

Presentation for:

# Connecticut Association of School Business Officials

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## Efficiency Study: What to Expect

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# Agenda

- > What is an Efficiency Study?
- > Influencing Factors
- > Project Approach
- > Case Studies I
- > Case Studies II
- > Conclusion

## What is an Efficiency Study?

- > Confirm purpose of efficiency study
  - It is not:
    - Forensic audit
      - Negative connotation
      - Something bad has already happened
      - Reactive
      - Looking for detailed evaluation of problem
        - Don't typically develop recommendations only how bad the problem was
    - Not a good way to reduce head count
      - End result **Maybe** FTE savings
      - Assuming FTE reductions automatically creates internal problems
    - Not a way to save \$\$\$
      - End result **Maybe** \$\$\$ savings
      - Assuming cost savings sets project up for failure

## What is an Efficiency Study?

- > Confirm purpose of efficiency study
  - It is:
    - Streamline processes
      - Eliminate non-value added activities
      - Automate processes and tasks
      - Combine like processes (Departments) together
    - Improve controls
      - Minimize risks
        - Stealing of assets
      - Enhance accountability
    - Do more with less
      - Take better advantage of technology tools
      - Re-engineer personnel roles/responsibilities
        - Too many people doing the same thing
- > Make sure not to get Too efficient
  - Segregation of duties and responsibilities

## Influencing Factors

- > Various scandals
  - Purchasing inconsistencies
  - Payroll problems
  - Student activity account embezzlements
    - Bulkeley High School
  
- > Community concerns
  - Is the BOE spending the budget appropriately
  - Organization's are looking for wasted money
  - Communities want to save money
  
- > BOE held to a higher standard
  - Accountability
  - Reliability
  - Ongoing, detail knowledge of operations

# Project Approach

- > Independent evaluation
  - No assumptions or preconceptions
  - No experience with personnel
  - Report to the Superintendent and Board
- > General Approach
  - People
  - Process
  - Technology



# Project Approach

- > Understanding Back Office Operations
  - Focus group
  - Individual interview
    - (your people know everything)
  - Documented procedures
  - Control points
- > Review Critical Processes
  - Map key information and process flows
  - Identify strengths and weaknesses (processes and controls)
  - Identify non-value added tasks
    - Identify built-up bad habits over time
  - Document controls (and confirm they are in use)
- > Review Staff Roles and Responsibilities
  - Duplication of effort
  - Use of standards and protocols
- > Confirm Technologies In Use
  - Technology limitations
  - Automation\integration opportunities
- > Test and Confirm Business Practices
  - Visit schools
  - Review back office operations

## Case Study I

### Project Overview

- > Efficiency and operational assessment of Business Office operations
- > Confirm why project was initiated:
  - End of year – surplus (\$\$\$) surprise
  - Initially thought they wanted a forensic audit
  - Wanted an independent assessment of key operational areas:
    - Budgeting
    - Financial reporting
    - Procurement - requisition, purchase order, accounts payable
    - Payroll
    - Human resources
    - Student activity accounts

