
10.0 FINANCIAL MANAGEMENT

This section of the report reviews the budgeting and financial management functions of the Hillsborough County School District and contains four major subsections:

- 10.1 Budgeting
- 10.2 Fiscal Operations
- 10.3 Internal Audit
- 10.4 Financial System Automation

The areas of cash management, investments, and tax collections are covered in Chapter 9.0, Asset and Risk Management. The functions covered in this chapter fall under the direction of the Assistant Superintendent for Business & Research. Exhibit 10-1 depicts the organizational structure of this division.

10.1 Budgeting

The planning and budgeting process is critical to the effective management and stewardship of the resources and programs of a school district. Once a mission statement has been developed and districtwide goals and objectives have been determined, the allocation of financial resources required to achieve those goals and objectives must be addressed through the planning and budgeting process. Planning and budgeting facilitates a long-term, strategic view towards the allocation and management of resources, rather than a short-term, year-to-year allocation based on available resources. (Note: Planning in this report is discussed in Section 4.3 in Chapter 4; the budget process is addressed in this section).

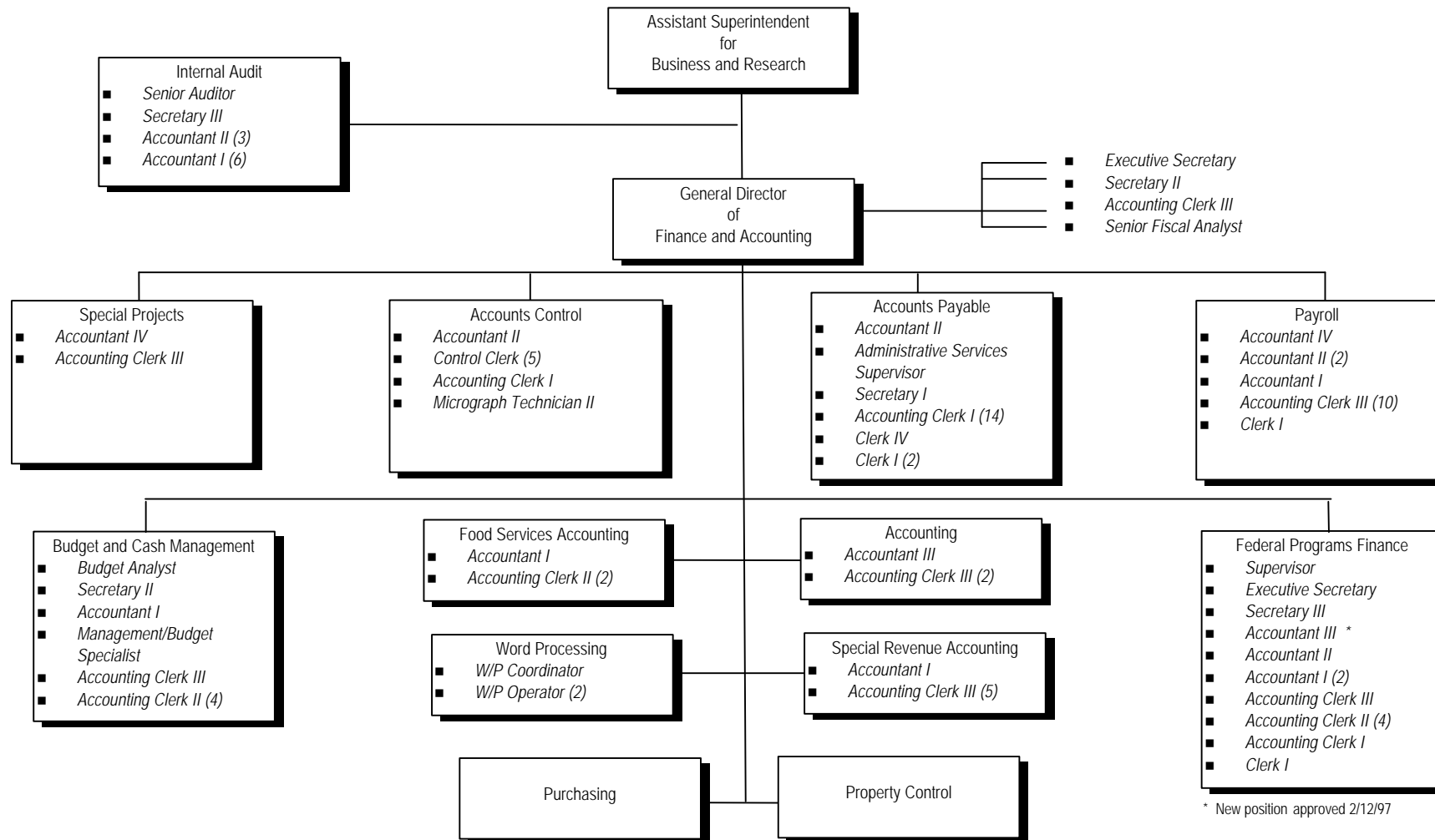
CURRENT SITUATION

The Assistant Superintendent for Business and Research has primary responsibility for the district's budget process. Each campus and department with budget responsibility receives a budget packet with written instructions.

Principals, directors, and other administrative personnel are involved in the budget process at various levels. Campus and program administrators develop a preliminary budget draft for their campus or department. Teacher salaries, however, are budgeted at the district level. The budget is prepared using historical information adjusted for current-year assumptions about student enrollment, expenditures, and the availability of funds from state, federal, and local sources.

Enrollment projections, prepared by the Student Affairs Department, are used for basic allocations to the campuses. Revenue estimates are made based on the district's enrollment projection for the next year and are used to estimate grant awards, state funding, and local revenue.

**EXHIBIT 10-1
ORGANIZATIONAL CHART FOR FINANCE AND ACCOUNTING IN THE
HILLSBOROUGH COUNTY SCHOOL DISTRICT**

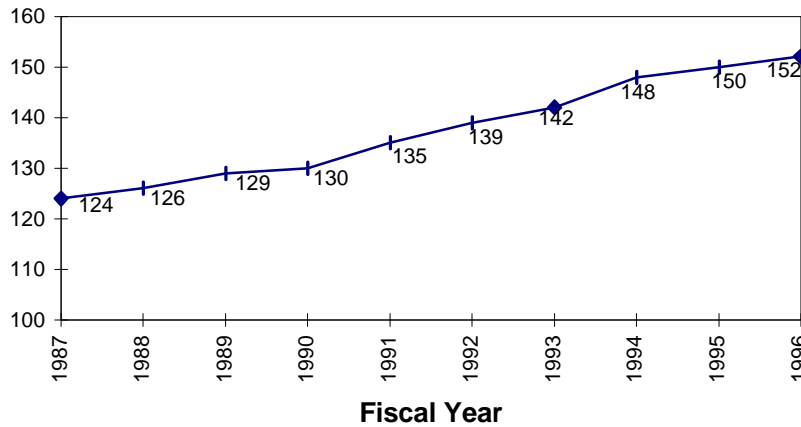


Source: Hillsborough County School District, February 1997.

Exhibit 10-2 below shows student growth in the district from 1987 to 1996. The Tampa area is one of the fastest growing communities in Florida. While population estimates, and in particular student population estimates, are trends that are closely monitored by the school district, the unique characteristics and needs of the growing student population are more difficult to project. As a result, the school district must closely monitor and track student enrollment and population composition in order to adequately budget district educational funding.

**EXHIBIT 10-2
HISTORICAL STUDENT ENROLLMENT IN THE
HILLSBOROUGH COUNTY SCHOOL DISTRICT**

(Numbers in Thousands)



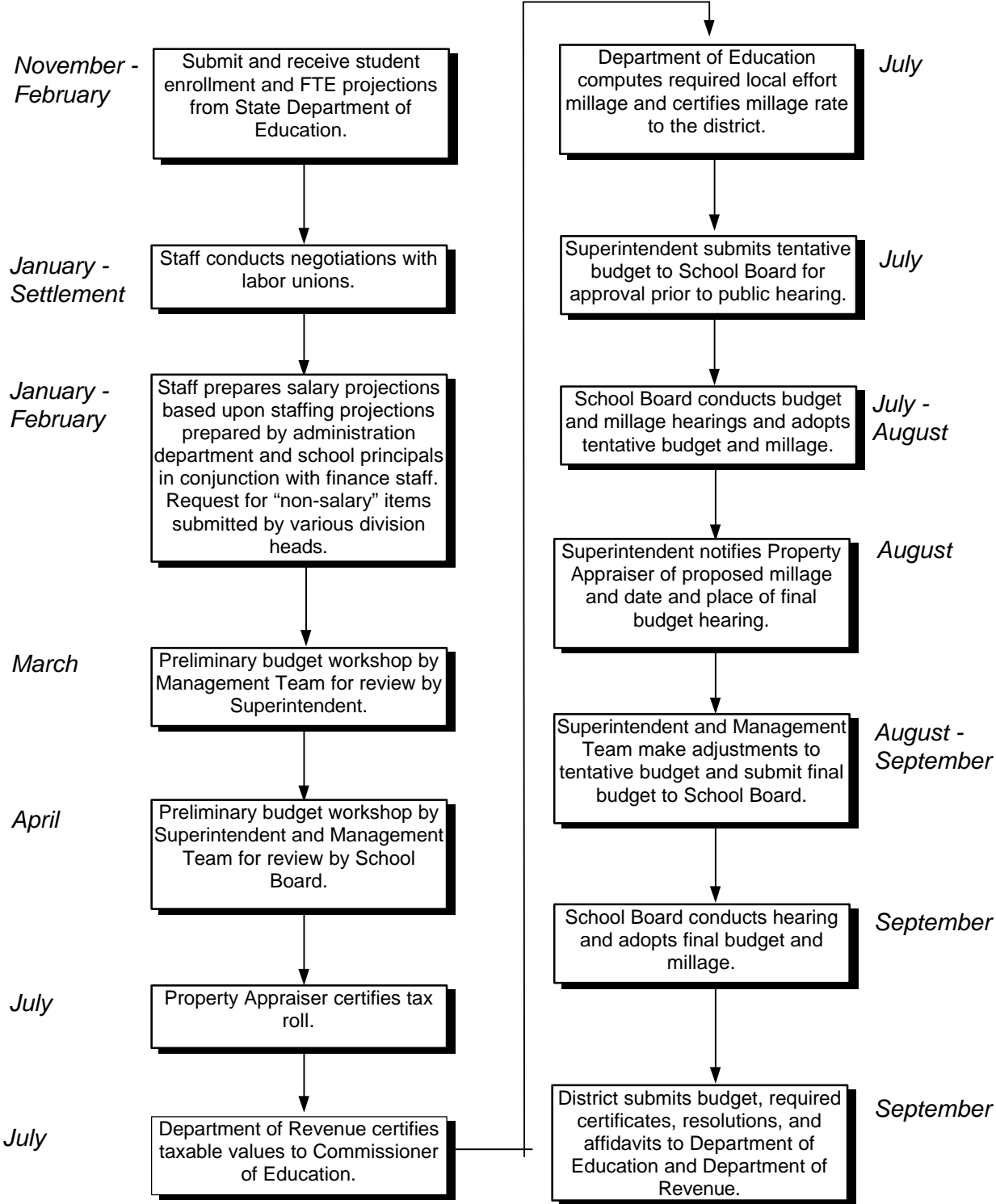
Source: Hillsborough County School District, Finance Department, February 1997.

A draft budget prepared by the Budget and Cash Management Department is presented to the Board in July of each year. The Board reviews expenditures and anticipated revenue levels by major fund source and adopts a tentative tax rate in August. In September, after a public hearing, the Board adopts the budget for the upcoming year.

Exhibit 10-3 depicts the budget process in Hillsborough County School District.

Budget allocations at the school level are made in increments throughout the year to ensure that schools do not exceed budgeted expenditures and to provide reserves in the event that budgeted FTE calculations are lower than the final FTE counts made in October and in February. Should a school's actual FTE count be higher than projected FTE counts by five percent or more, the district allocates more funds to that school. These additional allocations are made from budgeted reserves. Exhibit 10-4 shows the budget distribution schedules for school sites.

