

*Report to the District Superintendent
Of the
Hamilton-Fulton-Montgomery BOCES
With regard to the Potential for the Creation
Of a
Central Business Office CoSer*

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Introduction:

The creation of a Central Business Office (CBO) is a worthwhile effort that takes a significant amount of foundational work but can yield great dividends. The use of a BOCES Central Business Office results in more operational effectiveness and operational efficiency as well as a cost effectiveness which permits otherwise inefficient personnel and financial resources to be used towards the instructional needs of students.

It starts when two or more districts desire to share business office functions and the pooling of resources such as leadership, personnel, technology, supplies, and equipment. Aside from the goals of greater economies of scale, efficiencies and effectiveness, the creation of a CBO, under the certain conditions, will make the service eligible for BOCES aid.

Considerations:

BOCES provides a shared professional staff person to perform as a CBO business manager and to supervise support personnel in the operation of the CBO. In turn the CBO provides centralized:

- ✓ Technical and professional staff that is both highly specialized and diversified.
- ✓ On-site support for staff, technology software and equipment.
- ✓ Increased Segregation of Duties which meets all auditing requirements without the Recruitment and hiring of additional staff locally.
- ✓ Recruitment and hiring and supervision of staff.
- ✓ Increased scrutiny of internal control systems.
- ✓ Cross trained personnel and provide for backup local personnel.
- ✓ Consistent of operational procedures.

Services of a CBO can include:

- ✓ Accounts Payables processing.
- ✓ Payroll processing & file all State and Federal reports.
- ✓ Fixed Assets assistance.
- ✓ Bank Reconciliation.
- ✓ General Ledger Accounting.
- ✓ Financial Statements.
- ✓ Cash Flow analysis.
- ✓ Debt Service management.
- ✓ Banking Transfers and Investment management.
- ✓ Assist with development of Request for Proposals.
- ✓ Assist with accurate filing all State and Federal reports.
- ✓ Provide budget development guidance.
- ✓ Fund Balance and Reserve forecasting.
- ✓ Assist with Building Project accounting and finance.
- ✓ Provide training to the BOE, Superintendent and Staff on all financial matters.
- ✓ Assist with meeting all Auditing requirements.
- ✓ Assist with Property Tax State reporting requirements
- ✓ Special Program Finance – STAC Administration

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- ✓ Internal Claims Auditing
- ✓ Staff Attendance Tracking
- ✓ Capital Project - State Aid Reporting and Tracking
- ✓ Perform and Approve all Journal Entries
- ✓ Bank Investment and Tracking
- ✓ Professional Software Training
- ✓ Purchasing Services
- ✓ Insurance Analysis and RFPs
- ✓ Professional Development Hours Tracking

The benefits of a CBO include:

- ✓ Local Districts save personnel time during audits (Internal, External, Comptroller, IRS).
- ✓ Pooling of Staff increases Economies of Scale.
- ✓ State Aid received for using service.
- ✓ CBO prevents and reduces duplication of services, staff, equipment, facilities and time.
- ✓ No overtime expenses or outside consultant cost if staff is out.
- ✓ The expenses eligible for aid include salaries up to \$30,000, fringe benefits, travel, staff development, technology, materials and supplies, consultant service, office space, utilities, and other costs. (The expenses NOT eligible for aid include salaries over the limit, district clerk or district treasurer salaries, district-based clerical staff and support and some contractual services.)

Non-CBO Functions include:

- Maintaining the District's Fixed Assets (assist)
- Supervision of School Lunch
- Supervision of Maintenance
- Supervision of Transportation
- Bonding or bans for District capital projects or bus purchases (assist).
- Establishing District budget targets and tax levy
- Strategic planning for the District (assist)
- FOIL Requests (assist)
- Tax Collecting
- Coordination of Legal Services
- Supervision of Central Storeroom
- Health Insurance Administration
- Employee Benefit Administration
- Risk Management (assist)
- Capital Project Planning (assist)

It is recommended that each component school district maintain a business official position within the district for the non-CBO tasks well as for being the prime contact for the Central Business Office. The CBO official will attend board meetings when requested by district.

Note the following simplified illustration of the BOCES aid function for a CBO:

Non CBO District	
Business Office Clerical Budget	\$100,000
State Aid for Business Office Personnel	\$0
Net Cost to District	<u>\$100,000</u>
CBO District	
CBO Clerical Budget	\$100,000
BOCES Aid ratio	40%
BOCES Aid for CBO	<u>\$40,000</u>
Cost to District	<u>\$60,000</u>
BOCES Aid is paid the year after the service is provided	

This general illustration illustrates the cost-saving feature to a district of a BOCES CBO compared to a regular school district operation. There are specific considerations that must be taken into account. The full cost of a CBO is not BOCES aidable due to the aid ceilings and other requirements for CoSers and BOCES aid. The next table illustrates that point.

