

Uniform Financial Account and Reporting Standards (UFARS) Redesign Workgroup Approved by the Workgroup – March 17, 2010 Meeting Minutes

The redesign workgroup met on March 17, 2010. Participants in attendance: Jaber Alsiddiqui, Karsten Andersen, Tom Wieczorek, Darin Jensen, Marv Roberts, Jeff Yeager, Janet Halonen, Lori Mohs, Pat Morphew, Barb Gjerde, Kristine Carr, Michelle Knutson, Jodie Zesbaugh, Stephanie Shawback, Sara Bratsch.

Members via WebEx: Earl Athman.

Minnesota Department of Education (MDE) Staff: Cathy Wagner, Tom Melcher, Janna Duffy, Karen Dykoski, Mary Weigel, Greg Hein and Keri Lewis.

The meeting was opened by Tom Wieczorek at 9:04 a.m.

The committee reviewed the February 16, 2010, meeting minutes. The following corrections were recommended by the committee:

page 1, paragraph 2 delete FY 2010 add “and beyond”.

page 1, paragraph 3 add “beginning in FY 2010”.

page 2, paragraph 2 change the last sentence to indicate MDE recommended to adjust SERVS to match UFARS.

page 3 insert statement that a member was concerned that agenda materials were not sent out prior to meeting, in the future MDE will send out materials on the Thursday prior to the meeting.

The committee reviewed the March 2, 2010, meeting minutes. The following corrections were recommended by the committee:

page 1, add Jodie Zesbaugh to list of WebEx attendees.

page 1, paragraph 3, replace “need” with “MDE recommended”.

page 1, paragraph 4, replace “need” with “MDE recommended”.

A motion to approve both minutes was made by Jaber Alsiddiqui, seconded by Lori Mohs. The minutes were unanimously approved by the committee.

The committee discussed a number of topics related to changes in UFARS which included the following:

- How should MDE handle prior period adjustments (PPAs)? The committee does not want to encourage those types of transactions.
- A member stated they felt only about 7 percent of the districts have PPAs and we should not develop a new system to manage such a small number. The person recommended using the fiscal compliance table to monitor PPAs. The person felt any specialized accounts should be kept outside of UFARS because PPAs may be more of a reporting issue than an accounting issue.
- MDE explained that not all audit reports include PPAs, the audit reports and UFARS reporting are out of sync. MDE is trying to develop an electronic method to monitor the difference from prior year ending balances to current year beginning balances.
- A member asked if the differences could be identified and resolved through an UFARS edit check.
- A member asked if MDE had changed their minds on any of items listed by MDE.
- MDE responded that the items included on the list represented a wish list based on what MDE see as potential problems. For example, the limitation associated with finance, object and course codes. Course codes are used for multiple purposes such as set-aside,

federal award year and alternative facilities projects. This can result in difficulty in managing the database. The IT department refers to this as field overload, which means a data field is used for multiple reporting purposes. Field overload is not a good IT practice.

- MDE explained that the usage of finance codes has increased with the new SERVS system. All competitive grants need a unique finance code with a subgrant finance code.
- MDE is concerned with new competitive grant process. All single-source grants will require their own finance code. Eventually, there will not be a sufficient number of finance codes.
- A member suggested reusing inactive codes.
- MDE responded that they have reduced the timeframe on reusing codes from 7 years to 5 - 6 years. If we reuse codes too soon, there could be problems with the comparability of historical data.
- A member asked what items on MDE's wish list are a "need" versus a "want". MDE responded that, at a minimum, adding one digit to the finance and object dimension would be needed as well as and developing a method outside of the course dimension for identifying the year.
- A member asked about the usage of subaward (a/k/a the sister) finance codes and wondered if an alternative method could be developed to reduce the number of finance codes.
- MDE responded that Minnesota has a unique situation primarily due to the treatment of cooperative arrangements, and these activities need to report separately due to on the calculation and application of the federal indirect costs rate. The federal government only allows the first \$25,000 of subawards to be included in the indirect cost calculation of the primary recipient.
- A committee member expressed concern regarding the explosion of "Up to \$25,000" and "In Excess of \$25,000" purchased service codes.
- MDE explained that with the elimination of federal special education on EDRS, the department needed to collect the expenditures/hours for personnel type codes in order to be in compliance with our statutory obligation to provide information for the Human Services IEP Medical Assistance (MA) rate calculations. MDE asked the committee to come back with a proposal on how to collect the data on a higher level.
- A member suggested potentially developing a personnel type field.
- MDE explained that the UFARS reporting is trying to meet the needs of the districts, vendors, legislative staff, federal government and other regulatory requirements.
- MDE asked the group to share ways in which UFARS coding structure could be simplified.
- A member asked on the number of new competitive grants each year.
- MDE responded that there currently are approximately 30 new grants requiring new finance codes each year.
- A member asked if it would be possible to isolate the federal funds by having its own type of fund.
- A member asked if we could have the local districts calculate their own indirect cost rate.
- MDE responded MDE is still responsible for compliance with the federal indirect cost requirements.
- The committee did acknowledge that it is very likely that MDE would run out of available finance codes in the near future given our current structure.
- A member brought up a suggestion to link time to the finance code by adding a digit.
- A member stated that at this time it looks like the following reporting requirements seem to have created the majority of the current UFARS issues: the calculation and application

of federal indirect cost, coding federal sub grants, identifying the federal award year, and the collection of Medical Assistance related information.

