Advisory Committee on Financial Management, Accounting and Reporting Committee
May 19, 2010, Meeting Minutes

The Advisory Committee met on May 19, 2010. Members in attendance: Nancy Schulzetenberg, Rita Poulton, Tom Wieczorek, Pat Morphew, Cindy Longhenry, Sue Nelson, David Peterson, Tracey Fiereck, Lori Mohs, Janet Halonen and Jeff Yeager.
MDE Staff: Audrey Bomstad, Mary Weigel, Sarah Miller, Greg Hein, Karen Dykoski, Janna Duffy and Keri Lewis.

The meeting was opened by Jeff Yeager at 12:37 p.m.

The committee members reviewed the agenda. The agenda items were unanimously approved by the committee.

The committee reviewed the March 17, 2010, meeting minutes. A member asked that the section of the minutes regarding funds 98 and 99 reflect that MDE made the recommendations to the committee for discussion purposes only and that the committee did not make any formal recommendations to MDE on the issues. The member also suggested making an additional comment to the fund 99 – issue #4 discussion reflecting that overfunding of other postemployment benefits may result in a negative balance. A motion to approve the minutes, including the proposed revisions, was made by David Peterson and seconded by Tracey Fiereck. The minutes were unanimously approved by the committee.

Janna gave an update on the committee membership. There has been a change in one of the regional coordinator positions and Dianna Groskreutz from Region V will fill the position that had been held by Myrna Meunier while she was employed at Region V.

Tom Wieczorek provided the committee with a brief update on the UFARS Redesign Workgroup. He began by stating that this is not the final recommendation report from the Redesign Workgroup and is only intended to provide a status report to this committee. The responses below are only intended to be a first draft of the document and may change as a result of research being done by Cathy Wagner, MDE IT Director, regarding the flexibility of UFARS Finance Codes in SERVS.

1. **Should MDE require budget information to be reported (e.g., by July 1 of current fiscal year), and published for use by legislators and others? If yes, when should that requirement be initiated and would budget info be updated during the course of the FY?**

Committee Recommendation: By September 15, the fiscal year ending (referred to as "audit year") would report preliminary UFARS data. Since the current UFARS structure allows for budget reporting, the UFARS file will begin reporting budgeted data potentially in FY 2010.

Header Identifies FY and is used with the flag:
A = Audited
U = Unaudited
B = Budgeted (future implementation – only used after November 30)

Fields Reported:
Adopted Budget (not used – may report 0 to MDE), Revised Budget, Next Year Budget, Year to Date (YTD) Amount

Dates for UFARS Reporting (reporting may exist in between dates but are cut off and used):
September 15 – preliminary audit year UFARS data file
November 30 – final audit year UFARS data file
January date aligning with Average Daily Membership (ADM)/Limited English Proficiency (LEP) estimate reporting

2. Should an additional digit be added to the object/source dimension?

Committee Recommendation: Yes – stay left justified. The advisory committee should work with MDE to develop the coding structure.

3. Should an additional digit be added to the finance dimension?

Committee Recommendation: Yes – stay left justified. The advisory committee should work with MDE to develop the coding structure. The additional digit would not be a 'sub-series' but would be an assignment of another finance code. Fourth digit allows for expansion. The committee recommends that a fifth digit option be evaluated if SERVS cannot address single source state/federal competitive grants.

Note: Tom explained that there was considerable discussion on this item by the committee. Cathy Wagner had stated that there may be the potential that SERVS could accommodate single source grants without a unique UFARS finance code but felt that she needed to bring it back to the IT programmers for validation. The Redesign Workgroup expressed concerns that MDE has built SERVS to accommodate MDE administration of programs as a priority over reasonability of workload being imposed on the end users. A comment was made at that meeting by one of its members stating that the LEAs have made numerous changes to accommodate SERVS implementation, and felt that MDE needs to be more responsive to LEA concerns when designing and implementing SERVS. The Redesign Workgroup did not want to add two digits for expansion (in addition to time – see item #4) and felt that it should be limited to only one additional digit for expansion. Cathy will evaluate the flexibility of the Finance Code Dimension in SERVS and report back to the committee.