**EXHIBIT 10-3
BUDGET PROCESS IN THE
HILLSBOROUGH COUNTY SCHOOL DISTRICT**



Source: Budget and Cash Management Department, 1997.

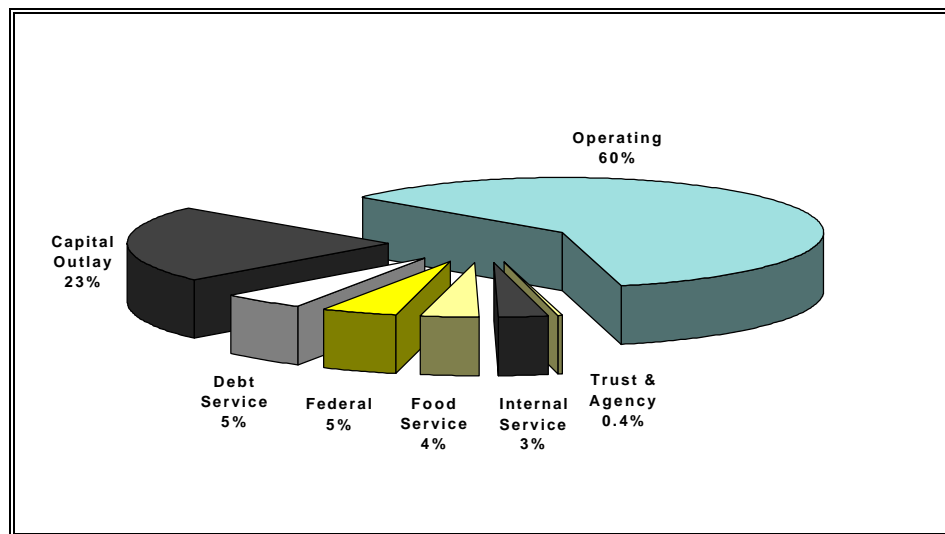
**EXHIBIT 10-4
BUDGET DISTRIBUTION SCHEDULE TO SCHOOL SITES IN THE
HILLSBOROUGH COUNTY SCHOOL DISTRICT**

MONTH	BUDGET DISTRIBUTION
August	50 percent of total budget
November	25 percent of total budget
March	remaining 25 percent of total budget

Source: Hillsborough County School District, Finance and Accounting, February 1997.

As shown in Exhibit 10-5, approximately 60 percent of the district's total budget is accounted for within the general fund, with 23 percent accounted for within the capital outlay fund. Approximately 76 percent of local property tax revenue is designated for operations of the district, with 20 percent funding capital outlay efforts, and the remaining four percent supporting debt service.

**EXHIBIT 10-5
BUDGET BY FUND TYPE IN THE
HILLSBOROUGH COUNTY SCHOOL DISTRICT**



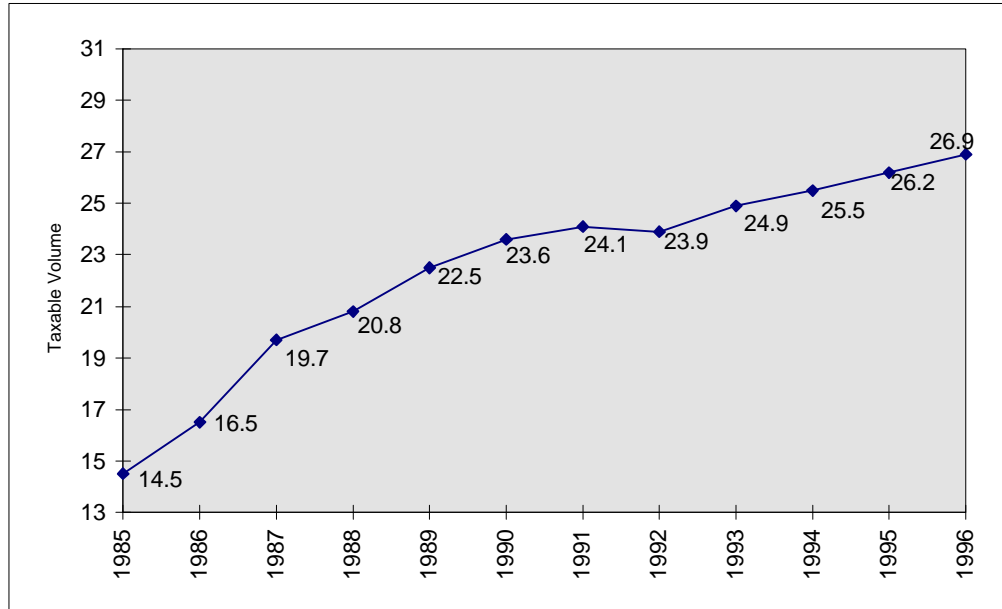
Source: Hillsborough County School District, Finance and Accounting, March, 1997.

Exhibits 10-6 and 10-7 detail historical property value assessments and tax rates for the district, respectively. Exhibit 10-8 details each fund and its purpose.

FINDING

The Budget and Cash Management Department prepares detailed budget instruction packets for departments and school sites to use in preparing their annual budget worksheets. In addition, the department provides training and one-on-one assistance to those in the district responsible for preparing and monitoring a budget.

**EXHIBIT 10-6
TAXABLE VALUE IN THE
HILLSBOROUGH COUNTY SCHOOL DISTRICT**



Source: Hillsborough County School District, Finance and Accounting, February, 1997.

**EXHIBIT 10-7
HISTORICAL COMPARISON OF MILLAGE RATES IN THE
HILLSBOROUGH COUNTY SCHOOL DISTRICT**

FISCAL YEAR	OPERATING	DEBT SERVICE	CAPITAL	TOTAL LEVY
1990	6.50	0.52	2.00	9.02
1991	6.88	0.49	2.00	9.37
1992	7.07	0.48	2.00	9.55
1993	7.23	0.48	2.00	9.71
1994	7.25	0.47	2.00	9.72
1995	7.40	0.47	2.00	9.87
1996	7.43	0.44	2.00	9.87
1997	7.52	0.44	2.00	9.95

Source: Hillsborough County School District, Finance and Accounting, February 1997.

**EXHIBIT 10-8
FUND TYPES AND PURPOSES IN THE
HILLSBOROUGH COUNTY SCHOOL DISTRICT
1996-97**

FUND	TOTAL BUDGET	FUND PURPOSE AND USE
General	\$747,896,000	Used for the day-to-day operation of the school system. Used to fund the majority of salaries and benefits, supplies and materials, textbooks, transportation, utilities, and other expenditures such as repairs, equipment, etc.
Special Revenue	\$104,178,000	Used to account for federal programs and food services operations.
Debt Service	\$66,665,000	Used to pay the principal, interest, and other costs for bond issues: 1978 general obligation bonds, 1990/1994 refunded general obligation bonds, certificates of participation, and race track bonds.
Capital Outlay	\$282,231,000	Used to fund capital projects such as the acquisition of educational facilities and land, the construction and renovation of educational facilities, and the acquisition of major equipment.
Internal Service	\$36,584,000	Used to designate insurance reserves including worker's compensation, liability insurance, and employee health insurance.
Trust and Agency	\$4,407,000	Used to account for assets held by the school district while serving as a fiscal agent for the employee retirement program, the DOC ESSRIG endowment fund, the Compact grant, and the Optimist hearing aid project.
TOTAL	\$1,241,963,000	

Source: Hillsborough County School District, Budget and Cash Management, March 1997.

The Budget and Cash Management Department takes extraordinary measures to ensure that budgets are monitored properly and that the employees responsible for budgets have their questions answered adequately.

COMMENDATION

The Hillsborough County School District is commended for placing an emphasis on providing assistance for the budget preparation function.

FINDING

The Budget and Cash Management Department prepares numerous pamphlets, brochures, and slide presentations detailing the budget process and reporting information that is vital in order for the public to understand the funding situation in the district. In addition, in light of recent trends by bond rating companies to lower ratings for Florida schools, the district made a trip to New York and made a presentation about the district and its budget functions. The district's purpose was to avoid having its credit rating reduced by New York bond dealers.

Public involvement is an important aspect of an effective school district. The school district provides a valued service to the community by making this information available and explaining budgetary information. The district's proactive steps in protecting its bond rating will further help to ensure financial stability.

COMMENDATION

The district is commended for preparing and providing detailed budget information to the public.

FINDING

The district maintains a \$70 million line of credit for emergency funding. Due to close monitoring of funding sources and cash flows, the district has never had to make use of this line of credit in over 15 years.

COMMENDATION

The district is commended for its efforts in properly monitoring cash flow.

FINDING

The current budget document provides detailed budget information by department showing detailed justification. The document, however, is not "user friendly" in that it contains no summarized budget data nor comparisons to prior year budgets. It also does not contain any demographic information or property tax information.

RECOMMENDATION

Recommendation 10-1:

Revise the format of the official budget document to include more relevant information for readers.

The Hillsborough County School District budget is a public document in which financial information should be presented in a format that is easy to understand and provides relevant budget and performance data for the district's stakeholders. The budget document should present consolidated revenues by both fund and source; expenditures by fund, function, and object; and summarized presentations of property tax data and enrollment projections.

The revisions should include comparative data between fiscal years for such items as: (1) administrative, staff, and faculty FTEs; (2) summary at the object code level by campus or department, rather than detail transactions; (3) campus demographic information (ethnicity, economic status, dropout rates, etc.); and (4) enrollment data.

Exhibit 10-9 provides a sample presentation of selected budget data for a high school. Budget, demographic and performance information could be presented in the manner depicted in this exhibit and could be arranged to fit on one to two pages for each campus.

IMPLEMENTATION STRATEGIES AND TIMELINE

1. The Assistant Superintendent for Business and Research should assign responsibility to the Supervisor of Budget and Cash Management for development of a detailed budget format that is user friendly. July 1997

2. The Supervisor of Budget and Cash Management should begin collecting sample budget formats from various exemplary districts throughout Florida. The Supervisor should collect several examples of budgets having received prior Government Finance Officers' Association (GFOA) or Association of School Business Officers' (ASBO) excellence awards. September 1997

3. The Supervisor of Budget and Cash Management, the General Director of Finance and Accounting, and the Assistant Superintendent should determine the appropriate budget format for the Hillsborough County School District. September 1997

4. The Supervisor of Budget and Cash Management should present the new budget format to the Board. September 1997

5. The Supervisor of Budget and Cash Management should determine which steps are necessary to prepare the budget document in the accepted format, keeping in mind requirements of the GFOA Budget Excellence Program. May 1998

6. The Supervisor of Budget and Cash Management should determine the workload required to prepare a new budget document format and make staffing assignments accordingly. May 1998

7. The Budget and Cash Management Section should prepare the 1998-99 budget using the new format. September 1998

**EXHIBIT 10-9
SAMPLE PRESENTATION OF BUDGET DATA
FOR A HIGH SCHOOL**

Position Information (FTEs)			
Position	1997-98 Budget	1996-97 Actual	Increase (Decrease)
Teachers	59.9	58.9	1.0
Counselors	3.0	3.0	-0-
Principal/Asst. Principals	4.0	4.0	-0-
Teacher Aides	6.0	6.0	-0-
Clerks	5.0	6.0	(1.0)
Food Service	7.0	6.0	(1.0)
Custodial/Other Staff	8.0	8.0	-0-
Total	92.9	91.9	1.0

Budget Data by Function					
Function	1995-96 Actual	1996-97 Budget	1996-97 Estimated	1997-98 Budget	Percent Increase (Decrease)
Instruction	\$500,000	\$510,000	\$515,000	\$520,000	2%
Instructional Admin.	120,000	118,000	125,000	130,000	10%
School Admin.	90,000	100,000	105,000	115,000	15%
Etc.	1,000,000	1,100,000	1,105,000	1,120,000	2%
Total	1,710,000	1,828,000	1,850,000	1,885,000	3%

Student Data (1997-98)			
Total Enrollment	1,007	At-Risk	68%
Ethnicity		Limited English (LEP)	15%
Hispanic	94%	Mobility Rate	45%
White	4%	Attendance Rate	90%
Asian	1%	Dropout Rate (Gr. 9-12)	5%
Free/Reduced Lunch	21%	Graduation Rate	60%
Special Education	3%	Honors Classes	12%

Source: Created by MGT of America, 1997.