BOCES Aid Ratio	75%			
<i>CBO service with aid is limited to .6 F.T.E. per participating district.</i>	CBO Costs	BOCES Aid Eligible Costs	BOCES Aid	District Savings
Salary	\$40,000	\$30,000	\$22,500	\$17,500
FICA/SS/Medicaid	\$3,060	\$3,060	\$2,295	\$765
ERS	\$5,200	\$5,200	\$3,900	\$1,300
Workers Compensation	\$300	\$300	\$225	\$75
Unemployment Insurance	\$300	\$300	\$225	\$75
Health Insurance	\$15,000	\$15,000	\$11,250	\$3,750
CBO Software and Audit	\$11,000	\$11,000	\$8,250	\$2,750
<i>*Equipment, supplies, materials, training, etc.</i>	<i>\$15,140</i>	<i>\$15,140</i>	<i>\$11,355</i>	<i>\$3,785</i>
<i>(*May be reflected as a "start-up cost first year"- - first year cost may be higher than original district cost)</i>	<u>\$90,000</u>	<u>\$67,500</u>	<u>\$50,625</u>	<u>\$37,969</u>

While it is clear that component school districts of the Hamilton-Fulton-Montgomery BOCES (HFM) have expressed interest in a CBO, the services they require and the timeline for their involvement remains officially uncommitted. This provides these districts with an opportunity to discuss with the BOCES, regulations with regard to a BOCES CBO CoSer, determine the districts willing to commit the time and resources so start-up a CBO under the

auspices of BOCES and subsequently commit to a real start-up timeline, service offerings, a CBO physical location and transfer of staff.

The CBO, once fully implemented, would be divided in such a way as to provide for multiple functions under a series of "teams". For instance, Payroll, Accounts Payable, Accounting, and Purchasing teams would be created, to name a few.

Unofficial interest to date in a CBO within the HFM BOCES is as follows:

Component Interest

	Amsterdam	Broadalbin Perth	Canajoharie	Edinburg	Fonda Fultonville	Johnstown	Mayfield	Northville	Piseco	Fort Plain	Gloversville	Lake Pleasant	St. Johnsville	Whitesboro	Request Authority
Not Interested										X	X	X	X	X	6
Accounting	X	X	X				X		X						5
Accts Payable	X		X		X		X		X						5
Benefits	X	X	X	X			X	X	X						7
External Auditor	X		X			X	X		X						5
Internal Auditor	X		X	X	X	X	X	X							7
Investments	X	X	X			X		X							5
Payroll	X		X	X			X		X						5
Purchasing	X		X		X		X								4
Tax Collection	X		X	X		X									4
Treasurer	X	X	X				X		X						5

The exact role of the BOCES needs to be determined. Often a BOCES operation has a committee of superintendents who work with BOCES officials to determine start-up and subsequent delivery of service parameters. Among the issues that must be examined and a strategy employed include:

- 1) Where will the CBO operation be housed regardless of initial size of the operation?
 - a. According to Suzanne Spear, Supervisor, Office of District Organization, BOCES and Rural Services, the CBO operation must be housed in a "neutral" site and cannot be housed in a component school district. Ms. Spear notes, however, that on occasion, permission may be given to a BOCES CBO operation to be housed in a district location for a "start-up year only", upon written request of the BOCES District Superintendent. That written

request must include the proviso that after the start-up year the BOCES CBO operation will be housed in a neutral site or in the BOCES facility. Additionally, the CBO operation cannot be overseen by the BOCES business office nor considered part of regular BOCES business office operations. CBO CoSers operate separate and distinct from the BOCES business office.

- b. Be aware that there will be one-time costs that will need to be charged back to the districts for setting up the Central Business Office location.
- c. Additionally, plans forward should include expansion that may carry additional costs.

2) Who will monitor and oversee CBO?

- a. While a BOCES Assistant Superintendent for Management Services or Business can oversee the operations of a CoSer, the CBO should be directly administered by a School Business Official of such experience and expertise to manage and lead day to day operations of the CBO. This is not to supplant the duties of a School Business Official in a component district. If districts desire SBO duties from the CBO these services would require additional personnel with the proper certification.

3) What will the CBO offer?

