

Red Clay Community Financial Review Committee
Wednesday, April 8, 2009

Meeting Minutes:

The Community Financial Review Committee met on Wednesday, April 8, 2009 at 6:40 PM in the Brandywine Springs School auditorium.

Members in Attendance:

Paul Lloyd – Committee Chair
Jack Buckley – Red Clay School Board Member
Jill Floore – Red Clay Chief Financial Officer
Jane Rattenni – Community Member
Doug Suiter – Vice Chair, Secretary Protem

Others in Attendance

Deborah Roberts – Red Clay Accounting Supervisor. Community Members present: Lindsay Powell and Mr. Bill Hall.

I. Introduction and Opening Comments:

Several members were detained. Mr. Suiter, as Vice Chair, began the meeting by introducing the attendees.

II. Old business

The minutes of the March meeting were reviewed. With only a few members present, no vote would be taken. Mr. Suiter asked for any old business. There was none. Mr. Lloyd arrived and asked that the March meeting minutes be amended relating to charter school board members and pending litigation. He noted that the audit sub-committee would be meeting in May.

III. New Business:

Deborah Roberts from the Red Clay Business Office gave a presentation on the federal accounts. Reports were distributed to the committee regarding federal grants. She began with a timeline presentation of the grant from approval to close. There is an additional 3 months for reports and payments to be made on expenditures closing out the grant. We have just finished this process for the FY08 grants. Ms. Floore mentioned it is an iterative process. You have purchase orders written, but the item may then be purchased for less than expected because of discounts. That difference must be used up to make sure all of the moneys are spent. Otherwise, the funds revert back to the DOE. Often we are not given the funds for the new year until late September. We are able to use the prior year's funding up until that time. We look for an August 1st start date.

As an example, the committee reviewed the federal funds status report for Title 1 funding. Once expenditures are being made, this report is given to the program manager

on a monthly basis so they know their budget status. The bottom line reflects total budget and total expenditures. The difference is called “accuracy”. We can spend up to 115% in any category without doing an amendment to DOE. If the manager finds they are spending more in supplies and not as much in contracted services, they would write an amendment to the grant moving the funds to the proper category. Supplies and materials fall in the “instruction” line. There are a variety of categories. DOE doesn’t use most of them; they use Administration, Instruction and Fixed Charges. Fixed Charges are OECs against salaries, indirect costs and audit fees. We apply to DOE each year to see what the allowable OEC charging rate is. Some may have no allowable indirect costs. Typically the federal grants are 8%; except Title 3 which has 2%. Some smaller sub-grants, as in IDEAB or eMints, allow no indirect costs to be recovered. We cannot collect indirect costs until we have expended the funds. Ms. Roberts creates a purchase order to encumber the funds when the grant is awarded. These funds are placed in a separate account.

The next report for DOE is the annual report due by August 15th. A final report is prepared at the close of the grant. December 31st is the closing date of the grant. Ms. Roberts ensures that all of the funds are encumbered by that time. During January and February, the bills are paid against those purchase orders of encumbered funds. If a certain item has been discontinued for purchase, the funds can be moved to pay for an item that was originally slated to be paid through FY09 funds and falls under the same criteria of the grant. This ensures we use all of the grant funds. Mr. Buckley inquired on a breakdown of year one and year two. Ms. Roberts explained that in “year one” that covers January 1st through June 30th and “year two” follows to December 30th referring to two school years. The federal government is on a different fiscal year than the state of Delaware.

Ms. Roberts explained the actual grant approval form that is sent to us. It gives the criteria information and the budget information on how the funds were budgeted in the application. She also explained an amendment that would need to be done. The program manager would do the amendment and Ms. Roberts would add the budget information. We always include the original in the final reports as well as the amendment pages. She showed the final reports that were recently submitted. All of the expenditures must match or the funds are to be turned back to DOE. In some cases, the smaller grants will have to return the remaining funds. Usually, that is a case of technology not costing as much as was originally budgeted. Even one cent must be recovered and explained. Mr. Suiter asked if the grants were audited each year. Ms. Roberts answered that they were. Ms. Floore stated that the audit committee meeting next month will discuss the federal audit report. The audit is over 200 pages. Mr. Lloyd asked if it was a state or federal audit. Ms. Floore explained that it is available on the website of the state auditor, Mr. R. Thomas Wagner.

