



# ACPS Fiscal Oversight

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## History and Timeline of Fiscal Improvements: 2013 – Present

**December 8, 2016**

Description of the financial policies, procedures and other improvements enacted by the Alexandria City School Board in recent years to enhance fiscal oversight and transparency in the Alexandria City Public Schools.

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## ***Introduction***

Beginning in 2013, the Alexandria City School Board and Alexandria City Public Schools staff have taken extensive action to increase transparency and enhance the financial policies, procedures and systems of the school division. Just a few of the many recent fiscal improvements are listed below:

1. Entity-wide business Risk Management Assessment
2. Commencement of a Board-governed audit program in alignment with the Risk Assessment
3. Reconstitution of Board advisory committees to provide fiscal expertise and community input
4. Complete update of all fiscal and budget policies
5. Additional reporting on financial status and budget transfers

Both the School Board and ACPS staff are proud of the resultant robust and transparent system currently in place. This work has been recognized in each year between FY 2013 and the present with the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting, Association of School Business Officials International (ASBO) Certificate of Excellence in Financial Reporting Award, GFOA Distinguished Budget Presentation Award and ASBO International Meritorious Budget Award. For the most recent fiscal year, ACPS also won, for the first time, the Annual Achievement of Excellence in Procurement Award from the National Procurement Institute.

## ***Risk Assessment***

The School Board voted in April of 2013 to initiate a risk management assessment. Risk management is a process, and the performance of this risk assessment represented a critical first step for ACPS in the pursuit of healthy fiscal oversight.

In September of 2013, the risk assessment was delivered for use as a tool for ACPS and the School Board to enhance or develop strategies for managing potential risks. Upon the hiring of Dr. Crawley as the Division Superintendent in October 2013, the School Board continued its discussion and planning around the document's findings, including how to move forward in the coming budget year to fund annual audit program recommendations. It was decided that the School Board would select particular areas of the organization to analyze and audit. Governance of these audits would rest with the School Board.

Through the FY16 budget work sessions, the School Board had conversations about the audit program funding and ultimately approved it within the Combined Funds Budget in May of 2015. In June of 2015, the School Board discussed potential audits in the areas of:

- Payroll: Compensation Data Integrity, Time Management, Pay Accuracy
- Facilities: Asset Management, Budget Management, and Contract Management
- Procurement: Compliance with the Virginia Public Procurement Act (VPPA) , Board Policies, and Division Procedures
- Communications: Crisis Management and Division-wide Communications Protocols

After the funds became available in July of 2015, the School Board convened a Procurement Committee to develop the scope of work and execute the RFP. In November of 2015, the committee went through a procurement process during which the bids of several firms were analyzed. In the spring of 2016, the School Board awarded a contract to one firm to conduct audits in the following areas: procurement, facilities, and payroll.

It was decided that communications processes, upon the hiring of the current Director of Communications, had improved considerably. The department had established a Division Communication Plan and had developed funding goals that had yet to be realized. If needed, future review of this area will be included in the next risk assessment.

In August of 2016, the Procurement Department functional performance audit began and is scheduled to be delivered to the Superintendent and School Board in December of 2016. In December of 2016, the Facilities Department functional performance audit will commence and is expected to be completed in August of 2017. The Payroll Department functional performance audit is scheduled to begin in February 2017. To take the place of the Communications Department audit, the Superintendent recommended analysis of the Human Resources Department instead. The Board will be discussing that proposal in the FY18 Combined Funds Budget Work Sessions this winter. If approved, the Human Resources audit would begin in the summer of 2017, with an estimated completion date of February 2018.

***Timeline - Risk Assessment and Business Audit Program***

<b><i>Date</i></b>	<b><i>Details</i></b>
April 11, 2013	Board initiates Risk Assessment
September 26, 2013	School Board delivers Risk Assessment Report in public meeting
November 13, 2013	Discussion of necessary actions, review and recommendations about the ACPS Risk Assessment Report
March 5, 2014	Further discussion of necessary actions, review and recommendations about the ACPS Risk Assessment Report
October 2014-March 2015	The FY16 Operating Budget includes internal audit funding
June 2015	Board discussion of departmental audits for Payroll, Facilities, Procurement and Communications
August 2015	Committee to procure services convenes
November 2015	Committee reviews firms to perform the functional performance audits
May 2016	Board awards contract to perform the functional performance audits
August 2016	Procurement Department audit begins
December 2016	Facilities Department audit begins
December 2016	Procurement Department audit scheduled to be delivered
February 2017	Payroll Department audit scheduled to begin
Spring-Summer 2017	Payroll Department audit scheduled to be delivered
August 2017	Facilities Department audit scheduled to be delivered
Summer of 2017	Human Resources Department audit is scheduled to begin (if Superintendent's recommendation is accepted by the Board);
February 2018	Human Resources Department audit is scheduled to be delivered (if Superintendent's recommendation is accepted by the Board)

