



District Accounting Systems & Best Practices

November 20, 2024

The inaugural meeting of the Proviso 1.104 Study Committee* on November 20, 2024 convened to set the foundation for examining and recommending improvements to school district accounting systems and practices across South Carolina. The discussion, informed by expert speakers and a collaborative exchange of ideas, surfaced several critical themes that will guide the committee's work moving forward.

Study Committee Goals

The committee reviewed the areas for recommended reforms as required by Proviso 1.104:

1. increased transparency for school district personnel, stakeholders, and policymakers;
2. ensuring alignment to accounting standards across the State;
3. ease of reporting;
4. consolidation of multiple reports into a streamlined reporting format;
5. consistency of data across districts; and
6. increased efficiency for school district financial staff.

Theme 1: Proactive Support for School Districts

The committee highlighted recurring issues faced by school districts, including audit and reporting requirements as well as gaps in accounting expertise.

- **Early Intervention:** Members advocated for tools and processes that would allow the state to identify districts in need of assistance before audits reveal significant issues, preventing escalation to Fiscal Watch or Fiscal Emergency.
- **Capacity Building:** The need for state-level support to build district capacity was emphasized, including training programs, third-party outsourcing options, and shared services to alleviate staffing and gaps in expertise.

Theme 2: Alignment with State and Legal Requirements

Committee members emphasized the need to ensure district and state requirements were aligned with overarching state goals.

- **Standardization of Financial Terms:** Establishing a single, universally accepted definition for key financial metrics, such as "per pupil" revenues and expenditures, was identified as a priority to ensure consistency across districts and reports.
- **Linking Reports to Legal Mandates:** A comprehensive review of all required financial reports was proposed to identify their legal origins, evaluate their current usage, and recommend the elimination of those that no longer serve a clear purpose.

* Proviso 1.104. (SDE: District Accounting Systems and Best Practices) instructs the Department of Education to "convene and staff a study committee to examine and propose necessary revisions for improving district accounting systems and best practices."

Theme 3: Efficient, Reliable Reporting and Transparency

The need for consistent, reliable financial data accessible to school personnel, stakeholders, and policymakers was a key theme among committee members.

- **Streamlined Reporting:** The committee emphasized the importance of consolidating the numerous financial reports currently required, identifying those that are duplicative, and creating efficiencies in their production.
- **Enhanced Reporting:** Members called for systems capable of delivering regular, integrated, and actionable data flows directly to the state, minimizing manual handling.
- **Data Limitations:** Current data collection efforts at the state occur primarily at the district level, leaving gaps in visibility at the school level, which affects transparency and granularity of analysis.

Theme 4: Vision for Future Financial Systems

Discussion focused on the need to modernize data collection efforts in a manner that facilitated district engagement, minimized negative costs and impacts, and aligned with the needs of districts' and the state's broader educational goals.

- **Integration and Automation:** There was strong consensus on the need for integrated, automated data flows between districts and the state to reduce manual intervention, improve efficiency, and ensure timely reporting.
- **Cost and Feasibility of System Overhauls:** While some districts may benefit from transitioning to a standardized accounting system, the committee expressed concerns about the cost, time, and disruption such changes could entail. Solutions leveraging integrated data flows and state-level reporting systems were suggested as potentially less burdensome alternatives.