FISCAL IMPACT

This recommendation can be implemented with existing resources.

FINDING

The Budget and Cash Management Department currently does not routinely make available monthly budget information on a program-level basis. This information can be produced upon request, but many program managers in the district are unaware of its availability. In addition, it was discovered through interviews with department managers that they receive inadequate budget and financial information.

As a result of program managers, school site managers, and department managers not receiving adequate and useful accounting and budgeting information, clerks in the Accounts Payable and Budget Departments receive a high volume of phone calls requesting account budget balances or other budget related questions. Additionally, management-level decisions such as adding or eliminating staff, outsourcing all or parts of functions, and simple comparisons of actual results to budgeted activities are difficult and cumbersome tasks without adequate financial data.

RECOMMENDATION

Recommendation 10-2:

Produce and distribute user-friendly budget and financial reports on a monthly basis.

Of significant importance to the efficient and effective managing of district resources is the quality of budget and financial reporting data available to managers. In other words, the success of managing and making the best use of the limited resources is directly tied to the availability of accurate, relevant, and timely financial and budget data.

IMPLEMENTATION STRATEGIES AND TIMELINE

1. The Supervisor of Budget and Cash Management should prepare an inventory of budget reports distributed throughout the district. July 1997

2. The Supervisor of Budget and Cash Management should poll program managers to determine their reporting needs. August 1997

3. Using input from program managers, the Supervisor of Budget and Cash Management should devise reports to meet user needs. September 1997

4. The Supervisor of Budget and Cash Management should communicate reporting needs to the MIS Department and schedule report distribution to program managers, campus financial managers, and department managers on a monthly basis.

October 1997

FISCAL IMPACT

This recommendation can be implemented with existing resources.

FINDING

The Budget and Cash Management Department currently does not submit the district budget document to the Government Finance Officers Association's (GFOA) Excellence Award Program or to the Association of School Business Officials Association's (ASBO) Meritorious Budget Award Program.

The GFOA is a national organization that supports state and local government finance officials, while ASBO is an international association which supports all school business officials.

These award programs are designed by school business management professionals. School districts can use these programs to build solid foundations in the skills of developing, analyzing, and presenting budget information. Under one of these award programs, school districts submit their budgets for evaluation by review teams comprised of accredited, experienced school business administrators, chief accountants, and auditors. Review teams, who are totally independent of the school district being reviewed, prepare commentary on the submitted budget, noting both strengths and weaknesses.

Preparing and presenting a budget document that conforms to GFOA or ASBO guidelines ensures that a school district is presenting consolidated and concise information for the public. The award process can also assist school business officials in sharpening their budgeting skills and improving the presentation and communication of financial plans to the community. The benefits of earning an award include:

- enhanced credibility for the school district's budget with the community;
- enhanced report presentation;
- individual recognition;
- new ideas;
- increased visibility;
- confidential feedback on the budget document and on the budget process;
- continuing education credits; and
- professional growth for the budget staff.

RECOMMENDATION

Recommendation 10-3:

Prepare and submit the Hillsborough County School District annual budget document to the GFOA, ASBO, or both organizations for professional certification.

In order to receive an excellence award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communication device.

Some of the GFOA criteria include:

- executive summary;
- organizational charts;
- mission statements;
- description of the budget process;
- financial and programmatic policies and goals;
- budget message that articulates priorities and issues; and
- charts and graphs used to aid in viewing extensive detail data.

The Hillsborough County School District currently prepares and presents budget information in a variety of formats, but there is not a single, concise document that presents comprehensive budget and demographic information.

IMPLEMENTATION STRATEGIES AND TIMELINE

1. After completing the steps outlined in Recommendation 10-1, the Assistant Superintendent for Business and Research, the General Director for Finance and Accounting, and the Supervisor of Budget and Cash Management should prepare a plan for preparing and submitting a budget for certification. May 1998

2. The Assistant Superintendent for Business and Research should submit the 1998-99 budget document to the GFOA, ASBO, or both associations for certification. October 1998

FISCAL IMPACT

This recommendation can be implemented with existing resources.

FINDING

The district uses several mechanisms for monitoring budgetary control. For example, purchase orders are encumbered, certain categories of revenues are not distributed to the school or departmental level until the associated expenditure has been made, and credit balances are monitored by the Budget and Cash Management Department on a weekly basis. However, there are no controls set up in the automated accounting and budgeting system. Even though purchase orders are encumbered, invoices can be

paid against pre-encumbered purchase orders for any amount. In addition, budget monitoring for school sites and departments is a cumbersome task due to two main reasons:

- monthly budget reports, distributed to schools and departments, become outdated as transactions are posted to accounts after the time the reports are printed; and
- on-line budget account balances can be inaccurate because the budget and accounting system is only updated periodically during the week. Thus, a manager viewing a budget balance on-line may not see transactions that have been entered into the system, but not yet posted to the account.

RECOMMENDATION

Recommendation 10-4:

Strengthen budgetary control in the district.

Even though purchases are approved and encumbered prior to expending funds, no system controls exist to prevent expending funds in excess of budgeted amounts. That is, budgets can be exceeded by paying invoices that exceed encumbrances, or by journal entries or budget transfers. As Accounts Payable Department clerks enter invoices into the automated system for payment, they are required to manually compare payment information to budget information on-line.

The Budget and Cash Management Department monitors all credit balances and contacts the responsible person as soon as a credit balance is observed. Corrections usually take the form of transferring funds between accounts. However, this method is time-consuming and could lead to inappropriate expenditures should funds not be available to cover negative balances. In some cases, the Budget and Cash Management Department is required to transfer funds from the district level to the school level to cover expenditures.

IMPLEMENTATION STRATEGIES AND TIMELINE

1. The Supervisor of Budget and Cash Management should coordinate with the newly named technology specialist (as described in Recommendation 10-29 below) to determine appropriate system controls and to include an automatic system reject feature for transactions exceeding budgeted amounts. August 1997
2. The Supervisor of Budget and Cash Management and the technology specialist should meet with the MIS Department to develop an implementation strategy for the requested system modifications. October 1997

3. The Supervisor of Budget and Cash Management and the General Director for Finance and Accounting should develop training materials for departments and school sites to explain the system modifications.

March 1998

FISCAL IMPACT

This recommendation can be implemented with existing resources.

10.2 Fiscal Operations

A district's fiscal operations control the collection, disbursement, and accounting for federal, state, and local funds. An effective fiscal operation has detailed policies and procedures and internal controls to efficiently process the district's daily business transactions and provide accurate, complete, and timely information to the administration and Board to facilitate decision making.

CURRENT SITUATION

The Assistant Superintendent for Business and Research has overall responsibility for accounting and fiscal operations. The General Director of Finance and Accounting has responsibility for the day-to-day management of accounting and reporting activities.

The Finance and Accounting Department has a total of 89 FTEs (including the General Director) and is responsible for processing accounts payable and payroll, accounting for federal programs, and maintaining the general ledger. Additionally, the department prepares the district's budget and the Florida Education Finance Program (FEFP) reports. The area also has a Word Processing Unit and a Special Projects Unit. Word Processing is staffed with three full-time employees and is responsible for processing reports and correspondence for the department. The Special Projects Unit, staffed with a CPA and an accounting clerk, handles many non-routine functions and projects of a highly specialized nature.

Exhibit 10-1 displays the current administrative organizational chart for the Finance and Accounting Department.

FINDING

The Finance Department does not have a formal procedures manual that documents and governs its operations. The General Director of Finance and Accounting states that there is open communications and all procedures, while not documented, are understood by all department employees. Several individuals have developed informal procedures that document key job functions associated with certain functions. For example, the Payroll Department has documented procedures through detailed internal memoranda, and the Accounts Payable Department has a one-page outline for payable procedures.

RECOMMENDATION

Recommendation 10-5:

Document procedures and develop an administrative procedures manual.

The Finance and Accounting Department should develop a detailed accounting procedures manual that describes, in detail, process steps for each critical accounting function. Examples of functional procedures that should be described in the accounting procedures manual include transaction postings, month-end closings, preparation for cash disbursement (accounts payable), and payroll processing. Exhibit 10-10 outlines some of the key components.

Once a comprehensive procedures manual has been prepared, it is equally important to ensure that this manual is maintained and updated on a regular basis.

IMPLEMENTATION STRATEGIES AND TIMELINE

1. The Assistant Superintendent for Business and Research should direct the General Director of Finance and Accounting to develop a formal policies and procedures manual. July 1997
2. The General Director of Finance and Accounting should require all section supervisors (Accounts Payable, Payroll, Special Projects, Budget and Cash Management, Accounts Control, General Accounting, Food Services Accounting, and Special Revenue) to develop procedures manuals for their sections. Summer 1997
3. The General Director of Finance and Accounting should compile a manual containing all district policies as applicable to the budget and finance functions in the district. September 1997
4. The General Director of Finance and Accounting should review all procedures submitted by the various accounting sections and compile a single procedures manual. Spring 1998
5. The Assistant Superintendent for Business and Research should approve the accounting policies and procedures manuals. May 1998
6. The accounting policies and procedures manuals should be distributed to all accounting personnel. July 1998

EXHIBIT 10-10
RECOMMENDED CONTENT OF FINANCIAL PROCEDURES MANUAL

- TABLE OF CONTENTS
 - Budget and Amendment Processing
 - Recording Transactions
 - Cash Receipts
 - Payroll
 - Internal Controls
 - Journal Entries
 - Fixed Assets/Proposal Control
 - Purchasing
 - Grant Accounting
 - Technology
- INTRODUCTION
 - Purpose - Authority - Organization
 - Revisions - Policy - Definition
- TRANSACTIONS
 - Receipt and Disbursement Journal
 - General Ledger
 - Accounts Payable, Accounts Receivable
 - Bank Reconciliation
 - Other
 - Forms
- CASH RECEIPTS/REVENUE
 - Where is Cash Collected/Received
 - Types/Sources
 - Daily Deposits/Documentation
 - Controls
 - Posting/Reconciliation
 - Forms
- EXPENDITURES/CASH DISBURSEMENTS
 - Who and Where
 - Purchasing Requirements
 - Controls
 - Quality Discounts/Timing of Payments
 - Forms
- PAYROLL
 - Creating a Payroll
 - Processing/Time /Paydays/Holidays
 - Deduction Processing/Requirements
 - Controls/Forms
- TRAVEL/PETTY CASH
 - Reimbursement Guidelines
 - Documentation Requirements/Forms
 - Reporting/Advances
 - Petty Cash Authorization
 - How to Establish Petty Cash
- OTHER
 - Internal Controls
 - * Collections, Disbursements, Assets (investments/fixe)
 - Fixed Assets
 - * Control/Policy/Procedures/Form
 - * Inventory
 - * Tagging/Requirements
 - Purchasing
 - * Levels Bidding, Types of Purchase Orders/Form
 - Grant Stewardship
 - * Profiles/Compliance/Forms
 - Budget
 - * Process, Calendar, Amendments, Levels of Control, Forms
 - Student Activity Fund

Source: Created by MGT of America, 1997.

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| 7. The General Director of Finance and Accounting should conduct training or cross-training for department personnel regarding the approved policy and procedures manual. | August 1998 |
| 8. The Assistant Superintendent for Business and Research should direct the General Director of Finance and Accounting to review and update the policies and procedures manual on a regular basis. | Ongoing |

FISCAL IMPACT

This recommendation can be implemented with existing resources.

FINDING

The Accounts Payable Department logs and tracks both invoice numbers and payment document numbers. Both tracking numbers are manually logged on a tracking sheet in addition to being entered into the payment system. Periodically, the manual log sheet is sent to the Word Processing Department to be prepared in report format. This manually produced report is then used as an accounts payable aging report.

RECOMMENDATION

Recommendation 10-6:

Track necessary payment information through the automated payment system.

