

Uniform Financial Account and Reporting Standards (UFARS) Redesign Workgroup January 20, 2010 Meeting Minutes

The redesign workgroup met on January 20, 2010. Participants in attendance: Tom Wieczorek, Lori Mohs, Barb Gjerde, Janet Halonen, Ken Moos, Michelle Knutson, Myrna Meunier, Earl Athman, Jeff Yeager, Jodie Zesbaugh MDE Staff: Cathy Wagner, John Paulson, Tom Melcher, Janna Duffy, Karen Dykoski, and Mary Weigel. Members via WebEx: Kristine Carr, Pat Morphew, Darin Jensen.

Attendees to discuss UFARS data: (Financial Auditors) Jim Eichten, Malloy, Montague, Karnowski, Radosevich (MMKR), Nancy Schulzetenberg, Kern, Dewenter, Viere (KDV), Darwin Viker, Larsen Allen, David Poliseno, Office of Legislative Auditor (OLA), Tim Rekow, OLA

The meeting was opened by Tom Wieczorek at 9:10 a.m.

The committee reviewed the December 2, 2009, meeting minutes. No corrections were made to the minutes. Motion to approve the minutes was made by Jodie Zesbaugh, seconded by Barb Gjerde. The minutes were unanimously approved by the committee.

Cathy Wagner discussed the UFARS Redesign Committee work plan for the committee's review and discussion. The first part of the document is a purpose statement. The work plan includes a process overview with three questions: Why change? What should be changed? How do we make those decisions?

Cathy stated that MDE is using a 35-year-old COBOL system, and the old system is very costly. New technology is available at a greatly reduced cost. However, the programs coded using COBOL will need to be converted to another language. The department is currently in the process of reprogramming several of the systems. MDE has a strategic plan and its goal is to convert from COBOL to a new system within three years. Committee members expressed concern regarding the contract with the vendor providing access to the current system. MDE will work with the vendor during contract negotiations. A committee member expressed concern that MDE is using such an old system and wanted to know a specific date when the new system would be implemented and get everyone on board. Cathy and John Paulson stated they have a three-year plan; however, they would not commit to a specific date due to the volume of systems to convert to the new technology.

Cathy also explained that there are reporting requirements by the federal government to connect student and teacher data. The current system is not capable of providing the information that MDE has assured the federal government that MDE will provide. The data required by the federal government is tied to federal funding and they must provide the information or potentially jeopardize federal funding.

A member asked, what do the federal government use the data for? Cathy explained funding is linked to reporting requirements based on specific data elements. Linking funding to the results the funding provided. MDE agreed to assurances to provide data within a three-year timeline.

It was brought up if the changes should be lumped in one project or could the changes be broken into pieces and implemented piece by piece. The committee would look at the changes that are developed during discussions. It was mentioned that it is a large task to incorporate changes affecting clients outside of the agency. A member stated they were not aware of required changes but rather a wish list of items.

Cathy explained that MDE has had meetings with legislative staff, and they would be meeting with auditors that day. Does the committee feel they should include other parties to provide information to the committee? Some committee members felt that the committee make-up should include representative from districts, vendors and other parties. A committee member would like to talk with parties that do coding to get their insight into future changes. Cathy asked people to provide names if they would like to include other parties in the discussions.

Cathy discussed the proposed schedule and requested feedback from the committee. A committee member would like to discuss the possibility of a MDE presentation in March rather than wait until April since the information would be fresher. Perhaps extend the meeting in March. It was suggested that in March a synopsis of the three perspectives should be developed including, a grid comparing the discussions. More email interaction was suggested prior to the April meeting. A conference call was suggested at the midpoint to discuss the contents of the document.

Cathy asked if committee members had any suggestions about the document. No additional suggestions were offered during the meeting; however, committee members were encouraged to contact MDE with any suggestions.

The financial auditors attended the meeting to provide their perspective on UFARS data.

