

**November 14, 2007**

**Advisory Committee on Financial Management, Accounting and Reporting**

The Advisory Committee met on November 14, 2007. Members in attendance: Barb Anderson, Susan Paulson, Nancy Ramler, Michelle Knutson, Jodie Zesbaugh, Jaber Alsiddiqui, Beth Heinze, Jody LeBlanc, Deborah Medlin, Greg Hierlinger and Karsten Anderson. MDE Staff: Tom Melcher, Janna Duffy, Debrah Firkus, Charles Speiker and Mary Weigel.

Barb Anderson opened the meeting at 12:05 p.m. The committee members reviewed the agenda. Michelle Knutson made a motion to approve the agenda seconded by Jaber Alsiddiqui. Unanimous approval by the committee.

The committee reviewed the September 25, 2007 meeting minutes. Janna Duffy added a change to the minutes; Dan Brooks attended the September 25<sup>th</sup> meeting. Nancy Ramler made a motion to approve the September 25, 2007 minutes seconded by Jaber Alsiddiqui. Unanimous approval by the committee.

Janna provided copies of the GASB 45 documents. The committee reviewed the document from 9/25/07 and compared it to the current copy dated 11/14/07. All changes made in the current copy were identified and discussed by Janna for the committee's review.

Greg Hierlinger had a question regarding the new UFARS account codes. Can the new account codes such as Revenue Source 614 and 616 and Fund 45 be used prior to the passage of legislation authorizing trusts? During the 2007 session, legislation allowing school districts to establish a trust fund specifically for *GASB 45* costs was introduced and included in the Omnibus Tax Bill. The Omnibus Tax Bill was vetoed, with the legislation authorizing the trust fund included in the veto. As a result, school districts in Minnesota do not at this time have legal authority to establish a trust fund. It appears that the passage of the law will dictate when these codes would go into effect; however, Janna will verify this and report back to the group if that is not the case.

Greg inquired that on page 5 of the document it refers to federal reporting requirements is the reference to grant requirements? Janna stated it is in reference to indirect cost allocation.

Barb asked if the GASB 45 section will be in the UFARS manual? Janna explained that they had given a copy of the revised GASB 45 document to the GASB 45 Committee members for their review. Based on the results of the Advisory Committee and GASB 45 Committee review they had intended to insert the GASB 45 section into the UFARS manual. Tom Melcher explained that they would need to review the document and the status of the legislation so that the document and legislation are in agreement.

Nancy Ramler and Jodie Zesbaugh stated that on the bottom of page two of the UFARS document is a statement that provides districts with a summary of the legislative authority that districts currently have regarding the establishment of trusts. Jodie suggested that this statement should be prominently displayed in other areas such as the School Business Bulletin.

Tom inquired as to when the GASB 45 section would be published? Committee explained that the GASB 45 section would be published in the FY08 or FY09 UFARS manual depending on the passage of legislation.

Janna distributed a handout discussing the Federal Indirect Rate Audit Issue. The handout included an attachment of a federal power point presentation that had been provided as a reference document. Janna explained that Federal Auditors are visiting several states conducting Federal Indirect Rate Audits. Janna explained that the current audit had identified three areas of concern which require corrective action by the department. First, the department will need to develop a process to use a discount rate or carry forward in the calculation. Second, the department will need to develop a process that will isolate the first \$25,000 spent per sub grant and use that code in our rate calculation. Third, the department will need to develop a process to isolate the costs associated with terminal leave and adjust our calculation to extract that expense from the base cost and use it to calculate the indirect cost.

As Janna receives additional information from the federal government she will be asking for input from the committee. These changes will have a significant effect of the current practice for financial reporting and we will need to respond quickly. She asked if committee members would create a subcommittee so when the department has additional information they can begin to develop a response for the Advisory Committee's review. The changes that the department will need to make will also impact non federal programs because they have an effect on the federal indirect rate. Currently, UFARS cannot accommodate the data needed to meet the federal indirect rate calculation requirements.

Jaber asked about the status of the federal audit. Tom stated that the report has been issued and the federal auditors are requesting an action plan.