The payment system should be modified to automatically assign a tracking number for each payment document in addition to providing reports that capture vital information such as aging schedules. The current accounts payable system is not able to capture invoice numbers with more than five digits. However, planned modifications to the system will allow for entry of invoice numbers of up to 16 digits.

IMPLEMENTATION STRATEGIES AND TIMELINE

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| 1. The Accounts Payable Supervisor should meet with the payable clerks to discuss desired system information. | July 1997 |
| 2. The Accounts Payable Supervisor should coordinate with the technology specialist (as described in Recommendation 10-29), to determine the management information needed. Information should include aging schedules, performance data such as volume of items processed (in total and per Accounts Payable clerk), as well as type of item processed (purchase order transactions versus non-purchase order transactions). | July 1997 |
| 3. The Accounts Payable Supervisor and the technology specialist should meet with the MIS Department to determine | August 1997 |

implementation procedures and timelines for the requested modifications.

4. The Accounts Payable Supervisor should conduct necessary training based on system modifications made. November 1997

FISCAL IMPACT

Implementation of this recommendation will result in an estimated time savings of approximately five hours per Accounts Payable clerk per week. This estimate is calculated by taking the number of payment requests processed by the department in 1995-96 (278,000 requests) multiplied by an estimated one minute to log each document.

FINDING

Before mailing disbursements, the Accounts Payable Department performs an audit of 100 percent of all documents. The audit checklist includes a comparison of payee name to vendor name listed on the invoices, comparison of the check amount to the invoices amount(s), and verification that all authorizing paperwork is included with the payment documents.

Prior to mailing accounts payable checks, an Accounts Payable clerk detaches all remittance advices from all invoices and includes them in the payment envelope.

RECOMMENDATION

Recommendation 10-7:

Eliminate the step to include remittance advices with payment.

All payment information (invoice numbers, invoice amounts, and invoice dates) is included on the check stub and is sufficient information to communicate proper payment information to the payee.

IMPLEMENTATION STRATEGIES AND TIMELINE

1. The Accounts Payable Supervisor should direct the accounting clerks to refrain from attaching remittance advice slips to payment documents. July 1997
2. The Accounts Payable Supervisor should direct the mail clerk to eliminate the step of including remittance advices in payment envelopes. July 1997

FISCAL IMPACT

Implementation of this recommendation will result in a time savings of approximately ten hours per week. This estimate was made by taking the number of checks issued by the Accounts Payable Department in 1995-96 (80,000 checks) and multiplying this

volume by an estimated time to include the remittance slips with each check. The estimate for this step was 30 seconds per transaction.

FINDING

Vendors and other payees, claiming to have lost a check or never to have received a check, are required to appear in person and sign an affidavit before a replacement check can be issued. This procedure is performed in the Accounts Control Department where the affidavit is also notarized.

This procedure is cumbersome and inconvenient for the payee and results in lost time on the job.

RECOMMENDATION

Recommendation 10-8:

Eliminate the requirement for a signed affidavit for issuance of accounts payable replacement checks.

This is a time consuming and unnecessary step in the check re-issuance process, delaying the processing time for Accounts Payable staff, in addition to increasing the amount of time that vendors must wait for a replacement check.

The Accounts Payable Department should request that the Accounts Control Department verify with the bank that the check has not cleared the district's account, ensure that the Budget Department has issued a stop-payment order to the bank, and then re-issue the check.

Should the payee claim that a check has been stolen, however, the affidavit process will then be necessary.

IMPLEMENTATION STRATEGIES AND TIMELINE

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| 1. The General Director of Finance and Accounting should direct the Accounts Payable, Accounts Control, and the Budget and Cash Management Supervisors of the change in procedures for re-issuing lost checks. | July 1997 |
| 2. Each Supervisor should inform their sections of the revised procedures for re-issuing lost checks. | July 1997 |

FISCAL IMPACT

This recommendation can be implemented with existing resources. There will be no additional costs for stop-payment orders as these are included in the fees negotiated by the district for banking services.

FINDING

Limited performance data in the Accounts Payable Department are tracked on a sporadic basis. The information that are tracked are not used to assess employee performance. Currently, performance data that are tracked include the total number of documents processed by the department and the total dollar value of documents processed by the department.

RECOMMENDATION

Recommendation 10-9:

Track performance measures such as number and dollar amount of invoices processed.

Performance data such as volume (both on an individual basis and an overall department basis), error rates, payment turn-around time and, purchase order versus non-purchase order transactions, are useful for a variety of reasons, including:

- tracking and monitoring individual employee performance;
- determining and tracking trends throughout the year;
- anticipating periods when staffing levels may need to be either increased or decreased;
- monitoring trends at school sites or in departments to identify potential training needs; and
- budgeting for periods of employee overtime.

This information should be used to monitor employee performance and to track work flow trends of the department.

IMPLEMENTATION STRATEGIES AND TIMELINE

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| 1. The Accounts Payable Supervisor and the technology specialist (as described in Recommendation 10-29 below) should develop a list of necessary management information. | August 1997 |
| 2. The Accounts Payable Supervisor and the technology specialist should meet with the MIS Department to develop strategies and timelines for making the requested modifications. | September 1997 |

FISCAL IMPACT

This recommendation can be implemented with existing resources.

FINDING

On-line data are not available to Accounts Payable clerks. The Accounts Payable Department receives frequent calls from vendors and district employees requesting payment or encumbrance information. Research must be performed by viewing reports on microfiche or by looking through hard copy files.

In addition, encumbered balances are not available to Accounts Payable clerks through the automated payment system. In other words, when a partial payment is made against an encumbrance, the clerk is required to manually calculate the remaining encumbrance amount and then write the amount on the payment document. Not only does this step cause delays in the processing of accounts payable documents, but it has the potential to lead to calculation errors by the Accounts Payable clerks.

RECOMMENDATION

Recommendation 10-10:

Modify the automated payment system to allow for on-line research capabilities and to display encumbered balances remaining on the payable system data entry screen.

Modifications to the payment system should allow the Accounts Payable clerks to process documents and to respond to payment inquiries in a more timely fashion.

IMPLEMENTATION STRATEGIES AND TIMELINE

1. The Accounts Payable Supervisor, with the technology specialist (as described in Recommendation 10-29), should meet with the MIS Department to discuss possible options for modifying the payment system to allow for on-line research capabilities and for automatic calculation and display of remaining encumbrance balances. August 1997
2. The Accounts Payable Supervisor, the technology specialist, and representatives from the MIS Department should develop a timeline for the system modifications. September 1997
3. The Accounts Payable Supervisor should conduct training for Accounts Payable clerks on new research procedures. January 1998

FISCAL IMPACT

This recommendation can be implemented with existing resources.

FINDING

The Accounts Payable Section has 19 accounts payable clerks who processed approximately 278,000 payment requests for 1995-96. The Accounts Payable Department uses many manual processes in its day-to-day functions. Some of these manual processes have already been discussed.

RECOMMENDATION

Recommendation 10-11:

Eliminate three clerks positions from the Accounts Payable Department.

With increased efficiencies in operating processes, the Accounts Payable Department could eliminate three permanent positions. In addition to efficiencies mentioned in this chapter, the use of credit cards for non-purchase order payments, as recommended in Chapter 12, will further enhance the Accounts Payable Department's ability to eliminate three permanent positions.

IMPLEMENTATION STRATEGIES AND TIMELINE

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| 1. The General Director of Finance and Accounting should develop strategies and timelines for reducing the number of Accounts Payable staff. | September 1997 |
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FISCAL IMPACT

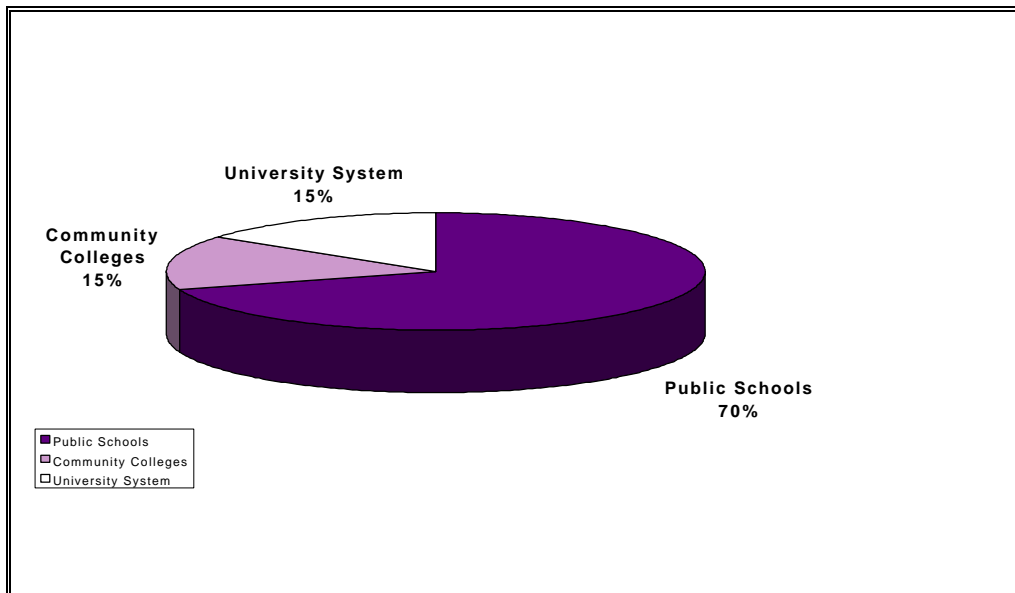
The implementation of improved technology enhancements and streamlined processes will allow for one position to be eliminated in 1998-99 and two additional positions in 1999-2000 at a savings per clerk of \$32,800 with benefits.

Recommendation	1997-98	1998-99	1999-00	2000-01	2001-02
Eliminate Three Accounts Payable Clerks	---	\$32,800	\$98,400	\$98,400	\$98,400

FINDING

The Special Project Department is responsible for a quarterly report detailing how funds from the lottery are spent. The information provided in this report, shown in Exhibits 10-11 and 10-12, is available to the public.

**EXHIBIT 10-11
USE OF STATE LOTTERY FUNDS**



Source: Hillsborough County School District, February 1997.

**EXHIBIT 10-12
DISCRETIONARY LOTTERY FUND EXPENDITURES
FOR THE QUARTER ENDING 9/30/96**

ITEM	EXPENDITURE
Student Development Services	\$2,721,858
Primary Education Program (PREP)	886,186
Compensatory Education Program	316,495
School Improvement Program (Accountability)	118,158
Transportation Program	2,953,954
Total	\$6,996,651

Source: Hillsborough County School District, Special Project Section, February 1997.

The distribution of actual lottery dollars as well as the amount and use of local lottery revenue are important data to share with the public. The use of lottery funds has been a constantly discussed issue with the public, and school districts do not always do a good job communicating how lottery dollars are received and utilized.

COMMENDATION

The district is commended for providing lottery accountability information to the public.

FINDING

The special projects accountant monitors the controlled disbursement accounts used to fund health, life, and workers' compensation insurance claims. Responsibilities include transferring funds into and out of the account, posting expenditures to the general ledger, as well as reconciliation of the account.

In addition, the two accounting clerks in the General Accounting Section reconcile internal general ledger accounts. Often, when an entry is necessary to correct or adjust an account, the General Accounting staff prepare the journal entry forms.

RECOMMENDATION

Recommendation 10-12:

Separate the journal entry function from the reconciliation function for the controlled disbursement accounts and for the internal general ledger accounts.

Proper internal controls require that, when possible, the following functions should be performed by different individuals:

- record-keeping
- custody
- reconciliation

Proper internal controls also require that any individual responsible for making internal entries, disbursing, or depositing funds to an account not be responsible for reconciling that same account. In addition, a person responsible for the reconciliation of an account should not be allowed to make adjustments to that account.

