



# **Berkeley Unified School District**

Financial Management  
Comprehensive Review  
July 2004

**Administrative Agent  
Larry E. Reider  
Office of Kern County  
Superintendent of Schools**

Chief Executive Officer  
Thomas E. Henry

## 1.7 Internal Control Environment — Staff Evaluations

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### Professional Standard

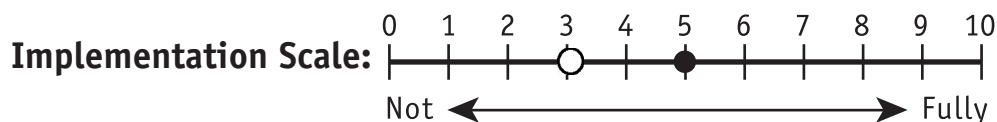
All employees should be evaluated on performance at least annually by a management-level employee knowledgeable about their work product. The evaluations criteria should be clearly communicated and, to the extent possible, measurable. The evaluation should include a follow-up on prior performance issues and establish goals to improve future performance.

### Progress on Recommendations and Improvement Plan

1. Although progress has been made in the Business Department, all employees are not being evaluated once a year as required.
2. Employees reporting directly to the Deputy Superintendent of Business and Operations are up to date on all assigned evaluations, which were completed during the last couple of weeks of the deputy superintendent's employment with the district.
3. Employees who report directly to the Director of Finance are not up to date on all assigned evaluations. Some progress has been made, but other duties have been given a higher priority.
4. Additional training has yet to be offered on how to deal with employees who are not adequately performing their jobs and/or on progressive discipline.

### Standard Implemented: Partially

July 2003 Rating:	3
January 2004 Rating:	Not Reviewed
July 2004 Self-Rating:	7
July 2004 New Rating:	5



## 2.4 Inter- and Intra- Departmental Communications — Communication of Illegal Acts

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### Professional Standard

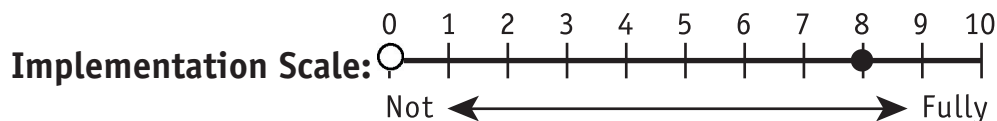
The district should have formal policies and procedures that provide a mechanism for individuals to report illegal acts, establish to whom illegal acts should be reported, and provide a formal investigative process.

### Progress on Recommendations and Improvement Plan

1. The district adopted board policy 3400, Policy for the Prevention of Fraud, at a second reading at the November 5, 2003 board meeting.
2. The policy states that the Governing Board facilitates the development of controls that will aid in detecting and preventing fraud, impropriety or irregularity within the district for employees and/or any other parties that have a business relationship with the district. The policy explains who is responsible for detecting and preventing fraud, how any detected or suspected fraud should be reported, and what types of fraud, improprieties and irregularities should be reported. A section explains that confidentiality must be maintained on all information received and that information concerning the status of an investigation will not be given to anyone without a legitimate need to know. The Deputy Superintendent has the primary responsibility for investigating all suspected fraudulent acts as defined in the policy and is given access to all district records and premises if an investigation is initiated. If the investigation substantiates that fraudulent activities have occurred, a report is to be submitted to the Superintendent and Legal Counsel, who will help decide whether to file a criminal complaint and/or refer the matter to the appropriate law enforcement and/or regulatory agency.

### Standard Implemented: Fully – Substantially

July 2003 Rating: 0  
January 2004 Rating: Not Reviewed  
July 2004 Self-Rating: 8  
July 2004 New Rating: 8



## 5.7 Budget Development Process (Policy)— Projection of the Net Ending Balance

### Professional Standard

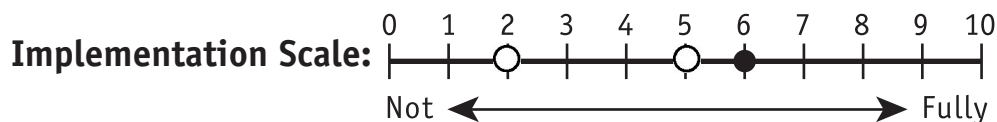
The district must have an ability to accurately reflect its net ending balance throughout the budget monitoring process. The first- and second-interim reports should provide valid updates of the district's net ending balance. The district should have tools and processes that ensure that there is an early warning of any discrepancies between the budget projections and actual revenues or expenditures.

### Progress on Recommendations and Improvement Plan

1. The 2003-2004 general fund ending balance was projected at \$2,876,549.68 at first interim and \$1,850,074.65 at second interim. This is a variance of \$1,026,475.03, which is larger than expected. The higher the variance, the more concern there is of unanticipated and unbudgeted budget issues. The variance amount is an improvement over previous years, but variances need to be minimized in future reports to build more confidence in budgets.
2. The board receives a great deal more information than what was submitted for past board meetings. The additional information is appropriate and appears to be acceptable to the Governing Board. However, the board does not receive monthly budget-to-actual summaries, which would assist the board and community in reviewing the district's financial position in a detailed manner.