Jaber and Jody LeBlanc volunteered. Jodie Z and Nancy will ask individuals to volunteer.

Deb Firkus distributed two handouts a draft letter to the superintendents and Statement of Position on the Importance of Internal Controls from the Office of the State Auditor. Deb explained that the department has taken a more responsible look at the corrective action plans in the audit reports. Deb stated that a majority of the findings are in the area of segregation of duties and she receives several calls requesting clarification on the corrective action plan. She had developed a letter to send to districts addressing some of the issues/questions regarding corrective action plans. The committee reviewed the draft letter. Karsten Anderson asked what does oversight procedures mean? Deb explained that if a district is unable to completely eliminate a separation of duties issue they could

reduce the risk by implementing an oversight procedure. For example, have the superintendent review and approve certain transactions.

Jaber inquired about the process to verify the corrective action plans submitted by districts. Deb explained that the department will be reviewing all the corrective action plans and if a plan is not sufficient the district will be asked to rewrite their corrective action plan.

Jaber inquired what types of audits that the new process applies to, state or federal. Deb explained that it applies to all audits.

Charles Speiker emphasized that the committee should review the Statement of Position from the Office of the State Auditor which provides information and supports the message in the draft letter.

Barb inquired if the department plans to attach the State Auditor's Statement of Position. She thought that would be very informative. Other committee members agreed. The department will include the State Auditor's Statement of Position in the communication.

Barb inquired about the process to communicate corrective action plans to districts. Janna explained that the department would be sending out a general informational letter to the districts and charters. After reviewing the audit reports and corrective action plans, if any were deemed inadequate the draft letter would be distributed to those districts.

Janna explained, that since she has just began working with the Advisory Committee she would like their input on how they felt the committee was doing. She wanted the committee to address the following questions: How often to meet? Agenda Items – who should supply them? Subcommittee make-up – how is it determined? What is or is not working? Any other items the committee would like to discuss.

The committee contributed the following items:

How often to meet?

- Look at key dates and times to meet.

- Meet after new legislation to discuss impact to districts

- Form a calendar

Agenda items – who should supply them?

- Send agenda items to Janna; she will discuss items with the chair

- Standard agenda item at end of meeting, call for items for the next meeting.

- Send meeting reminder approximately two weeks prior to meeting

- Send agenda with attachments two to three days prior to meeting

Subcommittee make-up – how is it determined?

- The committee will request outside volunteers when deemed necessary

What is or is not working?

- Review and update charter (with MDE Commissioner review and approval)

- Post agenda to website

- Review purpose of committee

Seek input from school districts  
Post minutes earlier

Janna asked the committee to review the Financial Management Division. She wanted the committee to address the following questions: What are the current strengths of the department (things to continue)? What are the current weaknesses of the department (things to improve)? Should there be more focus on training? If more training, in what areas? How effective is the communication process?

The committee contributed the following points:

What are the current strengths of the department (things to continue)?

Committee members stated that the department was very good at answering questions and providing guidance.

What are the current weaknesses of the department (things to improve)?

None were noted.

Should there be more focus on training? If more training, in what areas?

The Committee shared positive comments regarding UFARS training.

MASBO is evaluating training needs and will be conducting a survey this winter to identify the training needs of the membership.

Committee members felt that perhaps the department should explore different training levels such as beginners and more advanced district staff.

How effective is the communication process?

Communications within the department could be improved, for example the compliance for federal programs may have conflicts between program staff and GAAP or UFARS.

The web site's search engine is not good; it's very difficult to find things.

Name tags would be helpful.

Janna gave the committee a copy of the membership search letter seeking volunteers for the Advisory Committee on Financial Management, Accounting and Reporting. Also included with the letter was a list of Committee Appointments for 2007.

Tom explained that committee members with expiring terms can reapply; however, the membership process is open. If other candidates apply they will be equally considered. The department is looking for broad representation.

Tom extended his appreciation for the dedication and valuable contributions of the committee members that have terms expiring.

The next Advisory Committee meeting is scheduled for Wednesday, January 23, 2008 at the Minnesota Department of Education.

Meeting adjourned at 2:00 pm.