## ***Reconstitution of the Budget and Audit Board Committee***

As of the winter of 2013, the Budget and Audit Committee, a Board committee made up of three Board members and one staff member, had not convened in some time. The School Board at the time decided to reassemble various Board committees, including the Budget and Audit Committee to review specific areas of the organization. The Budget and Audit Committee convened on the following dates:

1/11/13	5/15/13	11/13/13
2/4/13	6/19/13	3/5/14
2/20/13	8/21/13	4/9/14
3/19/13	9/11/13	5/7/14
4/17/13	10/9/13	6/10/14

## ***Establishment of the Committee of the Whole for Policy Enactment and Revision***

On June 12, 2014, the Superintendent recommended a move to centralizing responsibility of the School Board to set policies for the school division. The Superintendent recommended that the School Board delete references to Standing Committees in policy BCE and shift to a Work Session or Committee of the Whole structure to review new policies and significant revisions to existing policies. The Budget and Audit Committee dissolved and the work was assigned to the Budget Advisory Committee or directly to the School Board.

## ***Fiscal Policy Improvements***

In the same recommendation for centralizing responsibility of the School Board policies, the Policy Committee was dissolved in June 2014. The Superintendent and the School Board set in motion a full review of all the policies that govern the Division. As part of this comprehensive effort, each of the following fiscal management policies were reviewed and updated:

- [DA - Management of Funds](#)
- [DAA - Investment Policy Statement](#)
- [DAB - Operating Fund Balance](#)
- [DB - Annual Budget](#)
- [DG - Custody and Disbursement of School Funds](#)
- [DGB - Authorization of Procurement and Credit Card Use](#)
- [DGB-R - Alexandria City Public Schools Procurement and Credit Card Regulations](#)
- [DGC - School Activity Funds](#)
- [DGC-R - Student Activity Funds Manual](#)
- [DGD - Funds for Instructional Materials and Office Supplies](#)
- [DI - Financial Accounting and Reporting](#)
- [DIA - Reporting Per Pupil Costs](#)
- [DJ - Small Purchasing](#)
- [DJA - Purchasing Authority](#)
- [DJA-R - Procurement Manual](#)
- [DJB - Petty Cash Funds](#)

- [DJB-R - Petty Cash Fund Regulations](#)
- [DJF - Purchasing Procedures](#)
- [DJFA - Purchasing Procedures - Construction Services](#)
- [DJFB - Contract Execution](#)
- [DJG - Vendor Relations](#)
- [DK - Payment Procedures](#)
- [DL - Payroll Procedures](#)
- [DLB - Salary Deductions](#)
- [DLC - Expense Reimbursements](#)
- [DLC-R - Business Meals and Travel Regulations and Procedures](#)
- [DM - Cash in School Buildings](#)
- [DN - Disposal of Surplus Items](#)
- [DO - Non-Locally Funded Programs](#)
- [FB- Facilities Planning and Community Funded Facilities Projects](#)
- [FB-R – Regulations for Community Funded Capital Projects](#)
- [FEG – Supervision of Construction](#)
- [FEG-R – Capital Improvement Program Regulations](#)

These new policies represent a vigorous reinforcement of fiscal practices throughout the school division. Specifically, Policy DAB (Operating Fund Balance) was developed together by ACPS and the City to develop a fund balance policy for schools that outlines the appropriate level of unrestricted fund balance for ACPS, addresses the amount of the City’s fund balance that should be designated for schools (if any), and establishes the protocols and guidelines that govern the process and criteria by which ACPS may access the City’s funds.

### ***Reconstitution of the Budget Advisory Committee***

The Budget Advisory Committee (BAC) was reconstituted in the winter of 2014. BAC is charged with making recommendations on budget and financial management policies and practices, the presentation and preparation of the operating budget, the execution of the financial management of the school division, and annual budget priorities. BAC is asked to advocate for the Division by assisting in the education of the community with regard to the budgeting process and the contents of the annual operating and 10-year Capital Improvement Program budgets.

At the Board’s request, BAC provides studies and recommendations on special topics or issues. BAC presents an annual written report of the committee's work as part of the School Board’s annual budget process, and collaborates with other advisory committees as appropriate. Additionally, the BAC leadership works with the Division’s Budget and Fiscal Affairs Advisory Committee (BFAAC) representative to make sure there is communication throughout the City and school division budget process.