### Standard Implemented: Partially

July 2003 Rating:	2
January 2004 Rating:	5
July 2004 Self-Rating:	6
July 2004 New Rating:	6



## **6.1 Budget Development Process (Technical) — Technical Methodologies Used to Forecast Preliminary Budget Revenues and Expenditures**

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### **Professional Standard**

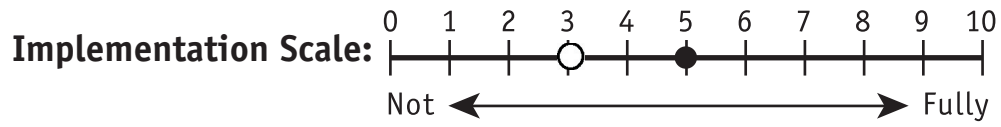
The budget office should have a technical process to build the preliminary budget that includes: the forecast of revenues, the verification and projection of expenditures, the identification of known carryovers and accruals, and the inclusion of concluded expenditure plans. The process should clearly identify one-time sources and uses of funds. Reasonable ADA and COLA estimates should be used when planning and budgeting. This process should be applied to all funds.

### **Progress on Recommendations and Improvement Plan**

1. The budget development process is being carried out in a more detailed and inclusive way. Cabinet members and individual budget managers are able to provide comments and recommendations on the preliminary budget to ensure that the document is well understood and reflects the district's goals and objectives. The next step is to develop some type of written procedure, desk manual or other documentation to document the various steps in the process, the specific staff members responsible for the steps, and the procedures to accomplish each individual task.
2. Sites and departments take a more active role in the budget development process. They have a forum in which to voice the needs of their specific programs, to be provided with the appropriate fiscal resources. The next step is to develop a procedures manual on accounting and budget issues so that sites and departments have a formal and documented source that explains their roles and responsibilities.
3. Because the position control system has been fully reconciled and maintained during the 2003-04 fiscal year, the data can be relied upon in developing the 2004-05 preliminary budget. In addition, the 2003-04 budget has been updated and validated throughout the year. With the accuracy of the district's current information, building a preliminary budget for the next fiscal year can be performed in a more accountable and accurate manner.
4. The district's adopted budgets did not include carryover and deferred revenue in the past, and there are no plans to include them in the 2004-05 fiscal year. The district should include this information so that all estimates are clearly stated, providing a clearer picture of the district's financial condition. With GASB 34 requirements in effect, auditors also consider the variance between the adopted budget and the unaudited actuals. Unless carryover and deferred revenue are included in the adopted budget, variances will be larger than necessary.

## Standard Implemented: Partially

July 2003 Rating: 3  
January 2004 Rating: Not Reviewed  
July 2004 Self-Rating: 6  
July 2004 New Rating: 5



## 7.1 Budget Adoption, Reporting and Audits — Budget Adoption and Reporting: Statutory Time Lines and Procedures

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### Legal Standard

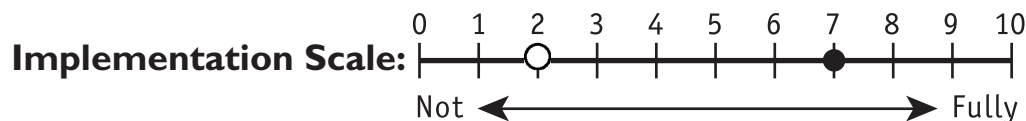
The district should adopt its annual budget within the statutory time lines established by Education Code section 42103, which requires that on or before July 1, the Governing Board shall hold a public hearing on the budget to be adopted for the subsequent fiscal year. Not later than five days after that adoption or by July 1, whichever occurs first, the Governing Board shall file that budget with the County Superintendent of Schools. (EC 42127(a))

### Progress on Recommendations and Improvement Plan

1. At a December 17, 2003 Governing Board meeting, the district adopted a budget calendar that outlines the specific steps towards budget adoption, who is responsible for each step and appropriate time lines. The calendar covers items beginning in January when the Governor's preliminary budget is released and ending with the adopted budget being submitted to the county office on June 30, 2004.
2. The district should consider adding information to the calendar explaining the statutory requirement to revise the budget within 45 days of the Governor approving the state budget. This will ensure that any major revisions are taken into account.
3. The budget has been submitted to the county office on time in the past, but the budget package has been incomplete or has contained insufficient information for the county office to complete its review and decide in a timely manner whether to approve the document. It is expected that a complete budget package for 2004-05 will be submitted to the county office by June 30, 2004.