IMPLEMENTATION STRATEGIES AND TIMELINE

1. The General Director of Finance and Accounting should review all reconciliation functions in the department and determine the positions having the dual responsibility for making entries to accounts in addition to reconciling the accounts. July 1997
2. The General Director of Finance and Accounting should reassign the reconciliation functions, as necessary, to ensure an adequate separation of duties in the department. Summer 1997

FISCAL IMPACT

This recommendation can be implemented with existing resources.

FINDING

The General Director of Finance and Accounting coordinates an annual training session for administrative support personnel located at the school sites. Employees are trained on various functions such as monitoring their budgets, processing and preparing payroll transactions, and processing personnel transactions. The employees are brought back to work one day early in order to attend the training sessions.

COMMENDATION

The Finance Department is commended for its effective training program.

FINDING

The district offers a FICA replacement plan whereby employees not eligible to participate in the regular retirement plan (primarily substitute teachers and temporary employees) can contribute to a separate plan in lieu of making FICA contributions. Under this plan, the district is not required to pay the employer's share of the FICA contribution. The employee, however, must still make the required federal Medicare contribution.

COMMENDATION

The district is commended for providing a valuable benefit for employees not regularly included in participation of the state's retirement plan while at the same time saving the district money.

FINDING

The Payroll Department has implemented, on a pilot basis, an automated payroll system. Currently, 20 schools are operating under the automated system, with all schools and departments scheduled to convert to the automated system by 1998. Under the new system, paper leave forms will still be sent to the Payroll Department to be manually entered into the system. Even with full implementation of the automated payroll system, the department anticipates that the leave reports will continue to be filled out and entered manually.

RECOMMENDATION

Recommendation 10-13:

Eliminate paper leave forms.

The district is required by the state to ensure that all employees sign for leave taken. However, this requirement can be fulfilled by providing a computer-generated report of leave taken and having employees sign this report on a monthly basis.

IMPLEMENTATION STRATEGIES AND TIMELINE

1. The Payroll Supervisor, along with the Technology Specialist (refer to Recommendation 10-29) should meet with the MIS Department to develop a monthly report capturing all employee leave taken. July 1997

2. The Payroll Supervisor should develop procedures and timelines for employees to report leave taken. August 1997

3. The General Director of Finance and Accounting should review and approve the new procedures. September 1997

4. The Payroll Supervisor should distribute and communicate the new reporting procedures to all employees. October 1997

FISCAL IMPACT

The implementation of this recommendation will result in an estimated time savings of approximately 90 hours per week.

FINDING

When an employee's paycheck is not issued or is issued for an incorrect amount, the Payroll Department generates a manual check so the employee will not have to wait until the next payday to get paid properly. A manual check can be issued within the same day.

The method used to process manual payroll checks in the district is a labor-intensive process involving six people and requires keying of information multiple times. For example, a worksheet calculating deductions and gross pay is prepared using a Microsoft Excel spreadsheet. After this calculation sheet has been approved, another clerk, using the information generated in the Excel spreadsheet, enters the payment information into another Excel spreadsheet to generate a manual paycheck.

RECOMMENDATION

Recommendation 10-14:

Streamline the manual check process and use the local area network (LAN) to avoid keying information multiple times.

Not only is the current procedure time consuming and inefficient, but keying data multiple times can lead to data entry errors that require even more time to identify and correct. By allowing one person to generate the entire transaction, and by using the LAN for file sharing, the Payroll Department can streamline the manual check issuance process.

IMPLEMENTATION STRATEGIES AND TIMELINE

1. The Payroll Supervisor should amend the procedure for issuing hand drawn checks to involve three people. July 1997
2. The Supervisor of Payroll should combine the Excel schedules used to calculate net pay and to produce the check to avoid duplicate data entry. July 1997
3. The Supervisor of Payroll should advise Payroll staff of the new procedures and make reassignments. August 1997

FISCAL IMPACT

The implementation of this recommendation should result in time savings of approximately five hours per week.

FINDING

Automated paychecks are issued every other week to pay employees. Occasionally, an employee will be underpaid or will not receive a paycheck. This can occur for a variety of reasons:

- the employee time card was not turned in on time;
- the employee time card was not processed in a timely manner; or
- a personnel transaction form was not turned in or processed in a timely manner.

In these situations, the Payroll Department will issue a manual paycheck so that the employee who was underpaid will not have to wait until the next payday to receive a check.

There is no definitive procedure in the district on circumstances in which the Payroll Department will or will not issue a manual payroll check. The decision is made by the Payroll Department Supervisor on a case-by-case basis.

RECOMMENDATION

Recommendation 10-15:

Develop and implement a procedure or guideline on issuing manual payroll checks.

At a minimum, the department or school site initiating the request should be required to document the reason that a regular paycheck was not issued properly. This requirement will shift some accountability to the individual responsible for submitting timely and accurate payroll information. In addition, this method will provide the Payroll

Department with useful management information regarding which departments or school sites may need additional training.

IMPLEMENTATION STRATEGIES AND TIMELINE

1. The Payroll Supervisor and the General Director of Finance and Accounting should develop guidelines for circumstances under which manual paychecks will be issued. July 1997

2. The Payroll Supervisor and the General Director of Finance and Accounting should develop an information sheet listing all information needed in order to issue a manual paycheck. This information should require an explanation of why a manual check is necessary and the person responsible for the regular check not getting issued. In addition, the principal or department administrator should be required to sign off on any requests for manual checks. August 1997

3. The Payroll Supervisor and the General Director of Finance and Accounting should communicate the new procedures to all employees. September 1997

4. The Payroll Supervisor should regularly track this information to determine trends and determine whether additional training for district timekeepers is needed. Ongoing

FISCAL IMPACT

This recommendation can be implemented with existing resources.

FINDING

The W-2 process, and the means by which the district tracks and reports wage and salary information to both employees and to the Internal Revenue Service for income tax purposes, are annual activities. Nonetheless, the Payroll Department prepares a W-2 reconciliation on a weekly basis. Any discrepancies are researched and corrected on a timely basis.

COMMENDATION

The Payroll Department is commended for taking a proactive approach in identifying potential irregularities in the preparation and issuance of annual W-2 forms.

FINDING

Payroll checks, and the check stub showing itemized deductions, are printed on 8.5 x 11 inch sheets of paper. Each check is manually folded three ways but not inserted in

an envelope before distributing to school sites. Instead, batches of paychecks, based on employee location, are inserted into single large envelopes. A designated individual, usually the timekeeper (person responsible for maintaining employee work hours and leave records) is responsible for distributing and safeguarding employee paychecks. The reason given for folding the paychecks is to ensure confidentiality of payment information.

RECOMMENDATION

Recommendation 10-16:

Eliminate the folding of payroll checks before distribution.

The current process of folding paychecks does not ensure confidentiality of employee deduction information. Instead, all paychecks should be inserted in batches into large envelopes and then distributed to each department or school site. Individuals at each department or school site with the responsibility of distributing paychecks should be held accountable for securing and protecting paychecks prior to distribution.

IMPLEMENTATION STRATEGIES AND TIMELINE

1. The Payroll Supervisor should instruct staff to eliminate folding paychecks. July 1997
2. The Payroll Supervisor should issue periodic reminders to district timekeepers of their fiduciary responsibility to keep employee deduction information confidential. July 1997

FISCAL IMPACT

The implementation of this recommendation should result in a time savings of approximately four hours on a bi-weekly basis.

FINDING

Most school district paychecks are delivered to work sites where employees pick them up in person. However, a significant number of checks are mailed to employees. Mailed paychecks are inserted into envelopes and processed through a postage machine by Payroll Department employees.

RECOMMENDATION

Recommendation 10-17:

Transfer the processing of all mailed paychecks to the mailroom.

Relocating the mail processing of employee paychecks to the mailroom is more appropriate for this function. The district should match the skill level required to the pay level of the employee performing the task. Currently, Payroll Department employees

processing mailed paychecks earn an average of \$18.00 per hour, whereas mail room employees earn between \$8.00 to \$10.00 per hour.

IMPLEMENTATION STRATEGIES AND TIMELINE

1. The General Director of Finance and Accounting and the Payroll Supervisor should meet with representatives of the mailroom and develop a strategy for processing all mailed paychecks through the mailroom. August 1997
2. The Payroll Supervisor should communicate the new procedure to all staff. August 1997
3. The Payroll Supervisor should instruct appropriate Payroll employees in how to handle the new procedures. September 1997

FISCAL IMPACT

The implementation of this recommendation should result in time savings of approximately four hours on a bi-weekly basis.

FINDING

All pay checks are printed with a location code which defines the location of the person receiving the check. For check distribution, however, all checks must be sorted by a route code which enables the delivery courier to know where to deliver the checks, yet the route code is not printed on the check. Payroll clerks must refer to a cross-reference chart that instructs them on which location codes belong to which route numbers. Currently, checks are printed in location code order only and must be manually re-sorted into route order.

RECOMMENDATION

Recommendation 10-18:

Include the route number on all payroll checks, and perform automatic dual sort for both location and route numbers.

By modifying the check printing program, all paychecks can be sorted in location order in addition to being sorted by route number. This programming modification will eliminate the need for manual sorting.

IMPLEMENTATION STRATEGIES AND TIMELINE

1. The Payroll Supervisor and the technology specialist (as discussed in Recommendation 10-29) should meet with the MIS Department to develop a strategy for modifying the check printing program to print checks in route number order and for the inclusion of a secondary August 1997

sorting feature based on route numbers for paychecks.

2. The Payroll Supervisor, the technology specialist, and the MIS Department should develop timelines for completion of these program modifications. August 1997
3. The Payroll Supervisor should communicate all changes in processing procedures to the payroll clerks. October 1997

FISCAL IMPACT

The implementation of this recommendation will result in a time savings of approximately four to six hours on a bi-weekly basis.

FINDING

The district has a large amount of payroll overpayments that are due to errors made at the school level due to delays in the processing of personnel transactions or due to incorrect personnel transaction forms.

Overpayments to school personnel occur for two main reasons. Typically, the most common reason is that the school submits incorrect time sheet information (e.g. reporting time worked for a teacher on leave with no accrued leave time available). The second reason for overpayments is due to incorrect classification on a personnel transaction when an employee begins work. An example of this type of error is a new teacher who is in the process of earning a specialized certification but has not fully completed the certification process. If the new teacher's personnel transaction form mistakenly includes the unearned certification, the teacher will be overpaid.

In the Hillsborough County School District, the principal at each school is required to verify correctness of employee attendance for every pay period before time sheets are submitted to the Payroll Department. The Human Resources Department is responsible for the correct classification of personnel.

RECOMMENDATION

Recommendation 10-19:

Review causes and develop procedures to prevent overpayments.

By performing an analysis of overpayments, the district will be able to identify trends and common causes of overpayments. The analysis may indicate that additional training is necessary for school timekeepers. In addition, the district should hold all principals accountable for the proper payment of their employees.

IMPLEMENTATION STRATEGIES AND TIMELINE

1. The Payroll Supervisor should review documentation related to the overpayment of employees in the district. August 1997

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| 2. Based on the major reasons determined for the overpayment of district employees, the Payroll Supervisor should develop procedures and training for district employees. | October 1997 |
| 3. The Payroll Supervisor should continuously monitor the causes for payroll overpayments. | Ongoing |
| 4. The Payroll Supervisor should periodically report to the General Director of Finance and Accounting the main causes for payroll overpayments. | Ongoing |

FISCAL IMPACT

This recommendation can be implemented with existing resources.

FINDING

Upon discovering an occurrence of an employee overpayment, the employee who has incurred an overpayment is placed on a repayment plan. The Human Resources Department consults with the employee, and based on the total amount of overpayment and the employee's personal financial situation, a repayment plan is developed. Employees may repay the money in a lump sum, but more frequently, they are provided a monthly repayment plan. In many cases, monthly repayment amounts can be as small as five dollars.

The Payroll Department does not set up the monthly repayment amount as an automatic deduction. Instead, all payroll adjustments for overpayment reimbursement must be manually keyed to the payroll system each appropriate pay period.

RECOMMENDATION

Recommendation 10-20:

Assess current policies regarding employee overpayment reimbursement and implement procedures to more efficiently manage the payroll deduction process.