## Case Study I

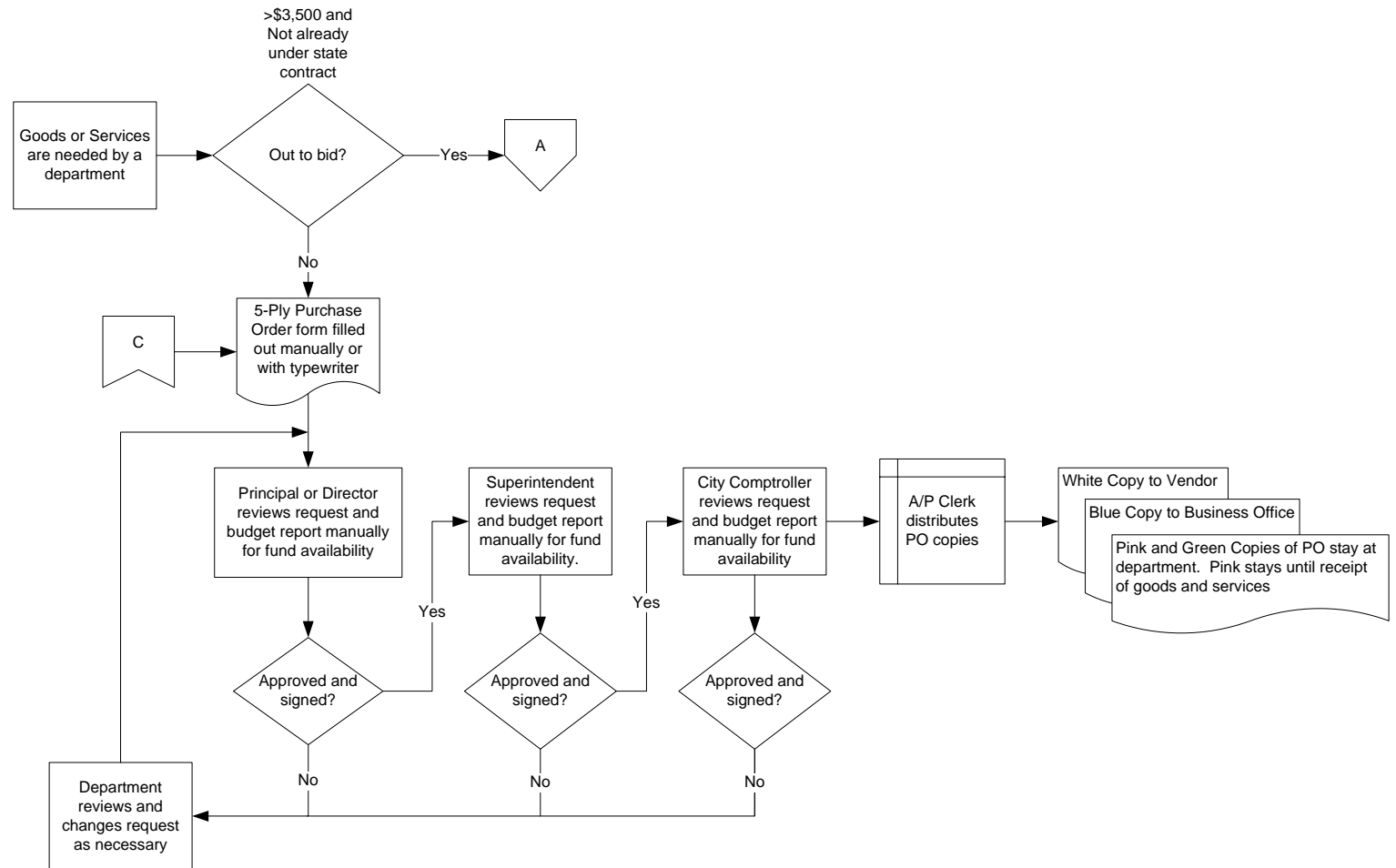
### > Findings - Budget and Financial Reporting

- Budget preparation is done off-line using Microsoft Excel.
  - Budget is re-keyed into financial system at the “adopted” level.
  - All budget checking is done manually, financial system is not utilized for budget edit checks.
    - The process is inefficient.
    - Manual processes are prone to human error.
    - Timeliness of data in financial reports is impacted by the inefficiency of the manual process.
  - A sub-system is used for salary estimates.
    - This sub-system duplicates employee information in financial system.
  - Limited inquiry access to financial system.
    - Schools and remote sites are limited to printed hard copy reports.
  - ED001 development is done on a custom MS-Access database.
    - The application was developed by a previous business manager.

# Case Study I

## > Procurement process

- Developed process flows
- Identified manual tasks



## Case Study I

### >Findings - Procurement

- Procedures vary from department to department since documented policies are limited and not well understood.
  - The BOE follows Town purchasing guidelines.
- All budget checks are done manually, FMS is not used for budget monitoring during procurement process.
  - Increases risk of overspending.
  - Hinders ability to track financial activity.
- Some areas send Purchase Orders after goods have been received.
  - Presents ability to overspend budget.
- Superintendent signs every purchase order, regardless of dollar amount.
  - This reduces time and ability to focus on other responsibilities.
- There is duplicate input of procurement information (PO's and Invoice information)
  - Purchase orders are handwritten or typed by typewriter.
  - Manual Purchase Orders are manually typed into FMS.
  - Vendor invoices are manually typed into into FMS.

