



Item 9

29 Jan 2020

Zone Finances – Policy Options

Background. OAPSB Zones have evolved to the point where they are creating their own bylaws and managing their own finances. Because Zones do not exist as independent legal entities, the OAPSB Board of Directors must grant them authorities in such areas, or otherwise prohibit them (since these actions are happening now). In the absence of such Board direction, the Association and its Directors are putting themselves at legal and financial risk. This risk is compounded because the annual financial audit does not extend to the Zones.

This analysis examines options for the management of zone finances.

Option	Benefits	Risks	Annual Audit Costs	Comments
A. Decentralized - Zones collect fees, and manage own bank accounts. Zones report all transactions and bank statements monthly to OAPSB. OAPSB audit encompasses zone financial transactions.	This system is already in place at the Zone level, with the exception of reporting monthly to OAPSB.	Bookkeeping needs to be duplicated at both the Zone and OAPSB levels, and there is risk that records will not be forthcoming or accurate.	Estimated OAPSB bookkeeping and audit costs: approx. \$8k for all 7 zones, or \$1.2-\$1.5K for a single zone Individual bank account charges are additional	Financial procedures required Highly level of duplicated effort; administratively and financially expensive
B. Centralized - Zone budget approved by OAPSB board, zones collect fees and submit to OAPSB, and OAPSB manages and pay bills on behalf of zones. Each zones'	One set of (central bookkeeping) Real-time visibility of entire financial picture across OAPSB Simple to audit	Change, and the perception of giving up control, may be too much for some zones	\$1-2K additional bookkeeping and audit fees	Financial procedures required This option mitigates financial risk, through transparency and central control, while zones



Item 9

Option	Benefits	Risks	Annual Audit Costs	Comments
finances are recorded separately within OAPSB monthly financial statements, and annual audit.		Necessitates zones' financial planning (budgeting)		retain independent financial planning
C. Surcharge - on annual OAPSB membership. Each zone receives the same amount per member, from OAPSB	<p>One set of (central bookkeeping)</p> <p>Real-time visibility of entire financial picture across OAPSB</p> <p>Simple to audit</p>	Least flexible	On-line registration, booking and audit costs negligible.	<p>Financial procedures required</p> <p>Zones forgo flexibility</p> <p>Cheapest option</p>
D. Hybrid – Each zone opts for either the centralized, decentralized or surcharge financial option. Those opting for the decentralized option cover the additional audit cost (but not the additional bookkeeping cost) associated with their zone.	<p>Zone self-determination</p> <p>Financial impact of system decision is borne by the those making the decision (rather than entire Association)</p>	Complicated for OAPSB administration	TBD by the individual zones (est. \$1 to \$1.5k per decentralized zone)	<p>Financial procedures required</p> <p>Most flexible option, and the most complex option</p>



Item 9

Analysis:

Option A – **Decentralized**, represents the least change for zones, has the greatest duplication of effort centrally, and costs the most.

Option B – **Centralized**, represents the greatest degree of centralized control, requires zones to financially plan, and features marginal increased cost to the Association.

Option C – **Surcharge**, represents the simplest, least costly and least flexible approach.

Option D – **Hybrid**, represents the most flexible, most complicated approach, whereby each zone opts for its financial management system. The choosing decentralized pay the incremental audit cost (\$1 to \$1.5k per year).

Prepared by: Fred Kaustinen, Executive Director