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## MEMORANDUM

**TO:**                                      Members, Utah State Board of Education

**FROM:**                                  Brad C. Smith  
Chief Executive Officer

**DATE:**                                  June 18-19, 2015

**ACTION:**                                USOE Fiscal Year End Close (YEC) Update

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### **Background:**

USOE is currently conducting Year End Close (YEC) Operations for Fiscal Year 15.

### **Key Points:**

- There has been serious systemic failures on the part of USOE to conduct proper YEC for an excessive number of years resulting in violation of the basic accounting principle of matching.
- Lack of internal controls and documented standard operating procedures for YEC are in progress but not readily available for this YEC.
- The number one priority is to ensure year end receivables and unearned revenue are in compliance with State Finance's requirements and GAAP (Generally Accepted Accounting Principles)

### **Anticipated Action:**

The Finance Committee will receive information with the understanding there may be possible actions required by the Board.

**Contact:**                              Scott Jones, Associate Superintendent, 801-538-7514

**TO:** Utah State Board of Education

**FROM:** Brad Smith, State Superintendent of Public Instruction

**DATE:** June 8, 2015

**SUBJECT:** Fiscal Year 15 Year End Close Issue, Discussion, and Recommendation (IDR)

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**Background:** USOE is currently undergoing Fiscal Year 15 Year End Close processes and procedures. An Internal Auditor's Report (Report No. 2015-06) identified serious risks and shortcomings with USOE Year End Close processes and procedures. The overriding concern is the violation of the basic accounting principle known as Matching.

**Issue:** USOE currently has \$957,893.27 of expenses requiring offset.

**Discussion:** This is a near term solution to a complex problem. As indicated in the internal audit the tendency in years past was to, "zero," out and not necessarily apply the matching principle to revenues and expenses. Since these particular transactions were never, "matched," it now takes use of current revenue or fund sources to offset or properly process and close out the transactions. There are available funds to meet this requirement. There is ~\$1.5M of Discretionary Funds that, to my current understanding, are not committed to any near term projects or projects scheduled for completion. This amount is made up of a portion of state funds and Federal Mineral Lease (Funds). There is \$290,109.72 of revenue from Building Sale Proceeds available that date back to 2001. There is unused legislative appropriation in the amount of \$76,325.23 for MGT audit and studies. These two sources, combined total \$366,434.95.

**Recommendation:** The Associate Superintendent for Business and Operations recommends USBE approval to offset the \$957,893.27 with a combination of the available funds in the Discretionary Funds and applying both the Building Sale Proceeds and the MGT audit and studies remaining appropriation. Applying the Building Sale Proceeds and the MGT audit and studies remaining appropriation reduces the \$957,893.27 to \$591,458.32. This amount then is met by using state funds from the Discretionary Funds effectively reducing the amount of non-committed Discretionary Funds, to date, to ~\$1.0M.

Please direct questions to Associate Superintendent Scott Jones at 801-538-7415 or [scott.jones@schools.utah.gov](mailto:scott.jones@schools.utah.gov)

List of Discretionary Funds Approved for FY 2015  
 A33, A44, 043, 044 Funds  
 FY 2015

	Initial	Remaining
Statewide	\$ 1,987,296.00	\$297,792.50
Fed Min Lease	\$ 1,817,561.00	\$847,561.00
Land Exchange	\$ -	\$0.00
<b>Total</b>	<b>\$ 3,804,857.00</b>	<b>\$1,145,353.50</b>