## Case Study I

- > Findings - Human Resources/Payroll
  - Limited documented HR Policies and Procedures.
    - Departments are made aware of New Hires, Terminations, or Changes by reviewing the BOE minutes.
  - Duplicate HR databases and information exist. Records are stored:
    - Manually on index cards and employee folders.
    - In proprietary MS-Access (Payroll) and MS-Excel (Human Resources) databases and spreadsheets
    - In the FMS system.
  - Sick and vacation time is decentralized as it is recorded manually by each department.
    - Schools track the certified employees.
    - Human Resources tracks the non-certified employees.
  - Payroll is input into a subsystem at most schools and is input into FMS by the payroll manager.
  - The payroll department is responsible for maintaining all employee information (employee creation, pay changes and payroll processing) in the payroll system.
    - There exists a potential lack of control over payroll transactions.
    - Lack of segregation of duties related to payroll processing

## Case Study I

### > Findings - Student Activity Accounts

– Student activity accounts are maintained by proprietary systems or paper-based ledgers.

- Each school determines their own approach.
- The current management of these accounts varies from school to school.
- Lack of policies and procedures exist for these accounts
- Reviews of these accounts are done on an annual basis.

## Case Study II

### Project Objectives

- > Merge and integrate Town's and School District's Technology Departments
- > Confirm Why Project Was Initiated

#### **Town**

1. Reduce IT expenditures
2. Share people resources
3. Unify Town & School District technologies
4. Enhance quality of service
5. Enhance overall infrastructure

#### **School District**

1. Obtain additional funding to increase technology purchases
2. Enhance and expand overall IT infrastructure
3. Share people resources
4. Unify Town & School District technologies
5. Enhance quality of service

## Case Study II

### Project Objectives

- > Strengths
  - Integrate network and overall infrastructure
    - Hardware – servers and telephone
    - Software – email, other applications
  - Stronger infrastructure
  - Single help desk
  - Improved off-hour support
  - More IT personnel
    - Segregate roles and responsibilities
- > Challenges
  - Union concerns
  - Prioritization of IT support issues
  - Creating a new organizational structure that everyone believes in
  - Over coming Town Council vs BOE politics

## Case Study II

### Project Objectives

- > Merge and integrate Town's and School District's Technology Departments

<b>Town</b>	<b>Trust Between Organizations</b>	<b>School District</b>
Town Council	Low – Medium	Board of Education
Superintendent	High	Town Manager
IT Director	Low	IT Supervisor
IT Staff	High	IT Staff

## Case Study II

- > Merge and integrate Town's and School District's Technology Departments

<u>CSF</u>	<u>Town</u>	<u>BOE</u>
Funding	Maintain IT funding support	Provide new IT funding
Organizational Structure	Unify IT Departments and provide new CTO position to oversee all IT personnel and set direction.	
Create new Committee	Committee composed of Town Manager, Superintendent, Finance Director, Business Office Manager. All IT funding is reviewed\evaluated by group, prioritize projects	
Technology Plan	Create unified strategic technology plan for Town and School District. Identify projects and respective costs. Phase over multiple years.	
IT Process	Create IT Steering Committee for Town: identify and prioritize projects, identify technology issues	Create IT Steering Committee for School District: identify and prioritize projects, identify technology issues
Salary/Benefits	Limited change	Reviewed salary, benefits, roles responsibilities. Increase salary if necessary. Unionize where needed.
Operations	Provide consulting services to "Customers"- Users	Provide consulting Users, Leverage school IT resources – Power Users

## Conclusion

- > Confirm goals and objectives of an efficiency study
  - Why do we need one?
  - What are the anticipated/expected results (at a high level)
  
- > Independent evaluation
  - Difficult to critique yourself
  
- > Confirm a project approach
  - People
  - Process
  - Technology
  
- > Obtain buy-in and implement recommendations

# Questions