### Standard Implemented: Partially

July 2003 Rating:	2
January 2004 Rating:	Not Reviewed
July 2004 Self-Rating:	8
July 2004 New Rating:	7



## 7.2 Budget Adoption, Reporting, and Audits — Budget Revision upon Adoption of State Budget

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### Legal Standard

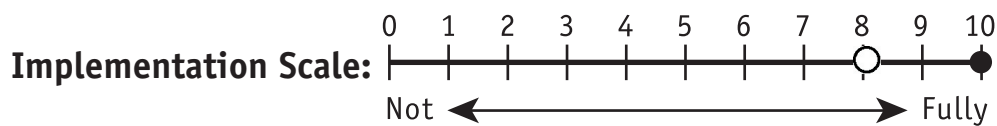
Revisions to expenditures based on the state budget should be considered and adopted by the Governing Board. Not later than 45 days after the Governor signs the annual Budget Act, the district shall make available for public review any revisions in revenues and expenditures that it has made to its budget to reflect funding available by that Budget Act. [EC 42127(2) and 42127(i)(4)]

### Progress on Recommendations and Improvement Plan

1. The district submitted an informational item to the Governing Board September 17, 2003, highlighting the officially signed 2003-04 state budget. Because no significant or material changes were made between the state-adopted budget and the district's 2003-04 adopted budget assumptions, official revision was unnecessary. The district met the 45-day deadline by presenting the information to the board.
2. The district has met the 45-day deadline in previous years.

### Standard Implemented: Fully - Sustained

July 2003 Rating:	8
January 2004 Rating:	10
July 2004 Self-Rating:	10
July 2004 New Rating:	10





## **7.5 Budget Adoption, Reporting, and Audits—Governmental Accounting Standards Statement No. 34 — Policy and Procedures**

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### **Legal Standard**

The district must comply with Governmental Accounting Standards Board Statement No. 34 (GASB 34) for the period ending June 30, 2003. GASB 34 requires the district to develop policies and procedures and report in the annual financial reports on the modified accrual basis of accounting and the full accrual basis of accounting.

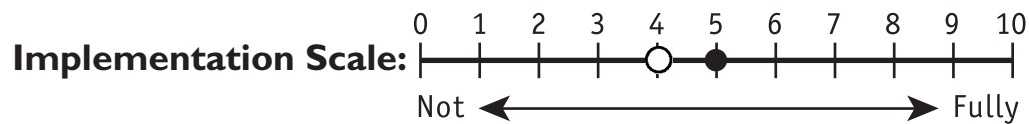
### **Progress on Recommendations and Improvement Plan**

1. The district has developed a capitalization policy of \$5,000 for GASB 34, which the board has reviewed and adopted. No additional procedures regarding GASB 34 have been drafted or adopted.
2. An outside firm inventoried all district assets with a value of more than \$500, which allows the district to maintain the two separate inventories that are required by statute (EC 35168). Items of more than \$500 are required to be inventoried annually for valuation to meet the statutory requirement in EC 35168 as an internal control process for the annual audit. In addition, items of more than \$5,000 will be inventoried, capitalized and depreciated over a period of time according to the district's adopted GASB 34 capitalization policy. All items valued at more than \$500 were electronically tagged for future inventory accuracy and to ensure inventories will be continuously updated. The district needs to develop procedures for ongoing monitoring of fixed assets for inclusion into or deletion from the database developed by the outside appraisal firm.
3. District personnel have not been trained on GASB 34. It is imperative that training is provided so that GASB 34 requirements can be correctly followed throughout the year and completed at year end without outside consultants.
4. The district contracted with School Services of California to complete the GASB 34 conversion entries. Making progress on the entries has been difficult because cash had not been reconciled for a significant period of time, delaying the audit by five months beyond the required deadline. Until cash and other outstanding issues are completed, the conversion entries cannot be completed.
5. The Deputy Superintendent has finished the draft Management Discussion and Analysis, which is a component of the annual financial statements issued by the independent auditors as a part of GASB 34. Because the deputy superintendent's last day at the district was May 14, School Services of California has been asked to complete the analysis.
6. Per the recommendation of the county and the district's independent auditors, the district has requested from the State Controller's Office an extension to June 15, 2004 to complete the 2002-03 annual audit so that the GASB 34 implementation and conversion is reflected in the financial statements.

7. Depreciation of assets will be performed electronically rather than manually through the QSS accounting system, which will save the district considerable labor time. However, the district needs to develop a depreciation schedule as part of the procedures to monitor assets purchased and disposed of and to monitor the associated depreciation of those assets.