To more efficiently process employee overpayments that occur, the district should review repayment procedures and the processes used in the Payroll Department to manage repayment plans. By increasing the minimum repayment amount, the repayment time period will be decreased.

In addition, by setting up automatic deductions for repayment amounts, the amount of time spent by payroll clerks on re-entering the deductions each pay period will be decreased.

IMPLEMENTATION STRATEGIES AND TIMELINE

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| 1. The General Director of Finance and Accounting and the Payroll Supervisor should meet with the Human | August 1997 |
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Resources Department to discuss the payroll overpayment installment plan.

2. The General Director of Finance and Accounting and the Payroll Supervisor should discuss the need to avoid negligible repayment amounts and a reasonable minimum repayment amount. August 1997
3. The Payroll Supervisor should summarize the results of these meetings to formulate new overpayment procedures. September 1997
4. The Payroll Supervisor should communicate the new procedures to all employees in the district. October 1997
5. The Payroll Supervisor and the technology specialist (as discussed in Recommendation 10-29) should meet with the MIS Department to develop procedures for treating payroll overpayment deductions similar to regular deductions. October 1997
6. The Payroll Supervisor should develop procedures to require that all installment payments for the repayment of payroll overpayments be keyed only one time. October 1997
7. The Payroll Supervisor should communicate the new procedures to all payroll staff. October 1997

FISCAL IMPACT

The implementation of this recommendation should result in a time savings of approximately four hours on a bi-weekly basis.

FINDING

The Payroll Department relies heavily on printed payroll reports that are voluminous and require the use of large amounts of paper. Currently, the only information available on-line to payroll clerks is permanent employee information. Consequently, when payroll history research is required (e.g., when an employee has a question regarding his or her paycheck), the payroll clerks must refer to paper reports and hard copy files. Relying on printed hard copies for research creates excessive time delays for the Payroll Department.

RECOMMENDATION

Recommendation 10-21:

Allow for on-line research capabilities for employees in the Payroll Department.

Modifications to the payroll system allowing clerks to research payroll histories on-line will result in significant time savings for payroll clerks. When employees make inquiries regarding their pay, on-line research capabilities should allow the payroll clerks to answer questions almost immediately. Current procedures require the payroll clerk to make note of the employee question or issue, take the employee's name and telephone number, refer to hard copy reports to research the issue, and then call the employees back once the issue has been resolved.

In addition, on-line research capabilities would eliminate the need for printing large, voluminous paper reports.

IMPLEMENTATION STRATEGIES AND TIMELINE

1. The Payroll Supervisor and the Technology Specialist (as discussed in Recommendation 10-29) should develop a request list for on-line research capabilities. October 1997
2. The Payroll Supervisor and the Technology Specialist should meet with the MIS Department to discuss the system modifications necessary to allow for on-line research. October 1997
3. The Payroll Supervisor, the technology specialist, and the MIS Department should discuss the timeline necessary to make system modifications. November 1997
4. The Payroll Supervisor should communicate to the Payroll staff the procedures for on-line research. April 1998
5. The Payroll Supervisor should evaluate the number and types of paper reports being produced and determine which reports can be eliminated or printed on an as-needed basis only. May 1998

FISCAL IMPACT

The implementation of this recommendation should result in a time savings of approximately three hours per payroll clerk on a bi-weekly basis.

FINDING

Information included on employee paycheck stubs does not include a complete detail of the employee's salary. For substitute teachers, this presents a problem because they are unable to determine the accuracy of their paycheck. For instance, a substitute teacher may work at four different schools within a single pay period. If one school failed to properly report the substitute's time, the teacher has no way to determine which school to contact to inquire about his or her paycheck. In instances where a substitute teacher feels they have not been paid for all hours worked, they must call the Payroll Department to get the detail of their paychecks before calling the school

responsible for reporting hours worked. This results in excessive calls to the Payroll Department every payday.

RECOMMENDATION

Recommendation 10-22^{*} :

Modify the payroll program to print detailed payment information on the check stub.

By providing detailed payment information on the paychecks, employees will be able to verify the hours, dates, and locations for which they are being paid. Should the employee find a discrepancy in the amount, the employee will then be able to contact the appropriate school timekeeper directly to discuss the issue. There will no longer be a need to call the Payroll Department first in order to determine the detail of what the employee is being paid.

All employee paycheck stubs should include, at a minimum, the following:

- school site or department
- dates worked
- hours worked
- hourly pay rate
- gross pay for the current pay period
- net pay for the current period
- current deduction detail
- year-to-date gross pay
- year-to-date net pay
- year-to-date deduction detail

IMPLEMENTATION STRATEGIES AND TIMELINE

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| 1. The Payroll Supervisor and the Technology Specialist should meet with the MIS Department to discuss including payroll information such as location and hours worked on employee paychecks. | October 1997 |
| 2. The Payroll Supervisor and the MIS Department should develop timelines for making system modifications to include detailed payroll data on paychecks. | November 1997 |
| 3. The Payroll Supervisor should communicate this information to all payroll staff and to district employees. | December 1997 |

^{*} Note: Subsequent to the on-site review, in May 1997 the district modified the payroll check stub to include some of the recommended information.

FISCAL IMPACT

The implementation of this recommendation should result in a time savings of approximately 12 hours on a bi-weekly basis.

FINDING

Through personal interviews with payroll staff and through observations of the operations of the Payroll Department during the on-site review, it was noted that the department uses excessive manual processes and underutilizes the technology available to them. Only some of these manual, cumbersome processes have been documented in this chapter. In addition, even though the department is implementing an automated payroll and timekeeping system, many of the processes and procedures supporting the automation are manual.

The Payroll Department currently has a total staff of 13 employees, including the supervisor. Of these 13, ten payroll clerks are responsible for the processing of the bi-weekly payroll. By modifying current processes and re-working or eliminating many of the functions that are performed manually, the department would be able to significantly increase efficiencies.

RECOMMENDATION

Recommendation 10-23:

Eliminate two payroll clerk positions over the next three years.

By streamlining and automating processes that currently are performed manually, the school district could eliminate two full-time accounting clerk positions over the next three years.

The recommendations for streamlining processes noted above are only a beginning. The Payroll Department should conduct a major review of all processes and design procedures that automate or eliminate cumbersome or unnecessary tasks. In addition, as discussed in Section 10.4 of this chapter, training for employees will also help to improve efficiencies in the department.

IMPLEMENTATION STRATEGIES AND TIMELINE

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| 1. The General Director of Finance and Accounting should develop strategies and timelines for reducing the number of payroll staff positions. | September 1997 |
| 2. The General Director of Finance and Accounting should eliminate one payroll staff position. | July 1998 |
| 3. The General Director of Finance and Accounting should eliminate one additional payroll staff position. | July 1999 |

FISCAL IMPACT

Through implementation of streamlining strategies, the department should be able to eliminate one payroll staff position in 1998 and a second position in 1999. The cost savings is based on the average salary for a payroll staff position and 32 percent for benefits.

Recommendation	1997-98	1998-99	1999-00	2000-01	2001-02
Eliminate Two Payroll Clerks	---	\$42,258	\$84,516	\$84,516	\$84,516

FINDING

The Florida Education Finance Program (FEFP) was implemented in 1973 by the Florida Legislature to fund public schools in the State. Section 236.012(1) of the statute states that the intent of the Legislature is:

...to guarantee to each student in the Florida Public Education System the availability of programs and services appropriate to his or her educational needs which are substantially equal to those available to any similar student notwithstanding geographic differences and varying local economic factors.

The basic FEFP formula takes the number of students in each program, multiplied by cost factors to determine weighted FTE, which are then multiplied by a base student allocation and by a district cost differential. Additional factors for declining enrollment, scarcity and other adjustments are then made to determine total FEFP funding.

To provide equalization of educational opportunity, the FEFP formula also recognizes factors such as the varying local property tax base, the varying program cost factors, and differences in per student cost for equivalent educational programs due to student population.

FEFP programs fall under five main categories having approximately 40 programs (currently being considered for consolidation). Examples of FEFP programs include:

- **Basic Programs** - basic curriculum for Kindergarten through third grade, grades four through eight, and grades nine through 12.
- **At-Risk Programs** - dropout prevention and teenage parent programs are examples of this category.
- **Exceptional Student Programs** - a multitude of different programs including those for the mentally, physically, visually, and emotionally handicapped, speech, language, and hearing therapy, specific learning disability, gifted and talented, and hospital and homebound.

- **Vocational-Technical Programs** - programs for agriculture, business and office, public service, home economics, and others.
- **Adult General Education Programs** - adult basic skills, adult secondary education, and adult handicapped.

Exhibit 10-13 illustrates a simple FEFP calculation.

School districts are required to track program information including number of FTEs enrolled in each program, number of hours teachers spend in each program and their respective salaries, and expenditures made under each program for supplies, books and other materials. All these factors are tracked throughout the school year by all school districts, and compiled into an annual program cost report that is filed with the State of Florida each September. The program cost report is the means by which school districts communicate to the state their unique programs and how effective the district was in expending state dollars according to the program expenditure requirements of law. Methods and procedures used at each school to record and track program cost information are, therefore, critical for the accuracy and timely filing of the annual program cost report.

In Hillsborough County, efforts to produce the FTE and program cost reports are organized as depicted in Exhibit 10-14.

Preparing the annual cost report, performed by a systems analyst in the Finance and Accounting Department, is a cumbersome process. Frequently, the process is delayed because of reporting errors that occur at the school level. Some of the more frequent problems include:

- FTE programs included on the program cost report for a school, yet the program does not exist at the school;
- teachers being reported as teaching certain FEFP programs in error (they do not actually teach the program); or
- students reflected in the FTE count in a program, but there are no related expenditures for program costs at the school.

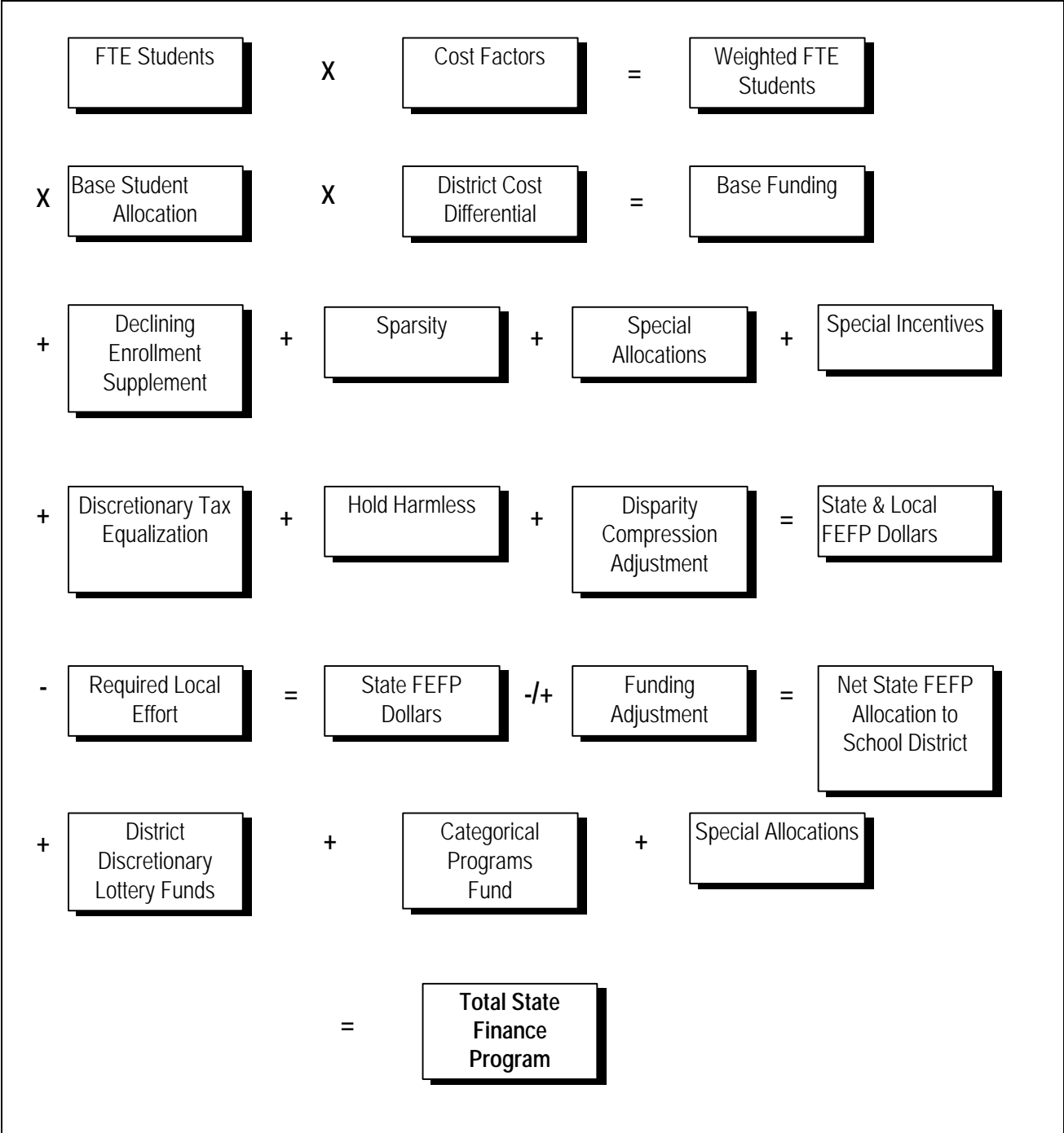
RECOMMENDATION

Recommendation 10-24:

Develop training for all district employees in the schools responsible for reporting FTE attendance and program expenditures to reduce the level of errors.

