



ROSELLE SCHOOL DISTRICT 12

Administration Office

100 East Walnut Street · Roselle, IL 60172
Phone: (630) 529-2091 · Fax: (630) 529-2467

www.sd12.org

Dr. Mary Henderson, Superintendent

Roselle Middle School
500 South Park
Roselle, IL 60172
Phone: (630) 529-201

Spring Hills Elementary
560 Pinecroft
Roselle, IL 60172
Phone: (630) 529-1883

To: Dr. Mary Henderson, Superintendent
Board of Education

From: Dr. Gregory Harris, Assistant Superintendent of Finance & Operations/CSBO

Re: Monthly Treasurer's Report

Date: March 16, 2021

Audit Findings

At this evening's regular meeting, the Board of Education will hear from Mr. Andy Mace, a partner at Wipfli, LLP, who was the lead auditor working on the district's FY 20 financial statements. Mr. Mace has been in regular contact with the administration regarding his concerns related to past practices of the district's accounting processes and controls. The overarching major next step the district is pursuing would be to contract with a certified internal controls auditor who will consult with the AO staff and help the team develop a system of procedures that will ensure an ethical and efficient approach to handling the district's finances. This is not to say there is any evidence of malfeasance in the past, but this will make the office run more effectively and guard against the potential for any inappropriate behaviors in the future.

Bank Reconciliations

At the beginning of this fiscal year, the only evidence of past reconciliations available in Skyward was the incomplete reconciling of the general account, just one of the district's many bank accounts. The previous assistant superintendent for finance and operations did not complete bank account reconciliations in the Skyward system for the prior three fiscal years and in fact this was noted as a significant audit finding for the FY 2018 by the previous auditor. As a result, it became effectively impossible to properly reconcile the district's many accounts from July 1, 2020 onward. As the board will recall, the business office had to bring in outside help to complete bank reconciliations for the last six months of FY 20 just so the audit could get started. This was an arduous and expensive process, so the thought of going back and doing a full three years' worth of reconciliations was not recommended. Alternatively, the administration is working with Skyward to make some adjustments to district data in order to recalculate how cash is distributed among the general ledger funds. This will be done in short order, yet it will still take some more adjustments in order to get variances precisely accurate. However, it can be stated with confidence that all accounts for all months have and will be reconciled during this fiscal year, and the business office will not be scrambling to bring in outside help to get this done in the future in order to meet audit deadlines.

P Cards

The five administrators, the maintenance lead, and the assistant to the superintendent all have purchasing cards. These are for use when issuing a purchase order would be impractical or impossible.

The vision of Roselle District 12 is to prepare students to ethically engage in our global society.

For example, a P card could be used if an administrator is traveling to a conference and needs to charge a meal against a per diem allowance or if something breaks in a building and a part needs to be purchased immediately. P cards are a convenience, for sure, but they are also less safe because there is a danger that--without the proper oversight--someone could easily use the P card on something unrelated to the education of children. There was much dismay shared by the auditors, the business office, and the superintendent when receipts from FY 20 could not be located during the fieldwork for this audit. There was a record of transactions listed in Skyward, but no other proper paper trail.

As of July 1, the process in the district has been very clear. P cardholders get their statements on or around the 6th of each month. Their responsibility is to accumulate all of their receipts and turn them into the CSBO's office with their statement. I verify that every charge is appropriate to the individual's function as an employee of the school district. I ask questions of the P cardholders to determine what account the expenses should be charged to. I verify that tax exempt letters are used on purchases. Were a receipt not submitted for any expense or the P card used for purposes not related to the holder's duties as a district employee, I would ask the individual to write a personal check for the appropriate amount to BMO Mastercard. All receipts are carefully filed and ready to be scrutinized during the FY 21 audit this coming fall.

Journal Entries

A manual journal entry is an accounting entry made to the district's journal of accounts that is not automatically generated by the accounting software. A common example of a manual journal entry the business office would perform would be the re-recording of an expenditure charged to the wrong account number. In such a situation, one would simply credit the incorrect account number and debit the correct one. Upon receiving word from the auditor that he needed documentation to support some manual journal entries from FY 20, the business office was unable to comply with this request due to an apparent lack of any such paper trail. A new process to fix this practice has gone into effect during FY 21. At this time, the business office maintains a monthly file for all adjusting journal entries. To use the example from above, if an expenditure were accidentally charged to the wrong account, the invoice would be printed out, a note would be attached explaining the rationale for the entry, and the details for the accounts credited and debited would be included.