### **Standard Implemented: Partially**

July 2003 Rating: 4  
January 2004 Rating: 5  
July 2004 Self-Rating: 6  
July 2004 New Rating: 5



## 7.6 Budget Adoption, Reporting and Audits — Fund Balance Projections

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### Professional Standard

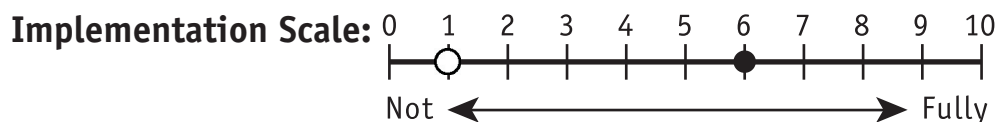
The first- and second-interim reports should show an accurate projection of the ending fund balance. Material differences should be presented to the board of education with detailed explanations.

### Progress on Recommendations and Improvement Plan

1. Department and site administrators receive monthly budget reports from the Business Department to monitor their assigned budgets.
2. Assigned accountants review assigned budgets as time permits. They also perform budget revisions and journal transactions when budget administrators request them. These accountants should still be provided with sufficient time each month to adequately review assigned budgets in order to ensure budget accuracy.
3. The Director of Finance allocates additional time in her schedule to review the district's budgets at budget, interim and closing time, and each month as time permits. The monthly review ensures greater budget accuracy and decreases the number of variances between interim reporting periods.
4. With position control being fully implemented, there is greater review and accuracy in certificated, classified and employee benefit budgets.
5. There is greater trust of financial data in the second year of the new accounting system. Additional training has been provided, and receiving more hands-on experience has allowed the Business Department staff to more fully understand the budget, including how to increase accuracy.
6. Staff openings continue to exist within the Business Department. These openings continue to slow progress, and the staff is working additional hours to complete critical documents that would normally be assigned to those in the open positions.
7. Budget revisions are being submitted to the board within 45 days of budget adoption and at interim reporting time. The variance of \$1,026,475.03 between the first- and second-interim reports was larger than expected, but constituted an improvement over the previous year. A lower variance is necessary in 2004-05 to increase confidence in the data.

### Standard Implemented: Partially

July 2003 Rating:	1
January 2004 Rating:	Not Reviewed
July 2004 Self-Rating:	7
July 2004 New Rating:	6



## 7.8 Budget Adoption, Reporting and Audits — Audit Administration and Resolution: Audit Administration

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### Professional Standard

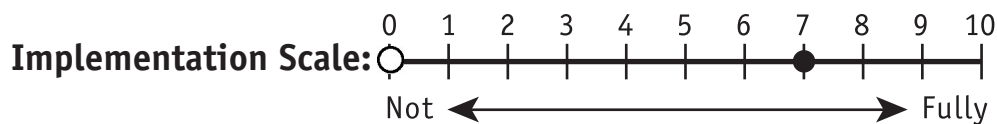
Standard management practice dictates the use of an audit committee.

### Progress on Recommendations and Improvement Plan

1. Board Policy 3410, Audit Committee, was passed at a second reading on April 21, 2004.
2. The Audit Committee is composed of five members. Two are appointed by the board and three are community members who have skills that the board deemed sufficient to carry out their duties effectively. Each member shall be appointed for one year, with a limit of four consecutive terms. Initially, some serve two and three year terms so that in the future, all members' terms do not end in the same year.
3. The Audit Committee will present an annual report to the board on the status and substance of the external independent auditor's work.
4. The board policy has a list of eight specific duties that shall be carried out by the committee. The committee is given authority to ask the Superintendent to make district staff available if needed to carry out the committee's work.

### Standard Implemented: Partially

July 2003 Rating: 0  
January 2004 Rating: Not Reviewed  
July 2004 Self-Rating: 8  
July 2004 New Rating: 7



## 8.1 Budget Monitoring — Encumbrance of Over expenditures

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### Professional Standard

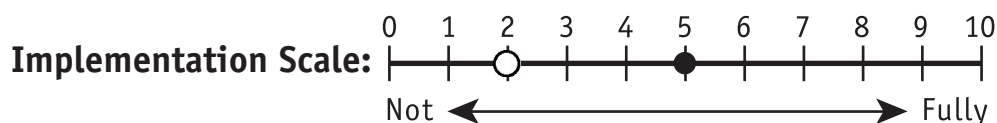
All purchase orders are properly encumbered against the budget until payment.

### Progress on Recommendations and Improvement Plan

1. Online purchase requisitions have not been implemented in the financial system except in the Purchasing Department.
2. Some departments and sites are now running their own budget reports. Those that are not should be strongly encouraged to do so. This would save time in the central office, and ensure that budget managers take more of an interest in their assigned budgets.
3. Online budget transfers are not occurring at any sites or departments. One or two specific departments/sites should pilot this process to determine whether online budget transfers would assist overall work flow and/or encourage further interest in assigned budgets.
4. The process of making purchase orders and encumbering resources is still lengthy and relies on paperwork. If all the information on a purchase order is correct, and the notated budget has sufficient funds, the process runs smoothly. However, if the Purchasing Department receives a purchase order for which there are insufficient funds, the order is returned to the department or site of origin for a budget revision. This usually occurs by fax and greatly delays the purchase. If the district continues to use the manual purchase order, it should be expedited in some manner.
5. Online position control is fully implemented, and salaries and benefits are both being fully encumbered.
6. Employee absence transactions for personal necessity, illness, vacation and other reasons are being verified more frequently to ensure that they are correctly entered into the accounting system and that employees' leave banks are correct. The district should perform a formal reconciliation at specific intervals during the year to ensure that the process is accurate.