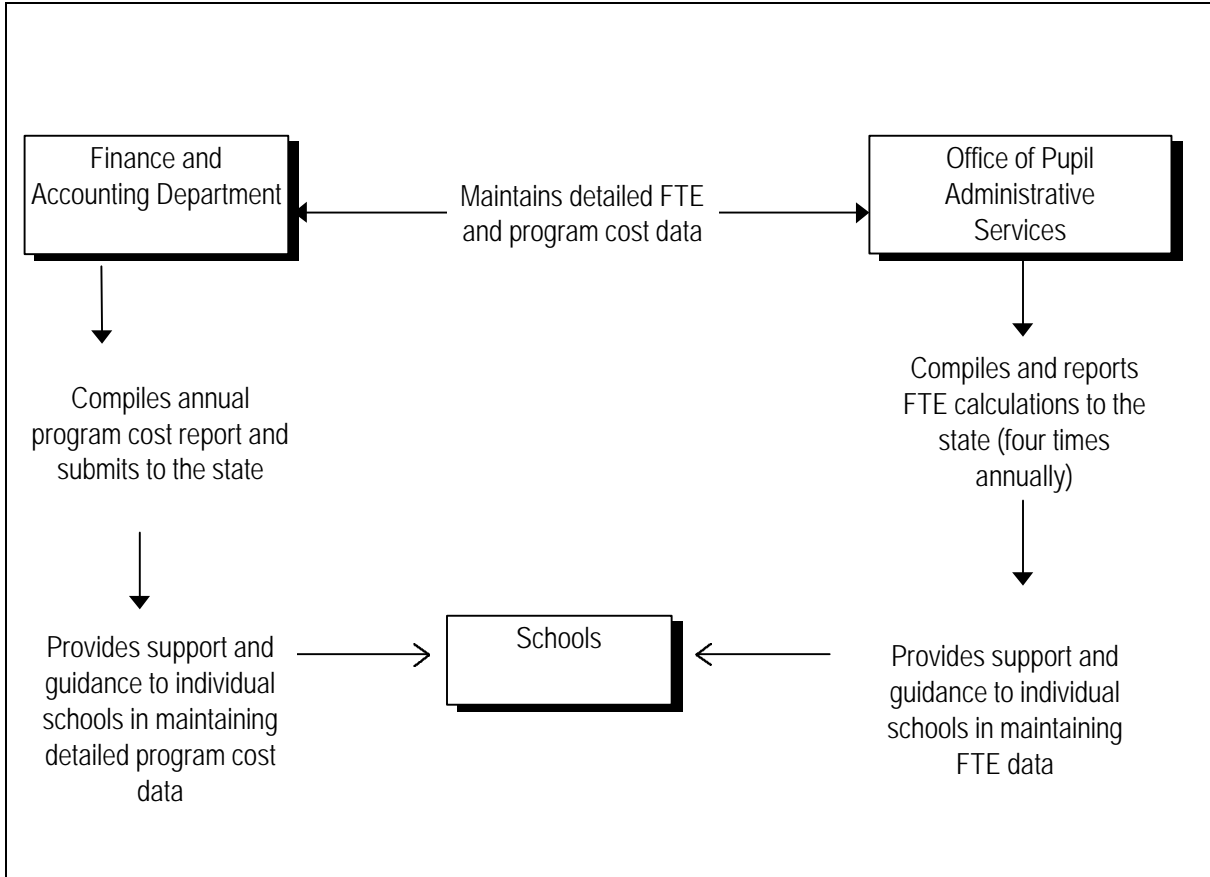
The Finance and Accounting Department and the Office of Pupil Administrative Services should coordinate efforts to develop and implement training programs for all school level personnel responsible for maintaining FTE student accounting information or program cost information.

**EXHIBIT 10-13
FLORIDA EDUCATION FINANCE PROGRAM (FEFP)
SIMPLIFIED**



Source: Florida Department of Education, 1997.

**EXHIBIT 10-14
FTE AND PROGRAM COST REPORTING
IN THE HILLSBOROUGH COUNTY SCHOOL DISTRICT**



Source: Created by MGT of America, Inc. 1997.

In addition, preparing preliminary program cost reports at interim periods throughout the year will help to identify and correct problems in a timely manner. Currently, the report is prepared only at the end of the fiscal year, making error correction time consuming and difficult. As errors are identified, additional training should be conducted for the appropriate school personnel.

IMPLEMENTATION STRATEGIES AND TIMELINE

1. The General Director of Finance and Accounting, and the senior fiscal analyst responsible for preparing the annual cost report for the state, should coordinate with Pupil Services Administration to determine causes of student enrollment accounting errors. July 1997

2. The General Director of Finance and Accounting and Pupil Administrative Services should develop a training program for attendance secretaries at all school sites. August 1997

3. The General Director of Finance and Accounting and Pupil Administrative Services should conduct training for all school personnel responsible for maintaining program cost information or FTE counts each year. August 1997
4. The General Director of Finance and Accounting should direct the fiscal analyst responsible for program cost reporting to prepare interim reports in order to identify potential problems. Ongoing

FISCAL IMPACT

This recommendation can be implemented with existing resources.

FINDING

The State of Florida requires that school districts provide their program cost report information using an approved reporting system. The state provides a free automated on-line program cost reporting system called the Salary Attribution System (SATS).

The mainframe system currently used by the district, however, is not compatible with the state's software and reporting system. As a result, the district has requested and received an exemption from using the state system. The system being used in the district, however, is cumbersome and outdated.

RECOMMENDATION

Recommendation 10-25:

Evaluate options for improving the efficiency of preparing the annual program cost report.

The Finance and Accounting Department should coordinate with the MIS Department to develop a workable solution for the SATS incompatibility problem.

IMPLEMENTATION STRATEGIES AND TIMELINE

1. The Assistant Superintendent for Business and Research should request a meeting between the General Director of Finance and Accounting, the senior fiscal analyst responsible for preparing the annual program cost report, representatives from the MIS Department, and representatives from the State. In addition, district employees who formerly participated in the preparation of the report should be included in this meeting. July 1997
2. The Assistant Superintendent for Business and Research should assign the task of finding a solution to the cost reporting system problems a priority for the July 1997

district.

3. The team should develop strategies and timelines for solving the reporting problems. Fall 1997

FISCAL IMPACT

This recommendation can be implemented with existing resources.

FINDING

The district receives funding for educational programs from various local, state, and federal funding sources. Funding provided through federal programs will amount to \$76,660,107 for the fiscal year ending June 30, 1997. Exhibit 10-15 shows some of the federally-funded programs received by the district.

**EXHIBIT 10-15
FEDERALLY FUNDED PROGRAMS
THROUGH JUNE 30, 1997**

PROGRAM TITLE	AMOUNT OF FUNDING
Title I	\$23,912,337
Subsidized Childcare	15,211,279
Headstart	7,721,572
Pre-Kindergarten Early Intervention	6,934,764
Magnet Schools	4,623,551
Other	18,256,604
Total	\$76,660,107

Source: Hillsborough County School District, 1997.

Many of these federal programs contain stipulations that, if the funds have not been expended by the district in accordance with the program's purpose or if funds are not totally expended by the termination date of the grant, the district is required to relinquish the remaining funds.

The Federal Programs Finance and the Special Revenue Sections of the department work together to closely monitor fund expenditures. On a quarterly basis, the Special Revenue Section produces a report showing funds expended to date, funds remaining, and deadlines. When expenditures have not been made in accordance with pre-determined program budgets, program managers are notified.

As a result of these efforts to monitor the use of funds, the district has forfeited less than one percent of special program funding available to them for the fiscal year ending June 30, 1996.

COMMENDATION

The district is commended for closely monitoring and attempting to maximize the use of special program funds.

10.3 Internal Audit

The internal auditing function is a major element of management and internal control. Recently, internal audits have focused on management and operational reviews that embrace overall management performance and efficiency in addition to financial activities.

The purpose of an Internal Audit Function within a school system is to evaluate the manner in which district organizational units comply with board and administrative policies and procedures, as well as state and federal laws and guidelines. In addition, an internal audit function can provide a district with an effective internal performance and evaluation system.

CURRENT SITUATION

The district has an Internal Audit Department headed by a senior auditor and staffed with nine staff auditors and a support secretary. Currently, the Internal Audit Department functions are primarily to perform regular audits of all school activity funds, the cafeteria operations, and to conduct rotational audits of the student full-time equivalent (FTE) functions at the school level. The department also has the responsibility for ensuring that all computer equipment used to account for school activity funds is functioning properly and that all school bookkeepers are trained in using school activity fund accounting procedures in addition to being trained in how to use the computer equipment. Occasionally, the department will conduct special audits or investigations approved by the Assistant Superintendent for Business and Research. The Internal Audit Department, as shown in Exhibit 10-1, reports directly to the Assistant Superintendent for Business and Research.

FINDING

The Internal Audit Department conducts training for all bookkeepers at the school sites. The department also assists the bookkeepers on an individual basis in order to ensure accurate accounting procedures. Often, requests for individual help by bookkeepers involves computer-related questions and problems in addition to accounting-related issues.

COMMENDATION

The Internal Audit Department is commended for its efforts in training and assisting bookkeepers in order to improve the accounting and control functions at the school sites.

FINDING

The Internal Audit Department closely monitors the school activity funds. Individual school sites account for expenditures and receipts of their school funds and send monthly reports to the Internal Audit Department.

The two software systems used in the schools to account for school activity funds, however, are old DOS-based systems that do not allow for on-line transmission nor do they contain audit interface features. Audit interface functions allow auditors to select statistically valid audit samples automatically.

In addition, many computers used at the schools are old and outdated, and require that the Internal Audit Department retain capabilities at the district office for reading the information generated on the old computers in use at the school sites. For example, there are 60 Apple computers being used at school sites that require the use of floppy diskettes.

The lack of standardized equipment has hindered efforts to upgrade the accounting software used to account for the school activity funds. In addition, bookkeepers transferred between locations need to be retrained on the different computer systems.

RECOMMENDATION

Recommendation 10-26:

Upgrade the equipment and software systems used at each school site to allow for streamlined automated functions.

Upgrading the equipment and software used at the school sites will help to streamline the internal audit function, allowing the auditors to focus on true audit functions rather than spending extraordinary amounts of time maintaining the old accounting systems used in the schools.

The district should consider the implementation of a software system such as the Manatee system. This is an accounting program written specifically for school activity fund accounting. Included in the program are check printing capabilities, purchase order transaction capabilities, and automated audit functions. The automated audit function selects statistically valid audit samples for use by the internal auditors.