## ***Financial Reporting and Transparency***

### ***Monthly, Quarterly and Annual Financial Reports***

The School Board receives monthly statements of the funds available for schools and can track spending throughout the year. Monthly reports are provided to the School Board for the three primary funds covering school division operations: Operating Fund, Grants and Special Projects Fund, and the School Nutrition Services Fund.

Additionally, a quarterly report is prepared by the Financial Services Department and the Educational Facilities Department called the Capital Improvement Program (CIP) Quarterly Report. The purpose of this report is to provide the School Board with the status of each project and its progress in the most recent quarter.

Another quarterly report is the Budget Transfer Report. Policy DA – Management of Funds requires the submission of a quarterly report detailing all budget transfers in the Operating, School Nutrition Services, and Grants and Special Projects funds greater than or equal to \$25,000.

Lastly, the Comprehensive Annual Financial Report (CAFR) is reviewed by independent auditors from CliftonLarsonAllen LLP (CLA) once it is prepared by ACPS financial staff. These audits are conducted in accordance with the standards applicable to financial audits, including Government Auditing Standards issued by the Comptroller General of the United States and the specific audit standards for local jurisdictions issued by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia. These reports are typically published in December of each year.

### ***Practice for Large Budget Transfers***

The School Board has practiced a separate process for large operating and capital transfers. For transfers meeting the developed size criteria outlined in Policy DA, the Superintendent prepares a memo to be presented to the Board for information in New Business. After two weeks, the item is presented to the Board for action in Old Business. Each meeting also allows time for public comment.

As outlined in Policy DA, the Superintendent has established financial management procedures for the Combined Funds and Capital Improvement Program budgets that adequately ensure proper and effective use of these funds. These procedures shall address or incorporate, at a minimum, the following:

For the Operating Fund, School Nutrition Services Fund, and Grants and Special Projects Fund (Policy DA):

- The Superintendent must approve budget transfers for all amounts equal to or greater than \$25,000.
- A report detailing all budget transfers within these funds greater than or equal to \$25,000 will be provided to the School Board each quarter.

For the Capital Improvement Program (Policy FEG):

- Board approval is required for all CIP contracts above \$500,000.

- School Board approval is required to transfer funds equal to or greater than \$50,000 from one CIP project and/or site/location to another CIP project and/or site/location;
- School Board approval is required to expend any amount over 110 percent or \$50,000, whichever is greater, on any CIP contract, even if the Board has previously approved a project budget that exceeds 110 percent of the contract; and
- The Superintendent shall provide to the School Board, on a quarterly basis, a report detailing the status of CIP projects to include encumbrances, expenditures, and available balances.

In the event that approved project funds exceed the actual and final cost of a project, surplus funds will be transferred to a contingency account within 90 days of closing out CIP projects, subject to the budget transfer approval requirements outlined above. During the budget process each spring and upon request, surplus project funds shall be used as shown below and in the order of priority specified (Policy FEG).

- Fund emergency repairs and/or system replacements if funding is not available;
- Fund previously approved projects that are determined to be underfunded due to market condition changes, unanticipated project costs or programmatic adjustment as approved by the School Board;
- Fund recommended capital projects that are not approved in the CIP budget, but are identified by the Superintendent or School Board as an area of need based on prioritization and anticipated costs; and
- Fund capital projects identified for future years to offset the funds that may otherwise be requested during the annual budget process.

## ***ACPS 2020 Strategic Plan - Goal 6: Effective and Efficient Operations***

ACPS 2020 Strategic Plan Goal 6 states that ACPS will be efficient, effective, and transparent in its business operations. ACPS handles its business operations with diligent care and the highest ethical standards in order to provide proper stewardship and a full accounting of its resources. Having Strategic Goal 6: Effective and Efficient Operations in the 2020 strategic plan demonstrates the importance of this work for all ACPS staff. This goal means ACPS establishes a system of accountability in order to be prudent in its use and allocation of funds, to maintain sound business practices and procedures, and to be transparent in everything the school division does. ACPS continues to gain and maintain the confidence of its community, its staff and its students in order to grow Alexandria's financial investment in its children. By doing so, every student succeeds.

The Key Performance Indicators (KPIs) are reviewed annually at a School Board meeting and posted on the ACPS web site. The KPIs for Goal 6 are:

***6.1 Fiscal Policies and Practices:*** ACPS will plan, manage, monitor, and report spending to provide decision-makers and the community with a reliable, accurate, and complete view of the financial performance of the educational system at all levels.



**6.2 Continuous Improvement:** ACPS will engage in cycles of continuous improvement at every level of the school division, and it will employ evidence-based decision-making in its consideration of process improvements, policy making, and budgeting and accountability.

**6.3 Operational Efficiency and Performance Management:** ACPS will focus resources on student learning by utilizing a comprehensive performance management system that ensures efficient, cost-effective business operations.