### Standard Implemented: Partially

July 2003 Rating:	2
January 2004 Rating:	Not Reviewed
July 2004 Self-Rating:	6
July 2004 New Rating:	5



## 8.4 Budget Monitoring — Budget Revision Procedures

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### Professional Standard

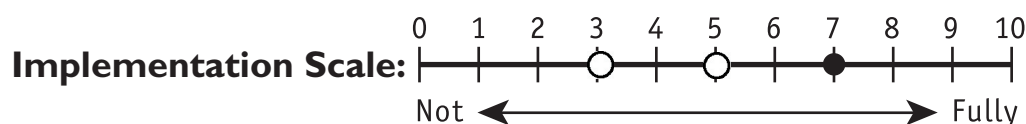
Budget revisions are made on a regular basis and occur per established procedures and are approved by the Governing Board.

### Progress on Recommendations and Improvement Plan

1. The district currently revises its budget during the first, second and third interims, and within 45 days after the state budget is adopted. Governing Board agendas and minutes show that correct actions were taken to approve these budget revisions at those times.
2. The district submitted additional budget revisions to the board in October 2003 to ensure the first-interim report would be more accurate and complete. By doing so, the district also ensured that the board and the community had the most up to date information possible instead of waiting for the first interim to be presented in December.
3. Board policy 3301, Budget Amendments was adopted May 1, 1991 and stated that individual budget amendments in excess of \$25,000 were to be submitted to the board for approval prior to adopting budget amendments. In addition, the policy stated that individual budget amendments of less than \$25,000 were to be ratified by the board at the time of quarterly budget reviews. The policy was outdated and was not followed as written. The board took formal action to rescind this policy on May 5, 2004. A new policy is not planned at this time.

### Standard Implemented: Partially

July 2003 Rating:	3
January 2004 Rating:	5
July 2004 Self-Rating:	7
July 2004 New Rating	7



## 8.5 Budget Monitoring — Position Control

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### Professional Standard

The district uses an effective position control system, which tracks personnel allocations and expenditures. The position control system effectively establishes checks and balances between personnel decisions and budgeted appropriations.

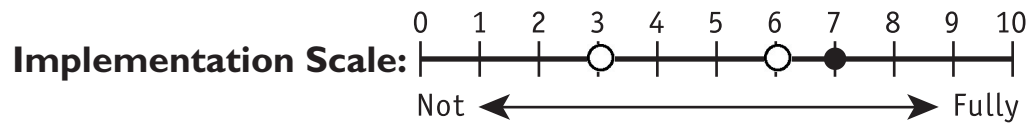
### Progress on Recommendations and Improvement Plan

1. A position control system is fully in place to track personnel allocations and expenditures.
2. Information entered into the position control system regarding both classified and certificated positions has been fully reconciled to the budget.
3. Position control now includes all permanent district salaries. Other types of pay on supplemental payrolls are included in the budget through another budget mechanism. This includes pay for substitutes, extra hires, overtime and other types of salaries that are not related to one of the district's permanent positions.
4. Because substitutes, extra hires, overtime and other types of salaries are included in the budget, encumbering is often misrepresented. This occurs because the QSS system is not able to average nonpermanent salaries over a 1-year period. The system instead encumbers using actuals for the most current month, and then assumes the same amount will be paid in all remaining months. Even though the encumbering system does not function as well for these supplemental payments, the budget is more accurate than if these payments were excluded. Assigned accountants and the Director of Fiscal services monitor these accounts to ensure that they are budgeted correctly.
5. Position control is not used to drive payroll. Although the data in the system is sufficient to drive payroll, this cannot be accomplished because the current module of position control used by the district (QSS July 2002 version) is incompatible with the newer payroll version. The Data Processing Director is assessing the situation to determine whether the systems can be integrated.
6. A Senior Budget Analyst position is directly responsible for entering information into the position control system and keeping it up to date.
7. All hiring now occurs through the Human Resources Department. The sites and departments cannot hire staff members directly.
8. The hiring process has adequate separation of duties through the Human Resources Department and in the position control function, which is maintained through the business office.
9. The Human Resources, Payroll and Business departments have monthly meetings to deal with issues and improve communication.

