

# **Red Clay Community Financial Review Committee**

## **Tuesday, January 15, 2008**

### **Our Meeting Minutes:**

The Community Financial Review Committee met on Tuesday, January 15, 2008 at 6:00 P.M., at the Linden Park Offices.

### **Members in Attendance:**

Paul Lloyd, John Allison, Jane Rattenni, Michael Bank-RCEA, Jill Floore-Red Clay Finance Director, James Buckley-Red Clay School Board, Gary Linarducci-Red Clay School Board, and Emily Falcon-DOE Financial Recovery Team

### **Members Absent:**

None

### **Public Attendance:**

(14) parents, community members, local press, Irwin Becnel-Red Clay Board President, and State Representative Nick Manolakos.

The purpose of the meeting was to review December 2007 monthly financial report and hear a presentation by community members Allen Kemp and Jerry Martin pertaining to accounting by "Object Codes."

### **I. Introduction and Opening Comments:**

Meeting started at 6:10 P.M.: Chairperson Paul Lloyd called meeting to order. The committee members introduced themselves to the community.

### **II. Meeting Minutes Approval:**

Approval of minutes for January 7, 2008 Special Budget Meeting was tabled until the February 4<sup>th</sup> meeting due to the committee's debate on some wording in the document.

### **III. Presentation by Community Members Allen Kemp and Jerry Martin:**

Allen Kemp's presentation included the use of PowerPoint and handouts highlighting "Object Codes."

The intent of Mr. Kemp's presentation was to share with the community and the committee the need for Red Clay Consolidated School District to shift their method of monthly financial budgeting that is currently based on the Internal Budget Unit (IBU) to Object Codes. The IBU method of coding incorporates budget expenditures by department, program, and schools, which provides a broad summary of expenditures at a high level. Whereas, the method of financial reporting that Mr. Kemp and Mr. Martin prefer is based on Object Codes, which categorizes expenses by salaries, benefits, tuition, travel, contractual services, supplies and materials, major equipment purchases, buildings and alterations, and computer supplies.

Mr. Kemp obtained the Red Clay Object Code data through the Delaware Department of Education using his rights under the Freedom of Information Act. He also obtained the Object Code data for other school districts to use for comparison.

Mr. Kemp's presentation benchmarked Red Clay's expenditures against the Christina, Colonial, and Brandywine school districts based on the Object Codes data. Though the student population of each school district varied, he broke down costs per student and there were certain Object Code comparisons in which expenditures at Red Clay were much higher than the other districts in the study.

The presentation lasted approximately an hour and a half, after which the community and the committee provided comments. There was much debate afterwards on the data comparing Red Clay's expenditures to other school districts referenced. Red Clay Finance Director Jill Floore indicated that the disparities could be a result of how each school district determines which expenditures to put under what individual Object Code. For instance, in Object Code 5631 – Association Dues and Conference Fees, Red Clay includes school sports related travel and fees, whereas there was no indication that the other school districts used the same object code for that purpose. There were no representatives present from the other school districts in question to verify this information, and concerns were raised regarding the validity and accuracy of the data used in the comparison.

There was a strong consensus among the committee that the Object Codes do provide a more defined detail as to the expenditures.

Finance Director Jill Floore did provide information via handout showing Red Clay does use object coding in the accounting process and the sum of those object codes are bundled into a dollar figure within the district's monthly IBU financial report format. Using the Object Code of expenditures at McKean High School for example, the committee compared the Object Code list with the IBU report and the dollar amount for each balanced out to the penny.

Mr. Kemp did not dispute that the District uses Object Codes in the scope of tracking expenses; however, his concern is with the public not having access to the Object Code data. The IBU reporting method presents totals, but not actual individual expenditures as to who received the revenues and for what purpose.

Committee member John Allison pointed out the district's monthly finance report is per DOE's requirement. In 2007, the Delaware State Legislature passed HB21 that requires standardized monthly financial reports across all school districts within the State of Delaware. Also noting the legislators gave DOE the charge to formulate the template in which the IBU method was adopted. However, access to Red Clay's Object Codes would provide the committee the ability to audit the district's monthly finance reports with better scrutiny.

Mr. Kemp made a request that Red Clay adopt a monthly financial report by 2009 using the Object Coding method as the basis for the report rather the current method using the IBU's. The committee took no action on Mr. Kemp's request and decided to review the

information provided and debate the issues and legalities at another Review Committee meeting.

**IV. Review of December 2007 Red Clay Monthly Financial Report:**

Finance Director Jill Floore provided the committee with the December 2007 monthly financial report, which the committee reviewed. To date, Red Clay's current school year budget is on track. Ms. Floore indicated that she will continue to maintain and improve financial reporting and has been working closely with department heads and those assigned with entering financial data to make sure it is coded properly to the correct accounts.

**V. Next Meeting:**

Monday February 4, 2008, 6:30-8:30 P.M. at the Linden Park Offices' first floor conference room

**VI. Adjournment:**

9:50 P.M.

Respectfully submitted,

John Allison, Recording Secretary