ID	Recipient	Approved State	Approved Fed Min Lease	Approved Land Exchange	Expended	Remaining
DF001	Projects/Memberships - SSFP Assoc Supt	\$48,000.00			\$48,000.00	\$0.00
DF002	Projects/Memberships - Deputy Supt Utah Futures - \$27,500.00	\$40,000.00			\$27,300.00	\$12,700.00
DF003	USOE Internal Professional Development	\$1,500.00			\$0.00	\$1,500.00
DF004	College and Career Readiness Program Pilot		\$120,000.00		\$120,000.00	\$0.00
DF005	USSA Professional Development	\$8,000.00			\$8,000.00	\$0.00
DF006	Student Artwork	\$500.00			\$0.00	\$500.00
DF007	Teachers-Teachers	\$143,232.50			\$143,232.40	\$0.10
DF008	Schools to Watch	\$12,000.00			\$8,842.66	\$3,157.34
DF009	State Superintendent Search	\$50,000.00			\$41,000.00	\$9,000.00
DF010	Interstate Commission for Military Children	\$3,571.00			\$3,571.00	\$0.00
DF011	Utah Teacher of the Year	\$33,000.00			\$28,139.56	\$4,860.44
DF012	CERT/CPRA/ED	\$1,500.00			\$240.70	\$1,259.30
DF013	Projects - Bus & Ops Assoc Supt Computer for Internal Audit Section - \$2,476.78	\$17,000.00			\$5,836.46	\$11,163.54
DF014	Milken Blue Ribbon Panel	\$400.00			\$0.00	\$400.00
DF015	Projects/Memberships - Superintendent Remodel for Internal Audit Section - \$2,003.13	\$50,000.00			\$43,000.00	\$7,000.00
DF016	Superintendent's Discretionary Appliances for USOE Break Rooms - \$2,000.00 Remodel of CTAE & ESEA - \$40,000.00 Installation of East Side Fence - \$3,605.00 HMB System Developers - \$45,000.00 Americom - \$23,937.00 Remodel for Internal Audit Section - \$8,901.32 Purchase of Domains for USOE - \$925.00 Chris LaCombe Travel Expenses - \$1,119.78	\$250,000.00			\$75,968.57	\$174,031.43
DF017	Superintendent's Discretionary Dual Language Immersion - \$250,000.00		\$400,000.00		\$215,409.36	\$184,590.64
DF018	Employee Action Committee	\$4,500.00			\$3,029.49	\$1,470.51
DF019	Board Room Upgrade Compunet, Inc - \$162,114.40 Americom - \$7,158.00 Div of Facilities & Construction Mgmt - \$2,000.00	\$200,000.00			\$15,010.25	\$184,989.75
DF020	UEN IT Audit Reponse DCFM - \$603.13	\$200,000.00			\$201.13	\$199,798.87
DF021	Educator Effectiveness		\$450,000.00		\$217,463.63	\$232,536.37
DF022	Employee Service Awards Luncheon	\$1,300.00			\$1,040.40	\$259.60
DF023	Admin Technology/Equipment Conference Rooms Technology Upgrades - \$60,795.10	\$75,000.00			\$0.00	\$0.00
DF024	Utah Teacher's Forum	\$500.00			\$0.00	\$500.00
DF025	District Visits & Superintendents' Meetings	\$8,000.00			\$0.00	\$8,000.00
DF026	Additional Salary for Superintendent	\$33,500.00			\$0.00	\$33,500.00
DF027	Internal Auditor Position	\$100,000.00			\$2,476.78	\$97,523.22
DF028	Internal Auditor Position (supplemental funding from USDB)	\$60,000.00			\$0.00	\$60,000.00
DF029	USB E Attorney Position	\$150,000.00			\$0.00	\$150,000.00
DF030	Associate Superintendent	\$64,000.00			\$64,000.00	\$0.00
DF031	Rural Schools Conference	\$30,000.00			\$0.00	\$30,000.00
DF032	Capital Improvement Projects	\$100,000.00			\$0.00	\$100,000.00
DF033	Temporary Attorney Position	\$4,000.00			\$4,000.00	\$0.00
DF034					\$0.00	\$0.00
DF035					\$0.00	\$0.00
DF036					\$0.00	\$0.00
DF037					\$0.00	\$0.00
DF038					\$0.00	\$0.00
DF039					\$0.00	\$0.00
DF040					\$0.00	\$0.00
DF041					\$0.00	\$0.00
DF042					\$0.00	\$0.00
DF043					\$0.00	\$0.00
DF044					\$0.00	\$0.00
DF045					\$0.00	\$0.00
DF046					\$0.00	\$0.00
DF047					\$0.00	\$0.00
DF048					\$0.00	\$0.00
DF049					\$0.00	\$0.00
DF050					\$0.00	\$0.00
<b>Totals</b>		<b>\$1,689,503.50</b>	<b>\$970,000.00</b>	<b>\$0.00</b>	<b>\$1,075,762.39</b>	<b>\$1,508,741.11</b>