10. FCMAT budget reviews found that some salary and benefit accounts have large unencumbered balances in some resources and cost overruns in others. Since salaries and benefits make up the district's largest percentage of expenditures, it is important to keep these budgets updated and minimize variances as time progresses. Over time, the district will become more familiar with the position control system, better document the system processes and further integrate nonpermanent employee data into the encumbering function. As a result, the number of variances should decrease, and the reasons for the variances should become more evident, such as personnel requisitions that are not received before payrolls are run.

### Standard Implemented: Partially

July 2003 Rating: 3  
January 2004 Rating: 6  
July 2004 Self-Rating: 8  
July 2004 New Rating: 7





## 9.2 Budget Communications — Identification of One-Time vs. Ongoing Revenues and Expenditures

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### Professional Standard

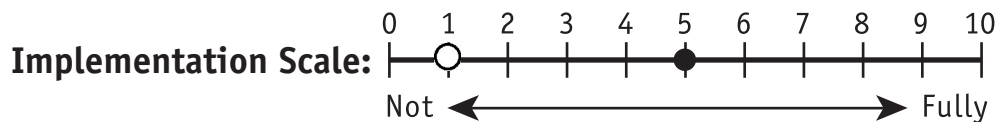
The district budget should clearly identify one-time source and use of funds.

### Progress on Recommendations and Improvement Plan

1. The district includes budget assumptions with all state-mandated reports that are submitted to the board. If they are significant, one-time uses and sources of funds are detailed in those assumptions.
2. The district needs to implement a procedure for detailing restricted funding by resource in multiyear projections. To date, the district's multiyear projections have not been divided by resource, even though the option exists, because of time constraints. It is important for the district to devote sufficient time to complete this task since once it is completed, less time will be required to repeat the process.
3. When the county office asks clarification questions on reports submitted by the district, the requested information should be included in future assumptions. The more information stakeholders are provided with initially, the less they have to request later. All stakeholders should understand the budget process and the information included in the budget.

### Standard Implemented: Partially

July 2003 Rating:	1
January 2004 Rating:	Not Reviewed
July 2004 Self-Rating:	5
July 2004 New Rating:	5



## **12.3 Accounting, Purchasing, and Warehousing — Accounting Procedures: Cash**

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### **Professional Standard**

The district should forecast its revenue and expenditures and verify those projections on a monthly basis in order to adequately manage its cash. In addition, the district should reconcile its cash to bank statements and reports from the county treasurer on a monthly basis. Standard accounting practice dictates that, in order to ensure that all cash receipts are deposited timely and recorded properly, cash be reconciled to bank statements on a monthly basis.

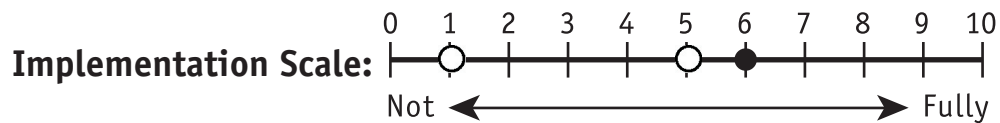
### **Progress on Recommendations and Improvement Plan**

1. Final cash reconciliation for the 2002-03 fiscal year was not completed until May 2004. Not all the reconciliation issues were from the 2002-03 fiscal year since some outstanding unidentifiable cash issues were from previous years. GASB 34 changed the way that funds should be combined, making it necessary to resolve any significant out-of-balance issues. Otherwise, the district audit would contain a disclaimer on cash balances, which would harm the district's credit rating and reputation. The district hired Vavrinek, Trine, Day and Co. (VTD), LLP to assist with cash reconciliations because the district staff was unable to complete them. It was decided in May 2004 that the final amount of \$86,000, which could not be identified or reconciled by VTD, would be written off. This was approved by Gilbert Associates, Inc., the audit firm for the 2002-03 fiscal year, allowing the district to move ahead in 2003-04 with a clean carry-forward balance and all outstanding items recognized. All adjustments will be classified as audit adjustments to the 2002-03 fiscal year audit.
2. Cash reconciliations from January 2003 to March 2003 were not completed until October 2003. These transactions were not performed by the district in a timely manner for several reasons. There was an enormous amount of entries from the 2002-03 fiscal year and previous years, and other duties were given a higher priority. The County Treasurer did not send the statements in a timely manner, and all transactions were being recorded to one fund. These factors caused a considerable amount of extra work. However, internal controls are seriously breached when the district does not correct and reconcile cash information as soon as possible upon receipt.
3. When the district's fiscally independent status was revoked in April 2003, the county office began preparing the district's cash reconciliations and forwarding them to the district to complete any necessary adjustments. It is important for all adjusting entries, whether identified by the county or the district, to be completed as soon as possible so that cash balances are kept current. Otherwise, errors can occur and/or items can be forgotten. When reconciliations are not performed in a timely manner, the district's cash position is distorted.
4. The daily mail is opened only by a district Clerk instead of in dual custody and then sorted for the various departments and employees. With the exceptions of the Director of Fiscal Services and the Deputy Superintendent of Business and Operations, the Clerk does not deliver the mail to individual desks, but places mail in each employee's slot in the mail machine area. Each employee checks his or her mail slot at various times with

no set schedule. The Clerk doesn't always log checks when opening the mail. A serious internal control weakness exists both because the mail is not opened in dual custody and because the checks are not logged. Without additional controls in place for this type of activity, fraud could occur.