- a. The number of personnel needed to accomplish CBO tasks is wholly dependent on the number of school districts in the CBO for each of the services required.
- b. The typical CBO Payroll Responsibilities usually include:
 - ✓ Annual salary calculations, based on bargaining contracts
 - ✓ Tracking of pay options available to District employees
 - ✓ Interface with District's Human Resource staff
 - ✓ Preparation of Civil Service Report
 - ✓ Retro Pay Calculations
 - ✓ Review of time sheets for accuracy and completeness
 - ✓ Attendance entry / employee accrual database
 - ✓ Maintenance of District's current and (1) prior year's payroll files
 - ✓ Employee contact for payroll questions
 - ✓ Payroll research as needed by the District
 - ✓ Research for Teacher's and Employee's Retirement Systems
 - ✓ Preparation of Teacher's and Employee's Retirement System reports
 - ✓ Reporting to the NYS Department of Labor Statistics
 - ✓ Reporting of new hire information to New York State
 - ✓ Processing of membership applications to the retirement systems
 - ✓ Development of payroll calendars and schedules with due dates, in conjunction

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with Districts

- ✓ Direct Deposit processing and maintenance
- ✓ Processing of all Federal and State taxes
- ✓ Calculation of health insurance and FLEX deductions per District contracts
- ✓ Processing of employee union dues, per District contracts

c. The typical CBO Accounting/Financial Reporting responsibilities include:

- ✓ Bookkeeping: cash receipts, cash disbursements, general journal, general ledger, trial balance, etc. for all funds: General, School Lunch, Trust & Agency, and Capital etc.
- ✓ Supervision and monitoring of all district bookkeeping processes and procedures.
- ✓ Monthly financial reports to district boards of education.
- ✓ Special financial reporting as requested by the District.
- ✓ Required State and Federal financial reporting: e.g. ST-3, SA-100, FS-10, etc.
- ✓ Budget development and management.
- ✓ Fund Balance Analysis.
- ✓ Audit interface and support.

d. The typical CBO Accounts Payable responsibilities usually include:

- ✓ Prime contact for District vendors regarding payment issues
- ✓ Development of calendars/schedules for accounts payable due dates in conjunction with District
- ✓ Monitoring of District purchase orders
- ✓ Processing and matching of all District invoices to authorized purchase orders or claim forms
- ✓ Processing of all payments
- ✓ Maintenance of District's current and (1) prior year's accounts payable files (Except for those District electing to print their own checks and reports)
- ✓ Mailing of all district accounts payable checks
- ✓ Printing of all District accounts payable reports and warrants
- ✓ Interface with District's purchasing agent

4) What training and support will be needed for the initial and subsequent change over(s) for the new BOCES employee(s)? For instance:

- a. Training may be required with regard to the procedures and practices of the CBO, and now as new BOCES employees, of the BOCES.

5) What systems training is needed with regard to BOCES and district financial systems?

- a. Of particular concern should be start-up costs. The CBO must migrate to a single financial computer software and hardware system. Each district should

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Page 7 of 12

also plan for unknown one time costs of software conversion, data conversion, etc. An estimate should be provided with the assistance of the Regional Information Center.

- b. Training may be required with regard to the CBO software and hardware.
- 6) What is the anticipated start-up date for the service?
- a. The start-up date is contingent on the conclusion of a study that answers all of the preceding and following questions.
- 7) Discussions must commence and decisions must be made with regard to -What about school district/ BOCES mutual obligations such as:
- a. What will be the accommodations to facilitate effective and efficient communications- paper, verbal, email, online access, etc.?
 - b. What agreements will exist for the effect of shared time, deadlines, access to records?
 - c. This includes and is not limited to calendars, and other organizational structures (i.e. Payroll, Accounts Payable):
 - d. Deadlines for data requests
 - e. Deadlines for data collection
 - f. Deadlines to "run" data
 - g. What are the expectations for timeliness and responsiveness between the CBO and the school district?
 - h. What are the budgets for the affected school districts for ancillary items such as audits, software costs, and technology and so on?
- 8) The transfer of current district employees to a CBO entails significant research. What Personnel accommodations are needed- salary, benefits, other terms and conditions of employment? Considerations include:
- a. Which services would component districts request of a BOCES CBO so civil service and transfer rights may be implemented?
 - b. To determine actual costs of the CBO the following information is critical:
 - i. Title/Civil Service classification
 - ii. Current Salary
 - iii. Current Benefits and legacy costs
 - iv. Determine CBO costs:
 - v. Salary
 - vi. Health insurance
 - vii. Worker's Compensation
 - viii. Unemployment
 - ix. Other Legacy costs
 - c. Civil Service jurisdictional issues may need to be clarified:

- i. Do component districts have same or different Civil Service authorities?
- ii. What coordination for the transfer of service is needed and who will it be accomplished?
- iii. Seniority, Human Resource and Collective Bargaining Issues (Civil Service will place new employee into existing seniority list, determine title, transfer and or promotional status as applicable.)

9) How will Internal and External School District Audit functions be handled?

- a. Determine the efficiency of the use of the same district internal and external auditors.

