

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT

BOARD OF DIRECTORS MEETING JANUARY 9, 2020

KPPCSD: APPROVAL OF AGREEMENT WITH MAZE & ASSOCIATES TO PROVIDE OVERSIGHT AND COORDINATION OF DISTRICT ACCOUNTING ACTIVITIES

SUMMARY

There is a continuing need for an outside Accounting professional to oversee the accounting function to ensure good internal controls and oversee any accounting issues that may arise. In past years, accounting oversight has been provided by one individual. With Deborah Russell indicating that she wishes to discontinue in this capacity, the District has explored options to fill this role. It would be preferable to hire a firm to provide these services. A firm has the advantage of not being dependent on one individual and provides redundancy. The District is continuing the practice of outside accounting oversight, at less cost and improved oversight.

The part-time Finance and Business Manager needs to ensure the segregation of duties and solid internal controls for the financial processes. Having one employee do everything is not a good internal control. Maze and Associates is a mid-size CPA firm that specializes in local governments. They have excellent references and have provided similar services to small local governments.

In addition, District staff is very small, as is the case with many special districts. This means that if any one staff member is on vacation, ill or separates from employment, there is no one remaining to address critical accounting and financial functions. Retaining a CPA firm will ensure that the District has as-needed services available.

The District payroll system has been a cumbersome and time-consuming activity. This has been brought to the Board's attention in past reports and is an activity that can be improved with reduced cost to administer. The District Finance and Business Manager has been with the District since early November 2019 and has identified a number of areas that can be improved. The highest immediate priority was to process payroll in an efficient and timely manner.

Notably, the firm will not provide audit services, to avoid conflicts of interest. The contract also provides that the hourly cost of the services will depend on the level of the professional performing them. Although there will be an initial start-up cost, the on-going annual cost is projected at \$15,000.

Duties for Maze and Associates:

1. Priority #1: Maze will help with payroll process

It has been determined that the District's temp staff takes an inordinate amount of time processing payroll (nearly 40 hours). Goal is to get payroll down to a 2-5 hour per period processing time and have the physical processing of it outsourced to a company such as ADP, Paylocity or the like. The cost for this will be minimal (\$200-300 per month), but it will take the tax filing liability off the district and make the payroll process more automated, by using a payroll system.

2. Maze will be taking over monthly bank reconciliations:

Day to day financial operations are to be input and maintained by district staff. In order to maintain a strong internal control structure and segregation of duties, bank/treasury reconciliations will be performed by Maze & Associates. County GL records provided to the District will be reconciled to QB activities and discrepancies investigated by Maze. Credit card reconciliations will also be reconciled to the GL in a similar manner.

Through this process revenue, expenditure & balance sheet transaction classifications will be reviewed. Results of the reconciliation will be shared and approved by District Management.

3. Maze will participate with Management in budget modeling for FY 20-21.

- a. Draft appropriations limit to be reviewed by management and the board

4. Act as audit liaison for FY 19-20

- a. Coordinate timing of audit
- b. Book FYE closing entries
- c. Prepare audit worksheets
- d. Address audit open items and ensure filing compliance with other entities
- e. Having a CPA that specializes in local governments and knows all the current GASB regulations will cut down the audit time and make the audit run smoothly.

RECOMMENDATION:

Approve Agreement with Maze & Associates subject to review and approval of the General Counsel.

FISCAL IMPACT:

Projected costs for the initial four months at \$4,000/month; on-going services at \$1,000/month. This will result in an initial annual cost this fiscal year of approximately \$20,000; future annual cost is projected at \$15,000/year; Ms. Russell's annual cost for the last two years has averaged approximately \$26,000.

SUBMITTED BY: Katherine Korsak, District Finance and Business Manager

ATTACHMENTS:

Proposal from Maze & Associates