### Standard Implemented: Partially

July 2003 Rating: 1  
January 2004 Rating: 5  
July 2004 Self-Rating: 6  
July 2004 New Rating: 6



## **12.8 Accounting, Purchasing, and Warehousing — Accounting Procedures: Purchasing and Warehousing**

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### **Legal Standard**

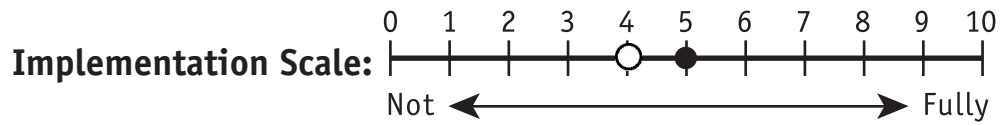
The district should comply with the bidding requirements of Public Contract Code section 20111. Standard accounting practice dictates that the district have adequate purchasing and warehousing procedures to ensure that only properly authorized purchases are made, that authorized purchases are made consistent with district policies and management direction, that inventories are safeguarded, and that purchases and inventories are timely and accurately recorded.

### **Progress on Recommendations and Improvement Plan**

1. In purchasing goods, school sites and departments are still able to choose their own vendors, but with a limited number of staff members in the Purchasing Department, a method has not been implemented to ensure that these vendors are effective and recommendable. The department is able to provide recommended vendor information when requested. The Purchasing Department is fully responsible for entering vendor information into the QSS system regardless of the vendor or who made the selection.
2. QSS training has been provided to the Purchasing Department. The staff is comfortable with the new system, and training appears adequate.
3. Online requisitions are still completed only in the Purchasing Department. The district should choose one department and/or one school site to pilot the process of completing online purchase orders outside the Purchasing Department. Controls can be implemented to ensure that sufficient funds exist and only specific accounts are used. The Purchasing Department could still be the final authority to approve requisitions. This would maintain all internal controls while expediting the process by removing the necessity of filling out paperwork and sending it to the Purchasing Department for entry into the QSS system. In addition, the budget would already be validated to ensure funds exist.
4. All associated study body (ASB) payments are processed through the QSS system in the district's budget. The ASB reimburses the district for the total vendor amount. This ensures that 1099 forms are processed for all applicable vendors and that the process is being completed in the most efficient and accountable manner.
5. A process has not been implemented to periodically reconcile encumbered funds to determine whether they should be closed out or are still encumbered. This is only completed at year end in most cases.

## Standard Implemented: Partially

July 2003 Rating: 4  
January 2004 Rating: Not Reviewed  
July 2004 Self-Rating: 5  
July 2004 New Rating: 5



## 12.9 Accounting, Purchasing, and Warehousing — Accounting Procedures: Construction Related Activities and Expenditures

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### Professional Standard

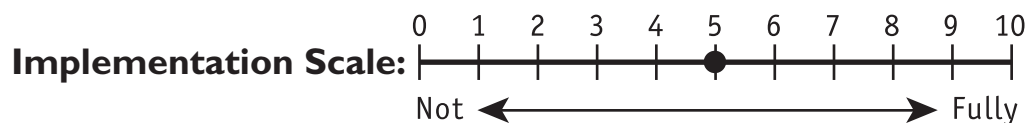
The district has documented procedures for the receipt, expenditure, and monitoring of all construction related activities. Included in the procedures are specific requirements for the approval and payment of all construction related expenditures.

### Progress on Recommendations and Improvement Plan

1. No changes appear to have been made in this area. Some items that should still be reviewed include:
  - a. Implementing board policies and/or accompanying administrative regulations for fiscal accounting regarding construction projects.
  - b. Developing and implementing a procedures guide for fiscal accounting regarding construction projects.
  - c. Continuing to involve the community in the facility process so community members can better understand how their bond and parcel tax dollars are being used.
  - d. Establishing a board policy stating the district's goals for the use of deferred maintenance funds and prioritizing deferred maintenance sites and projects. It would also be beneficial to explain what projects will have the highest priority.
  - e. Evaluating and discussing contracts for legal and construction management companies related to facilities and construction.

### Standard Implemented: Partially

July 2003 Rating: 5  
January 2004 Rating: Not Reviewed  
July 2004 Self-Rating: 5  
July 2004 New Rating: 5



## 14.1 Multiyear Financial Projections — Computerized Multiyear projection

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### Professional Standard

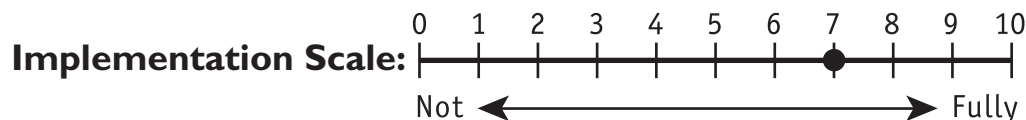
A reliable computer program that provides reliable multiyear financial projections is used.