Mr. Buckley asked about the nonpublic grant money. Ms. Roberts explained that if the nonpublics do not spend their funds, we are able to do so, as it is within the same allocation of funds. As late as December, we are still able to make sure the nonpublics have submitted their expenditures of the funding. Mr. Lloyd inquired regarding the

nonpublics having the same usage date of December 31st. What if we spend the funds thinking they would not use it all? Ms. Roberts explained that we can move the funds to make sure that the nonpublics get their funding. We would then use the next year's funds to cover what we wanted to use the funding to obtain.

We have a small block of state appropriations that do not fall with the June 30th year end date of the state's fiscal year; i.e. mentoring, employee tuition reimbursement (which didn't exist this year), discipline, and extra time. Mr. Suiter had asked at a prior meeting how do we know our balances are accounted down to 0. There is no such report on the state programs as in the federal, nor is there a 3 month clean up period. Unused balances are taken back by the state. Ms. Roberts reported the closing balance of the state funds. While small, because there is not the three month close out time that is available with federal funds, we often cannot ensure they are zeroed out completely. Mr. Buckley asked why some state grants would be a 2 year cycle. Ms. Floore explained that was determined by the state when the appropriation was established and gives the district some greater flexibility in the timing of using the funds.

Mr. Buckley asked if the grants awarded would be less with the new stimulus. Ms. Floore explained that Title 1 will not decrease, in fact, will increase with the stimulus as well as IDEA B funding in separate allocations. It is unknown what we will receive with the state stabilization fund. Ms. Floore explained that in spending the stimulus, planning will be difficult due to the supplanting rule. You cannot take these stimulus funds and pay classroom teachers to reduce class sizes. Statewide allocations are made to include charter schools and statewide programs playing a role as well, so the final dollar amount is determined by DOE.

With no further questions, Ms. Roberts was thanked for her presentation.

In discussion of the committee bylaws and voting rights, it was decided to update the bylaws to place a fixed number for a quorum. It will be placed as new business for the next meeting.

Mr. Lloyd also asks for the referendum report present in March to be sent to him electronically to be placed on the committee website.

The next order of business is contract review. Ms. Floore distributed the spreadsheet on contracts approved through the district. Several of these contracts were under review in the special audit of a year ago. Ms. Floore reviewed the state's purchasing guidelines. There are 3 categories of purchases: non-professional services such as supplies and materials, professional services and public works. Construction falls under public works. Materials and supplies under \$10,000 from one vendor is an open market purchase. Anything \$10,000 to \$24,999 requires 3 written quotes. \$25,000 and over requires a new bid. For professional services, under \$50,000 is open market and over requires a bid. Exceptions to this are allowed under sole source designation. Mr. Lloyd asked if each school ordered paper under separate purchase orders, it would not qualify. Ms. Floore stated every school is not aware of what the other schools are doing but the business

office does. Supplies such as computers, paper, etc. are ordered off of the state bid. The state law did not require us to use that bid; if we can find it cheaper, we can buy outside the bid. We also bid through the Data Service Center.

The data service center works for Red Clay and Colonial school districts. Emily Ryan is our representative at DSC. She meets each year with multiple groups of people, like teachers, athletic directors, nurses, and they will come up with a supply list. We will get a packet each year of all of the quotes vendors have given us. The program we use is eSchool Mall. We can also piggy back off of other state agency vendor bid lists such as another school district. A final option is an emergency need such as an immediate repair due to storm damage. Often with DSC, we award for one year with an extension option.

Mr. Lloyd asked regarding the auditors taking issue with how the districts follow bid laws. Is every contract to the best of our knowledge in compliance with the purchasing law? Ms. Floore stated that is one component of her job. No one in Red Clay can approve a contract other than Dr. Andrzejewski, our Superintendent or Jill Floore, CFO in terms of obligating the district to purchases. That allows us to track the contracts via budget as well as paper copies. The audit issues were from 2007 and those contracts were terminated.

The spreadsheet kept in the business office lists every contract signed in the business office. Ms. Floore detailed several contracts explaining thresholds and the need or no need for bid. She explained sole source in the case of ADT and the addition of cameras at Dickinson. It could not go out to bid, as the cameras required had to be matched to the system already in place. Ms Floore does not sign the state contracts. So items on the state contracts are not listed here such as Office Max for paper. Mr. Buckley would like this contract spreadsheet to be presented to the BOE several times a year as it is presented here.