4. Should a second additional digit (either fifth or sixth digit of the finance code) be added to the finance dimension to reflect time (e.g., federal award year)?

Committee Recommendation: Yes – stay left justified. The advisory committee should work with MDE to develop the coding.

5. Should any new dimensions be added to UFARS (PPA, Time, Project)? If so, how many digits?

Committee Recommendation: No.

6. What can be done to simplify/reduce the number of existing codes within various dimensions?

Committee Recommendation:

a. Evaluate length of time for reuse of codes (7 years).
b. Use of flowchart for determination of need for new codes.
c. Manual evaluation of existing structure and clean-up.
d. Add accounting procedure section of manual.

7. What is the best approach to training on the changes recommended by this committee and what is the appropriate timeline?

Committee Recommendation: Upon evaluation of IT Division response, the committee will finalize question #7. MDE IT Division will present a response by June 25.

Janna commented that many of the draft responses stated that it is recommended that the Advisory Committee on Financial Management, Reporting and Accounting should assist MDE with coding structure if these changes are implemented. This may require another sub-committee assignment.

Janna gave an update on the Electronic Data Reporting System (EDRS)/UFARS Reconciliation. For Phase I – UFARS only, there were 378 incidents submitted to the helpdesk, four of them remain open and 20 Local Education Agency (LEAs) are being reviewed for compliance table discrepancies. For the Phase II – SPED update from George Holt as of May 18, 2010, all LEAs with discrepancies greater than $2 have been contacted via email/telephone. Beginning Friday, notices will be sent to Special Education Directors and Business Managers on their reconciliation status. Approximately 80 percent of the LEA reconciliations are closed (which means that they are reconciled or the LEA has sent notification of their choice not to adjust their EDRS or UFARS data). For Phase III, once all aids are recalculated, the districts will need to reevaluate their revenue adjustments and determine whether they need to revise FY09 UFARS, record a prior period adjustment (PPA) in FY10, or simply recognize the difference as FY10 revenue.

Jeff discussed the new 'Red Flag' requirements for financial institutions and creditors which will help fight identity theft. LEAs will need to look at their policies and consult with their auditors. MDE will contact the Minnesota Office of the State Auditor to determine if they will be issuing guidance on the requirements as it relates to LEAs. If there is guidance issued, MDE will inform the LEAs of this documentation through the School Business Bulletin.

Karen Dykoski discussed the issue of accountable versus non-accountable plans (as defined by the IRS) in UFARS. Specifically, there have been questions related to cell phone plans. Considerable discussion took place on this item. In conclusion, it was determined that:

1) UFARS Object Code 185 should be used when an employee is receiving an allowance and does not account for their business versus personal use related to that allowance. An allowance paid on a non-accountable plan would be considered taxable wages.
2) If the employee does account for the business/personal use, the expense should be coded to the appropriate purchased service code (either 320 for communications or 366 for travel) and any reimbursements to the LEA for personal use would be coded directly against that same account. Since the personal use is reimbursed to the LEA, the expense would qualify as an accountable plan and would not be considered a taxable wage.
3) There are other circumstances that don't qualify as an accountable or non-accountable plan yet are services or supplies that are considered taxable benefits (i.e. supplied uniforms) to the employee. Even though the expenditure is coded to a 300 or 400 series UFARS Object Code, the employee should be taxed through payroll for that benefit. LEAs should be aware of IRS regulations for such items and handle the taxation of the benefit accordingly.

Proposed agenda items for the next advisory meeting are: 1) Redesign Workgroup Recommendation Summary; and 2) Transportation Allocation Procedures (Dave Peterson – St. Paul Schools).

The first GASB 54 Subcommittee meeting is rescheduled for Tuesday, July 13, 2010, from 12:00 p.m. to 3:30 p.m. at the Minnesota Department of Education.

The next Advisory Committee meeting is scheduled for Wednesday, July 14, 2010, at 12:00 p.m. at the Minnesota Department of Education. Note: The Redesign Workgroup meeting will take place the morning of July 14.

The meeting was adjourned at 2:58 p.m.