- MDE explained that UFARS will also need to address the elimination of state EDRS when that occurs.
- A member explained that UFARS is a financial reporting system and it appears that it is being used too many other types of data collection such as personnel type codes. And wondered if other methods of data collection could be developed to collect this type of information?
- MDE agreed that the goal is to keep student/staff/financial data in separate systems but the issue lies with what to do in the interim.
- A member wanted to look at the UFARS segments to determine if they are really necessary.
- MDE responded that before any codes could be combined or eliminated they would need to look at what the original purpose of the code was and whether or not that information is still necessary to collect. For example, the federal government requires source code 400 and 405 to be separately reported.
- A member inquired if the federal reporting was at the state level or at the district level.
- MDE responded that we are required to report data to the federal government at both the state and district level.
- A member brought up a concern regarding the project coding recommendation. How would the coding work if the project had started prior to the final approval and code assignment by MDE?
- MDE responded that the project coding was only a wish list item and the detail has not been finalized at this time.
- A member felt that at this point it appears that PPAs and the project dimension appear to be tabled at this time.
- A member summarized some of the points discussed and thought that the committee would need to review adding 1 or 2 digits in the finance, object and course dimensions.
- A member explained the expansion of UFARS is not just a space issue but rather how clean will the data be, does it work, is there a better way, is there a way collect data and still keep it simple?
- MDE posed the question as to how do districts feel about UFARS as it is currently.
- A member suggested looking at the manual to avoid overlapping codes.
- A member felt UFARS was working fine for them.
- A member stated they currently use 4 digits in the course code to keep track of private grants.
- A member proposed the concept of utilizing 4 or 5 digits in the finance code with a part of code to be used to for time or fiscal year.
- A member expressed concern with coding problems with the explosion of object codes.
- A member expressed concern about tuition billing and reconciling UFARS with EDRS.
- A member stated that it is difficult to train new people on UFARS.
- A member felt that in our efforts to be exact that we have lost simplicity and accuracy.
- A member stated that districts generally try to accommodate UFARS changes, especially if funding is tied to the change, and so far it has worked. Adding a digit to a dimension would be a little hiccup, adding an entire dimension is a lot of change and it would take a lot to get employees to use the new dimension correctly.
- A member suggested controlling the amount of change by phasing it in.
- A member expressed the importance of maintain historical data. They can handle an additional digit but any system change must provide the ability to maintain historical data. The member felt that for the most part it's working but expressed concerns about

training staff on changes and is concerned with the loss of uniformity as the system becomes more complex.

- A member didn't understand the need for project management because many systems already have project management. The concerns were training on changes and maintaining historical data. The member supported the fact that adding a digit doesn't have the big impact as adding a dimension.
- A member suggested that the PPA shouldn't be an issue, that schools have already lost some historical data with the code changes, that future changes to EDRS is cause for concern, and felt that it was important to maintain codes for local use.
- A member asked if UFARS coding could be simplified. For example, is there a need for the separation of health benefit codes?
- MDE asked members to send in UFARS simplification proposals to Janna Duffy. MDE would review the suggestions.
- A member wanted to know if they needed to separate elementary and high school expenditures in special education.
- MDE explained that it was necessary for the excess cost calculation due to specific requirements.
- A member recommended talking to other states to see how they are coding and they may have a creative solution to some of our issues.
- MDE had done research at other states and California appears to have the most similar system; however, many of the other states do not have the cooperative arrangements that Minnesota has.
- A member asked why is MDE getting rid of Electronic Data Reporting System (EDRS) and collapsing it into UFARS? Another participant suggested that it was because of the inability to do batch loads.
- MDE explained that the department is collecting expenditure data in two systems. The MDE used EDRS pay special education aid; however, the audited numbers are in UFARS.
- A member supported the proposal to include the year reference in the finance or else keep it in the course codes.
- MDE expressed concern on how this proposal would impact the mandatory federal set-asides.

It was discussed that MDE would come back with information on whether the mandatory federal set-asides would continue to use course codes for reporting or if an alternative system would be developed to handle the set-aside reporting.

The committee felt they would be in a better position to make recommendations after reviewing the information on federal set-asides.

A member requested a comparison between the groups that contributed at committee meetings.

MDE again asked committee members to provide MDE with a list of simplification suggestions so that MDE can research them and respond back to the committee.

The meeting was adjourned at 11:28 a.m.

The next UFARS Redesign Committee meeting is scheduled on Wednesday, April 14, 2010, from 9:00 a.m. to 11:30 a.m. at the Minnesota Department of Education.