The AO team is looking forward to the advice expected from the internal controls auditor on how to improve any and all procedures related to district finances. Improvements have been made or are in the process of being made for bank recs, p cards, and journal entries, but there is no notion among the staff that any of these have been perfected. The team will continue to strengthen and improve in order to safeguard the district's finances.

Fund Balances

Board members reviewing the monthly treasurer's reports may grow concerned when looking at the current fund balances. A very low fund balance in the education fund and a negative balance in the debt service fund, in particular, would be quite worrisome. The board should be aware that these figures are incorrect and it has to do with differences between how the books were kept in FY 2020 and how they are kept in FY 2021. The previous assistant superintendent of finance and operations booked revenue on an accrual basis. This means that he recognized and recorded revenue when it was earned, regardless of when the money was actually received by the district. My practice, since I have started in this district, has been to keep the books on a cash basis. I recognize revenue and record when the cash is actually received.

The previous superintendent of finance and operations recorded property tax receipts at the end of FY 20 as accruals because, in principle, the money was to be *earned* in FY 21 even though the cash was received in FY 20. As I have been following the practice of keeping our books on a cash basis--which is the recommendation of our auditor, Mr. Andy Mace--at no time did I take steps to reverse those accruals in the new fiscal year which is something the previous superintendent of finance and

operations would have done. Following the completion of the FY 20 audit, I have been looking to perform manual journal entries in order to complete those reversals under the guidance of Mr. Mace. However, as he is currently on vacation, that work unfortunately did not get completed prior to the regular March board meeting. When the reversals are complete, Dr. Henderson can send a fresh detail of fund balances to the members of the Board of Education. The board will see fund balances increase as cash that is already sitting in the district's bank accounts is properly recorded to revenue accounts.

Monthly Business

As detailed in the above paragraphs, the completion of the audit has triggered a flurry of activity in the business office and created new opportunities for continuing to build on the foundation of transparency and accountability that this administration has sought to create over this fiscal year. However, as more work has been generated and new questions are being raised, there are still some accomplishments to note. The Board of Education will note some differences in this month's reports as compared to those from previous months. Many of the charts and widgets are now far more accurate than they have ever been before. For example, the Month-End Fund Balances chart is showing accurate numbers which will help this administration plan effectively around issues such as cash flow. In sum, the district has better data now than before, and this can be used to plan effectively for the near and long terms.

Of important concern to the members of the Finance Committee, in particular, has always been the Aggregate Projections report. The completion of the audit cleared the way for the making of sharper assumptions for the remainder of the fiscal year. Local revenue continues to show a negative variance, but it is nowhere near the amounts being reported in previous months. This figure of \$177,000 is consistent with what has been reported to the board in the past, in that the revenue being anticipated from the NDSEC fund balance was about \$150,000 short of what was built into the budget and that investment revenue and corporate personal property replacement tax were going to be off significantly due to the economic downturn. With state revenue, the district is taking a cautiously optimistic approach and expecting no chaos from Springfield in the remaining three months of the fiscal year. Finally, federal revenue is in a good place too due to the rounds of stimulus from legislation signed recently by both Presidents Trump and Biden. The district will receive \$155,000 in funding from the bill passed under President Trump. Some of this will pay for the salary and benefits of staff the district needed to hire in order to open up in the fall. But the majority of this money has not been built into these assumptions at present. The district could wait to use the funds in one of the next two fiscal years. This is to say nothing about the funds most recently allocated to public schools under the Biden stimulus bill. At this time, the district has no knowledge of how and when it will be impacted by this; therefore, it is not expected that this third round of funding will have any bearing on the FY 21 budget.

Expenditures for the remainder of the year remain a bit harder to forecast due to a lack of reliable historical data. The numbers presented to the Board of Education represent a conservative estimate of where the district may land with expenditures in the final four months of the fiscal year based on assumptions built on the best data available, however limited it may be. As always, the administration is exercising restraint with regard to approving any purchases or projects deemed as not wholly necessary during the current pandemic and economic crisis. There is still a good amount of uncertainty that the board and administration can expect, naturally. Case in point, the recent weather phenomenon and resulting energy crisis in Texas had a rippling effect across our nation that affected us here in Roselle. The bill for natural gas in tonight's AP report is approximately double what it was last year, which is an increase of over \$2700. The boilers at both schools have also needed some unexpected maintenance, and the heavy snowfall has required some attention to our roofs. In all, the administration is sharpening our pencils and preparing to tighten the belt where necessary in order to continue to responsibly steer the ship through the remainder of this COVID crisis.