Chairperson began discussing the importance of the budget policies and procedures document being proposed for approval. The Legislative Auditor’s guidelines state the policies and procedures should address: preparing, adopting, monitoring, and amending the budget. The Chairperson emphasized that the annual budget process should be done in at least two phases: (1) preliminary planning phase, possibly between late-April to mid-May, and the final phase, possibly between early-July to early-August after more information on potential students, funding and contracts with major vendors was available. The

Chairperson distributed three budgeting tools that were not used in the 2018-19 process. An annual budget document by with revenue sources and expenditures by program areas was distributed. What was different with this document was the fact that revenues and program expenditures were itemized by columns specifying the source of funding going into each program and a column totaling general fund (MFP) and special funds (Grants). There was also a column that could be used for the assumptions supporting the dollar values on each line. The Chairperson stressed that when you are given the budgets for the general fund and special funds separately and most of the presentation focuses on:

- Comparisons of prior year's actual to budget, and
- Comparisons of prior year's budget to the proposed budget for line items by programs

you never get to focus on "The Big Picture".

The "Big Picture" is the total cost of each program area along with the assumptions provided and does the cost of the program area address the planned the goals and objectives set for the coming year that will improve the quality for each and every student at Moton. Committee members and attendees discussed the format of the budget information was the fact that it was easier to understand. The Chairperson added that the detailed budgets by general and special funds currently being provided would support the annual (summarized) budget document handed out. The detailed budgets would be available to assist in answering questions or concerns regarding the spending levels proposed compared to the prior year. It's possible for a program to be re-designed because the previous methodologies just weren't achieving the objectives. In that case, there may not be any meaningful comparison to the prior year's spending level.

The Chairperson also passed out a cash projection template. He stated that the document spreads the proposed budget over the months that one expects to receive projected revenues and disburse projected expenditures. This same document can be used to enter the budget in QuickBooks. Similar cash projections can be used to enter individual grants and general fund budgets in QuickBooks. There was a brief discussion by committee members and attendees regarding the benefits of using this tool.

The Chairperson also distributed a 5-Year budget template. There was a general discussion regarding the document; but it was not discussed in detail

The Chairperson stated the accounting system should be designed to facilitate generating (1) budget to actual comparisons and (2) financial statements in a format (s) that meet internal management needs and external reporting requirements. No accounting system design is perfect in every way, but it is essential to have a system that generates the information needed and requires the least amount of re-formatting for any report.

The Chairperson indicated that the other policies handed out were: procurement, credit cards and travel. He stated that the manual modified by Dr. Smith addresses cash receipts, disbursements and payroll sufficiently for the time being. The Chairperson briefly discussed some of the key features of the other policies distributed.

The procurement policies and procedures address both purchasing and contracts:

Purchasing, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

Contracting, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process

The credit card policies and procedures addressed: (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage.

The travel policies addressed: (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

After some discussion regarding the importance of the policies and procedures, committee members and attendees expressed appreciation for the work done by the Chairperson for today's meeting. The Chairperson stated that the committee needed to bring a recommendation to the Board that Policy Manual updated by Dr. Smith and the individual policies reviewed and discussed at today's meeting be approved and adopted for use immediately, with the understanding that we, as a committee, will continue to move towards enhancing existing policies and consolidating the policies into a single Accounting Policies and Procedures Handbook or Manual.

The Chairperson emphasized that amendments to policies and procedures can be made as the need arises with Board approval.

The Chairperson distributed a document issued by the American Institute of Certified Public Accountants on Operating Reserve Policy for Nonprofits. The Chairperson indicated that he would probably have a policy draft by the next meeting based on the handout. He pointed out that the sustainability of AIS has to be a major focus of the policy. He reminded the attendees that OPSB's performance measurements emphasize sustainability. While three to six months of operating expenses in reserves is the average goal organizations should strive to achieve, there is nothing wrong with having a year or more in reserves. AIS has approximately one year and several months in reserves; therefore, some discussion needs to take place on policies for reserves. We will begin discussing this at our next meeting.

The Chairperson asked for a motion to bring a recommendation to the Board that Policy Manual updated by Dr. Smith and the individual policies reviewed and discussed at today's meeting be approved and adopted for use immediately, with the understanding that we, as a committee, will continue to move towards enhancing existing policies and consolidating the policies into a single Accounting Policies and Procedures Handbook or Manual. Debra Adams made the motion and Cheryl Beaco seconded. The motion was approved.

There being no other business, the Chairman called for a motion to adjourn. Debra Adams made the motion to adjourn and Cheryl Beaco seconded. The meeting was adjourned at 6:07 PM.