The Internal Audit Department in the past has been hindered in efforts to implement software improvements because of the variety of hardware used in the school sites. Hardware standardization, as discussed in more detail in Chapter 11, will help to alleviate this problem for the Internal Audit Department.

Accounting system upgrades should result in time and efficiency savings in several areas:

- decreased amount of time to perform audits;
- less time spent by Audit staff dealing with system problems;

- bookkeeping staff in the schools can transfer schools without additional training; and
- eliminating the need to maintain old systems at the district level in order to read data.

IMPLEMENTATION STRATEGIES AND TIMELINE

- | | |
|---|----------------------|
| <p>1. The Assistant Superintendent for Business and Research should direct the Supervisor of Internal Audit and representatives from the MIS Department to evaluate existing technology used at the school sites and develop an assessment of software needs based on the hardware standards recommended in Chapter 11.</p> | <p>February 1998</p> |
| <p>2. Based on the needs assessment, the Assistant Superintendent of Business and Research should communicate to the individual school sites the need for upgrading the accounting systems used.</p> | <p>March 1998</p> |
| <p>3. The Supervisor of Internal Audit, the Assistant Superintendent for Business and Research, and representatives from the school sites should evaluate the accounting systems available and determine which product would best fit the needs of the Hillsborough County School District.</p> | <p>May 1998</p> |
| <p>4. The Internal Audit Supervisor should coordinate the purchase, implementation, and training necessary for upgrading the school accounting systems.</p> | <p>March 1999</p> |

FISCAL IMPACT

The purchase of the recommended software for the internal audit function is spread over a two-year period. Hardware would be included in the Technology Plan (see Chapter 11).

Recommendation	1997-98	1998-99	1999-00	2000-01	2001-02
Purchase and Install New Accounting System Software	---	(\$35,000)	(\$35,000)	---	---

FINDING

Florida state funding formulas for schools are based on student full-time equivalents (FTEs). As a result, it is critical that procedures used to perform the FTE counts at the

school level be accurate. Faulty FTE count procedures could result in schools not getting their fair share of state funding.

The Internal Audit Department performs rotational audits for each school's student accounting procedures and the accuracy of student enrollment counts. Due to the limited amount of time allowed for these audits, however, each school is audited only once every five years.

RECOMMENDATION

Recommendation 10-27:

Increase the number and frequency for FTE audits at schools.

With the efficiencies realized from upgraded equipment and software used to account for and audit school activity funds, the Internal Audit Department would be able to increase the student accounting audit function.

This audit function will provide useful information to the district in preparing and reporting student enrollment. In addition, such audits provide a mechanism to identify schools needing assistance or additional training for the individuals responsible for tracking student attendance.

IMPLEMENTATION STRATEGIES AND TIMELINE

1. The Assistant Superintendent for Business and Research should direct the Supervisor of Internal Audit to increase the frequency of FTE audits performed each year. March 1998
2. As the school activity fund audits become automated, the Supervisor of Internal Audit should schedule and conduct more frequent FTE audits annually. May 1998

FISCAL IMPACT

This recommendation can be implemented using the time and efficiency savings detailed in Recommendation 10-26.

FINDING

The Internal Audit Department not only performs school activity fund and student enrollment audits, but they conduct approximately three special audits or investigations throughout the year. Special audits or investigations are performed at the discretion of the Assistant Superintendent of Business and Research.

Special audits or investigations very often are performed at the district level in addition to being performed at the school level. This situation could result in the potential of the Internal Audit Department not serving in an independent capacity, because the department reports to the Assistant Superintendent of Business and Research. It is

likely that the department could be required to audit a district activity also falling under the responsibility of the Assistant Superintendent. In addition, because the Assistant Superintendent now approves any special audits, the appearance of independence is also breached.

RECOMMENDATION

Recommendation 10-28:

Relocate the Internal Audit function to report to the Superintendent (or School Board) to ensure independence in the special audit function.

Although the State performs regular annual audits of the district, the scope of an internal audit allows for a more detailed review of district activity. In addition, the Internal Audit Department receives several requests from individuals within the district voicing concern over the operations of the district.

Currently, any special audit requests are approved by the Assistant Superintendent for Business and Research. This structure does not allow for the independence of the audit function. To be truly independent, in both fact and in appearance, the audit function should be moved under the responsibility of the Superintendent (or the School Board and administratively housed with the Superintendent).

IMPLEMENTATION STRATEGIES AND TIMELINE

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|--|----------------------------|
| 1. As the internal audit and FTE audit functions become automated and more efficient, the Supervisor of Internal Audit should plan and schedule more district-level audits on an annual basis. | 1998-99
school year |
| 2. The Superintendent or designee should modify the current reporting structure to facilitate an Internal Audit function to reflect independence. | July 1997 |
| 3. The Superintendent or designee should develop reporting guidelines and establish standards for determining what special audits and investigations will be performed. | Annually |
| 4. The Superintendent should approve all special audits in the district. | Commencing in
July 1997 |

FISCAL IMPACT

This recommendation can be implemented using existing resources.

10.4 Financial System Automation

This section of the report reviews the use of technology for the financial management function of Hillsborough County School District. While Chapter 11 provides an in-depth review of administrative technology, this section of the report focuses on technology issues specifically identified in the financial management review of the district.

CURRENT SITUATION

The financial management system used by the district is an old batch mainframe system. Several attempts have been made in recent years to upgrade the system, but the district has chosen instead to keep the old system, modifying it where possible to meet changing needs.

In addition to the mainframe system, the Finance and Accounting Department has approximately 90 workstations set up on a local area network (LAN). Not every employee in the area has access to a personal computer and the LAN. Employees having a personal computer also have access to the main frame through a network link. However, most employees also maintain dumb terminals in addition to their personal computer. Most employees having personal computers prefer accessing the main frame through these dumb terminals.

A program called Easytrieve is used by the department to setup and run ad hoc reports from the mainframe system.

The Finance and Accounting Department has a full-time position responsible for providing personal computer support and the maintenance of local area networks for the finance and purchasing areas, the Transportation Department, Property Records, and the Superintendent's Office.

FINDING

There is no single individual who has the explicit role of ensuring that the Accounting and Finance Department's needs are effectively communicated to the Management Information Services Department (MIS) and knows how to effectively use the resources it does receive. During the on-site review, the MGT team observed manual and labor-intensive processing of paperwork. Seemingly minor automated changes would reduce the amount of time required to complete many of these tasks. Examples of manual, cumbersome processes include:

- bank reconciliation's performed by the Accounts Control Section are not automated - staff are required to manually compare general ledger reports to a bank statement;
- paychecks do not include route information nor are they sorted in route order - payroll staff must manually sort paychecks every payday;
- on-line financial history is not available - staff are required to rely on microfiche reports or research hard copies of reports;

- no download capabilities are used - although the current system does not allow employees to download information for analysis using spreadsheet applications, mainframe access through personal computers would allow employees limited “cut and paste” capabilities; however, few employees actually use this method.

RECOMMENDATION

Recommendation 10-29:

Create a function of Technology Specialist for the Finance and Accounting Department.

The current LAN administrator should be assigned the function of technology specialist for the department. This function should include assisting staff with technology or automation needs. Once this is determined, the technology specialist should serve as liaison to communicate and coordinate with the Management Information Services Department (MIS). The department technology specialist should be a person with a clear understanding of the importance of technology in streamlining processes, making information more accessible and accurate, and best practices and benchmarks to improve organizational efficiency. The technology specialist should be a person who could function as a liaison with the MIS Department and representing the Finance and Accounting Department’s interest on districtwide matters associated with technology use.

IMPLEMENTATION STRATEGIES AND TIMELINE

1. The Assistant Superintendent for Business and Research should appoint the systems analyst as Technology Specialist for the Finance and Accounting Department. July 1997
2. The General Director of Finance and Accounting should modify the job description for the Technology Specialist to include coordinating all training for the department, coordinating and prioritizing all technology needs for the department, and serving as liaison between the department and the MIS Department. July 1997
3. The Assistant Superintendent for Business and Research should inform the MIS Department of the new designation and function of the technology specialist. July 1997
4. The technology specialist should schedule a meeting with all managers and supervisors in the department to provide an overview of the new functions. August 1997

FISCAL IMPACT

This recommendation can be implemented using existing resources.

FINDING

Many employees are lacking basic computer skills and are not taking full advantage of technological capabilities available to them through current software applications. During personal interviews with staff, many employees claimed that they and their co-workers have not been adequately trained to use technology. In addition, many manual functions are being performed, when adequate technology does exist. Examples include employees performing reconciliations on manual ledgers, general ledger activity being manually hand copied onto ledger sheets, and data that are keyed multiple times. In addition, many employees having access to the mainframe computer system, through links in their personal computers, insist on maintaining mainframe access through dumb terminals.

In addition, the Finance and Accounting Department does not budget for training. The 1996-97 budget shows that the Internal Audit Department requested training funding of \$2,000; \$518 was approved. The department recently attempted to access training funding through the Staff Development Department, but were told no funding was available.

Computer training classes are available to employees at reasonable costs through various technical centers operated by the system.

RECOMMENDATION

Recommendation 10-30:

Schedule technology classes for employees at the Leary Center, an adult education facility run by the school district.

Training is an integral part of employee development. Expenditures for training should be considered an investment in the workforce and will ultimately result in efficiency and time savings for the district.

IMPLEMENTATION STRATEGIES AND TIMELINE

- | | |
|---|----------------|
| 1. The newly named Technology Specialist should contact each supervisor and coordinate all training needs. | August 1997 |
| 2. The Technology Specialist should research training alternatives and communicate this information to all department supervisors. | September 1997 |
| 3. All department supervisors should enroll employees in training classes. | September 1997 |
| 4. The Technology Specialist should monitor attendance at training classes and report findings to the general director of Finance and Accounting. | Ongoing |

FISCAL IMPACT

Training for technology use should be provided through the use of state-appropriated staff development funds.

FINDING

The Finance and Accounting Department maintains a Word Processing Unit staffed with three full-time positions. Current tasks of the unit include preparing internal memos, letters, reports, and schedules using word processing software applications. Many documents submitted to the unit are prepared by Finance and Accounting staff in a word processing application and then are rekeyed into another word processing application by the staff in the Word Processing Unit.

Most employees in the Finance and Accounting Department have access to word processing capabilities, in addition to most sections having a clerical or secretarial position. Both the Assistant Superintendent for Business and Research and the General Director for Finance and Accounting each have two clerical support staff capable of performing word processing functions.

RECOMMENDATION

Recommendation 10-31:

Eliminate the Word Processing unit.

The functions performed by the Word Processing Unit can be absorbed by other staff (accountants who currently enter data, secretaries, accounting clerks, etc.) in the various sections within the Finance and Accounting Department. As employees receive training in using word processing capabilities currently available to them, all sections will be able to generate their own internal memorandums, letters, reports, and schedules.

For lengthier reports and documents that must be produced by the division, individual section secretaries should be available to assist in their preparation. In addition, for comprehensive efforts to produce reports such as the Comprehensive Annual Financial Report, the technology specialist should design linked word processing and spreadsheet documents with the appropriate built-in restrictions. Placing such a master document on the LAN will allow employees responsible for selected sections to be able to complete his or her own section without affecting other sections of the report.

IMPLEMENTATION STRATEGIES AND TIMELINE

1. The Assistant Superintendent for Business and Research should direct the General Director of Finance and Accounting to distribute the regular functions of the Word Processing Unit among the remaining employees of the department. May 1998
2. The Technology Specialist should assist individuals in the June 1998

department in handling the redistributed functions.

- 3. The Assistant Superintendent for Business and Research should eliminate the three positions in the Word Processing unit. July 1998

FISCAL IMPACT

The current salaries for the three word processing positions with a benefit rate of 32 percent is \$117,365.

Recommendation	1997-98	1998-99	1999-2000	2000-01	2001-02
Eliminate the Word Processing Unit	---	\$117,365	\$117,365	\$117,365	\$117,365