Ms. Floore reported that contracts can vary greatly between districts for several reason. For example, Red Clay is the only district that has a bonded maintenance crew. We can do specific jobs with our skilled craftsman (custodial units) that other districts must contract out to do. We also contract out if there are too many jobs that cannot be handled by our crew. The print shop is also a service Red Clay owns but other districts do not.

Mr. Lloyd asked about a walkthrough of contract review/approval. Ms. Floore explained that a purchase order for any contract must have the signed contract attached. Program managers must approve prior to the contract being approved in the business office. The vendor must also have a W-9 on file with the state. They can be completed online now. No work can be done until an approved contract and purchase order is in place. Once the work/service is completed, the invoice must be approved by the project manager before it can be put in for payment through the business office. Mr. Lloyd asked who sets the deliverables. The program managers take an active stance with deliverables. Depending upon the subject or program, with a smaller contract, Ms. Floore typically reviews, but in the case of a larger contract, we also have our legal team review. In larger contracts or bid cases that meet the purchasing thresholds, the Board of Education has the information

prior to their meetings and the contract is put to a vote. The district has placed the contracts online for Board review typically 2 weeks in advance of the meeting.

Ms. Rattenni questioned contracts that cover multi years and the associated funding. Ms. Floore explained that we use current appropriations for current contracts but purchase orders must be closed within the year. If the encumbered funds were not used, we can roll them over to the following year. This spreadsheet shows contract spans but not funding sources. Mr. Lloyd asked if we used funding from prior years for the contracts. Ms. Floore put an example of the school SRO contract. The contract was for this year, but discipline funding expired September 30th. We used a purchase order in July to encumber the funds for this school year contract. Mr. Suiter asked if anyone reviews the services received as to if we are spending money to the best of our ability such as a Friend of The Family. Would it be better to hire people as permanent employees rather than contract out for this service? Staff ensures the deliverables are met, but it is really the budget process that reviews the district priorities and the cost/benefits of providing the service. For example, while the district would prefer to hire therapists as employees, we have been unsuccessful at recruiting and often must contract with vendors to ensure the services are provided.

Ms. Floore clarified that the contracts spreadsheet is related to those that go through the business office with a cost and that some contracts that go through the Superintendent's office may not be included. An example would be an inter-agency agreement for student teachers with the University of Delaware or another organization. Mr. Lloyd noted differences in energy brokers vs. suppliers. The district has brokered much better rates than a current resident could expect. Mr. Suiter asked about public input on contracts. Ms. Floore answered that they are included in the public board packets.

Ms. Floore then reviewed the monthly financial reports. On the revenue side – the difference is that the final state allocation of Division 1 funding has been loaded so we are at 99% of our revenue. The state transportation will continue to go down as our fuel costs have been fluctuating and we receive negative fuel adjustments from the state.

We have experienced very little change on the expenditures from last month. The schools were given the ability to carry over funds. Ms. Floore has asked the schools for a plan on their spending. The schools have been cleared to spend up to 95% at this time. If there is a special condition, that can also be met with documentation/discussion. Federal funds are closed for FY08 and opening for FY09.

Tuition billing has been worked on by Eric Loftus, Red Clay Financial Analyst. This is for other districts that send their children to us for tuition programs (not choice). That amount is slightly over budget. i.e., Christina's bill for the autistic program was just over \$2.1 million.

Mr. Lloyd asked if there was anything in the expenditure or encumbrances reports that stands out. Ms. Floore stated not at this time. Next month Ms. Floore will be bringing the financial position reports.

Mr. Lloyd asked for any community comments questions or concerns. There were none.

Ms. Floore stated that there is no further stimulus information. The governor's proposals need to be approved through the legislature. Mr. Lloyd is concerned that we will be making staffing decisions without solid information. Ms. Floore answered that decisions will be made based on the best information available and the district is updated.

IV. Announcements

Mr. Lloyd asked if the Committee had any items to take back to school board. There were none.

The committee's next meeting will be Monday, May 11, 2009.

V. ADJOURNMENT

The meeting adjourned at 8:44 PM.

Respectfully Submitted,
Laura Palombo
Recording Secretary

Action Items

1. New business next month change of by laws to reflect a whole number for a committee quorum.
2. Referendum report electronically to Mr. Lloyd to post on the website.
3. Present the Contract Spreadsheet to the BOE several times a year. Ms. Floore suggested after the beginning of the next fiscal year.