The presentation generated discussion in the following areas:

Discussion related to legislative staff:

- The auditors explained they don't get direct questions from legislators or legislative staff.
- The information they provide is presented at board meetings.
- It is important that the information is comparable.
- Many times they get the question, "How's my district compared to everyone else?"
- The auditors issue an opinion that the financial statements comply with UFARS structure. They do not critique UFARS.
- The OLA review the single audit reports to determine that the UFARS numbers are correct and can rely on the audit reports and federal activity is in compliance.

Discussion related to timing issues:

- The auditors felt the UFARS system provides meaningful data on a consistent basis; however, the only time the data is truly consistent is at the end of the year. The data on September 15 is preliminary and does not include proper accruals.
- There was concern about using one coding system (i.e., UFARS/EDRS/SERVS).
- The auditors also expressed concern about the calculation of some of the revenue accruals and access to final data in a timelier manner, specifically information on tuition billing, special education excess cost, MARSS data and transportation data.
- The auditors did not recommend moving the November 30 deadline up. If it was changed to an earlier date, all the other estimated data to calculate revenue accruals would also need to be moved up. There would be more risk that the accruals would not be accurate.
- Committee members felt if the date was moved up there would be more debate as to the accuracy of estimated revenues.

Discussion related to uniformity:

- Do districts report the same, is the information uniform? The auditors replied that the data is comparable at the program and finance level. If you dial down to more detailed level (object code) there might be slight differences based on different interpretations of UFARS definitions.
- The auditors do look at the coding and they will issue a finding if there are errors; however, more than one code may be appropriate.
- The auditors have found that at the macro level the coding is very uniform; business managers want to be consistent and do talk with each other.
- Would it be helpful if MDE incorporated accounting treatments in the UFARS manual? The auditors said that it would be helpful and make training staff easier.
- Would the uniformity issue be better addressed in the UFARS manual? The auditors believe the data is comparable at a higher level. They believe there will always be interpretation on how to use the codes just part of human nature. Making it more complex would not be helpful, there needs to be a balance can't make a code for everything.
- The auditors felt that districts do follow the new UFARS codes and directions.
- Auditors work to keep historic trend data intact.

Complexity of data structure:

- Committee members expressed concern that UFARS is too complex; they did not understand the need for the complexity.
- The auditors believed UFARS is responsive to changes in generally accepted accounting principles (GAAP)/Governmental Account Standards Board (GASB) and adjusting to changes in general.
- Does the federal government require such detail in reporting? MDE response was yes, the detail is required.

Crosswalks

- The auditors said crosswalks were used by most districts. They were used to working with crosswalks although it did add a step to their testing.
- The auditors felt crosswalks worked internally for districts.
- Would the auditors like more complex codes and no crosswalks or continue to have crosswalks? The auditors did not want any more complexity in coding.

UFARS loading and turnaround documents

- The auditors believed the turnaround documents were faster and very helpful.
- Would it work to have edits tied to unaudited and audited data and some edit would need to be resolved prior to the final audited data could be loaded into UFARS? The auditors said that would be fine. A committee member wanted to make sure that if a resubmission was necessary after the audited data was submitted that there could be a reload. MDE's response was, yes that would be available.

Miscellaneous

- Are there any suggestions to make the audit process and UFARS data smoother? The auditors recommended improving the timely access to the revenue data so they can calculate accruals. The auditors believe the tuition billing system is better than the previous system.
- Any suggestions on how to get information to auditors? The auditors were pleased with the school business bulletin, emails that go to both the auditor and school districts, Minnesota Society of Certified Public Accountants (MNCPA) school district audit conference.

In summary the following will be addressed:

MDE should pick a date to implement change.

Meeting on February 9, 2010, at 9:00 a.m. to discuss MDE perspective.

March 2, 2010, at 10:00 a.m. conference call to discuss MDE perspective.

Prepare a summary and grid of the three groups interviewed.

The meeting was adjourned at 12:35 p.m.

The next Redesign Committee meeting is scheduled on Wednesday, March 17 or 24, 2010, from 9:00 a.m. to 11:30 a.m. at the Minnesota Department of Education, dependent on the next Advisory Committee meeting.