10) Consideration is needed for such ancillary fees as:

- a. Use of network
- b. Software license for additional workstations
- c. Administrative fees for oversight
- d. Rental for space
- e. O&M, Technology and Human Resource transfer charges
- f. BOCES aid ratios for each district
- g. Determination of standardized Financial Software
- h. Hard and soft conversion costs

The creation of a CBO is subject to a political dynamic. Component superintendents would be wise to understand that they should expect negative reactions from affected business office staff to a transfer to BOCES. School districts are cultural institutions in which change is often resisted and comes slowly. Such resistance includes lobbying efforts with colleagues, bargaining units, the public, the superintendent and members of the board of education.

Attached as an appendix please find two configurations that have been utilized by Greater Southern Tier BOCES (GST BOCES) so that the number of employees and scope of the CBO are clearly illustrated. The GST CBO began in July 2005 and grew in stages as more school districts requested services.

For example the initial CBO concept instituted by the GST in July 2005 involved five school districts with a small staff for a limited number of services. Subsequently, the GST BOCES now contains a CBO operation consisting of a CBO Leader and 28 staff with numerous functions and teams.

By contrast the Otsego Northern Catskills has a CBO operation that consists of one School Business Manager, three Senior Account Clerks and two Account Clerks. That program serves five Schools with budgets that range from \$3 to \$8 million and student populations that range from 141 to 470.

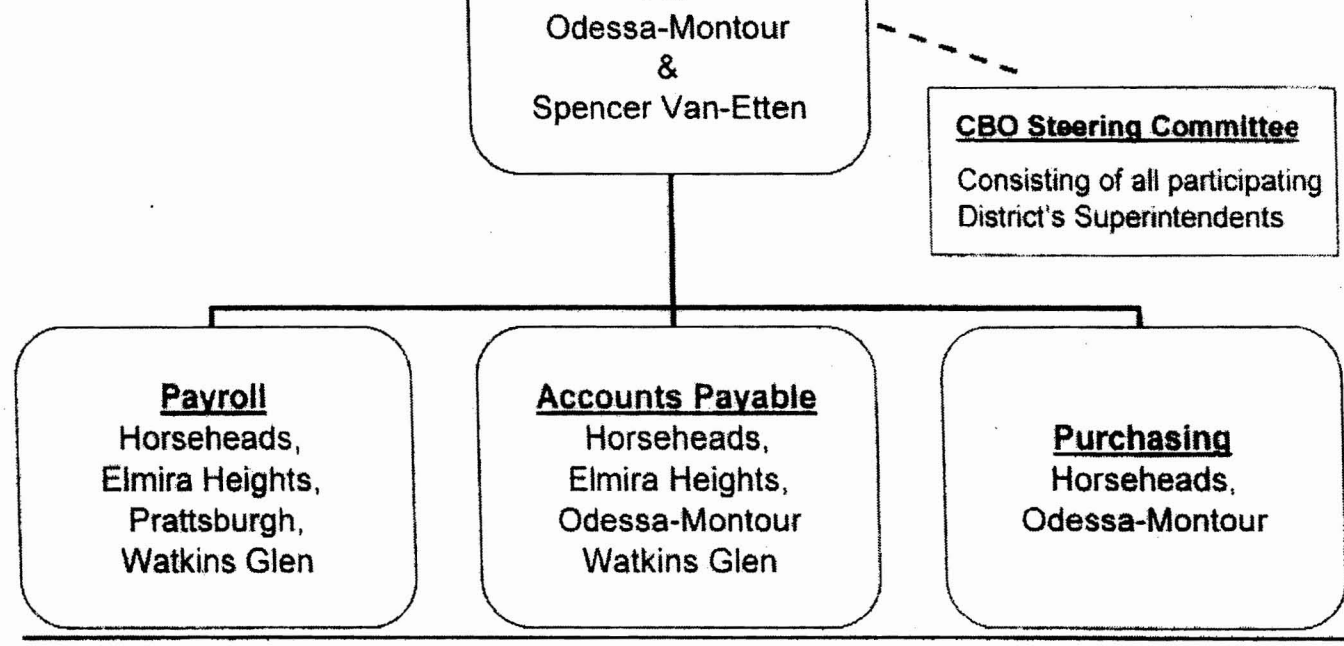
The Delaware Chenango BOCES has a very efficient and effective CBO as well.

Summary:

The creation of a CBO is the HFM BOCES is not only desired by the component school districts but is a wise decision based on current economic challenges. The opportunity to consolidate duties and functions into a structure that have been proven to be cost effective and efficient throughout the state should not be missed. It is noteworthy that such an undertaking will still permit each component school district to retain local control of its leadership, finances and future.

The involvement of the HFM BOCES is required and critical to the process from start-up to and ongoing operation. I recommend that the component school districts interested in the creation of a CBO immediately form a working group with appropriate BOCES personnel to plan for an operational CBO without delay.

Appendix



GST BOCES CBO Model Today

CBO Controller and
28 staff.