### Progress on Recommendations and Improvement Plan

1. The Director of Fiscal Services is now fully trained on how to use the School Services of California Multi-Year Projection software so that the district is able to produce its own projections in a timely and accurate manner.
2. The district needs to start separating restricted funding by resource in general fund multiyear projections. Sufficient time should be devoted to completing this task since once it is accomplished, the information can be copied into future projections.

### Standard Implemented: Partially

July 2003 Rating: 7  
January 2004 Rating: Not Reviewed  
July 2004 Self-Rating: 10  
July 2004 New Rating: 7



## 14.2 Multiyear Financial Projections — Projection of Revenues, Expenditures and Fund Balances

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### Legal Standard

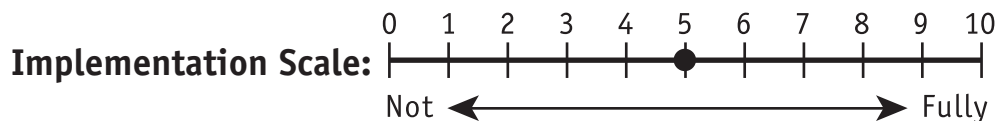
The district annually provides a multiyear revenue and expenditures projection for all funds of the district. Projected fund balance reserves should be disclosed. The assumptions for revenue and expenditures should be reasonable and supportable. (EC 42131)

### Progress on Recommendations and Improvement Plan

1. A multiyear projection is completed at budget adoption and at each interim reporting period. A projection was not completed for any other funds during the fiscal year.
2. The district includes assumptions with all multiyear projections that are submitted to the board. In those assumptions, projection variables seem reasonable and supportable.
3. The district needs to start separating restricted funding by resource in general fund multiyear projections. Sufficient time should be devoted to completing this task since once it is accomplished, the information can be copied into future projections.

### Standard Implemented: Partially

July 2003 Rating:	5
January 2004 Rating:	Not Reviewed
July 2004 Self-Rating:	6
July 2004 New Rating:	5





## 15.1 Long Term Debt Obligations — Public Disclosure Requirements

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### Legal Standard

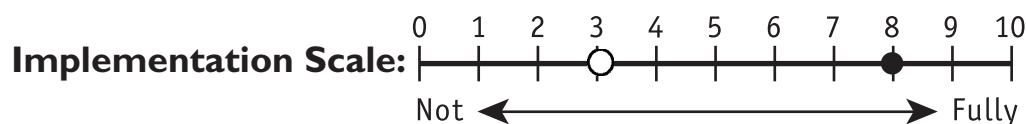
The district should comply with public disclosure laws of fiscal obligations related to health and welfare benefits for retirees, self-insured workers compensation and collective bargaining agreements. (GC 3540.2, 3547.5, EC 42142)

### Progress on Recommendations and Improvement Plan

1. An actuarial study was performed on all retirees who receive health and welfare benefits, including those who are past the age of 65, and this study was submitted to the board on May 19, 2004. Statutes require actuarial studies for retirees who receive benefits and are past the age of 65, but the district has exceeded the requirement by preparing an actuarial on all retirees. This allows the district to calculate and disclose the actual future cost of these retirees and its impact on the district.
2. A Worker's Compensation actuarial study was submitted to the board in September 2003. At that time, the district became self insured for this benefit.
3. The district is adhering to the payment schedule prepared by FCMAT and approved by the board to repay past amounts transferred to the general fund from the property and liability fund.

### Standard Implemented: Fully - Substantially

July 2003 Rating:	3
January 2004 Rating:	Not Reviewed
July 2004 Self-Rating:	8
July 2004 New Rating:	8



## 18.3 Maintenance and Operations Fiscal Controls — Facilities Use Fees

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### Professional Standard

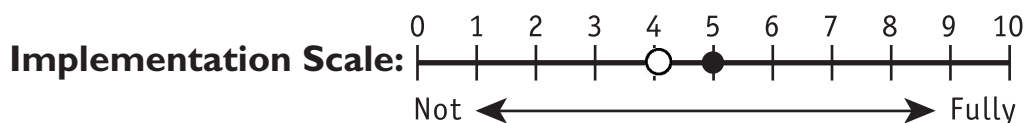
The district should control the use of facilities and charge fees for usage in accordance with district policy.

### Progress on Recommendations and Improvement Plan

1. On February 18, 2004, the Governing Board approved the third phase of the financial recovery plan, developed because of the district's fiscal emergency status. Included in the plan was an increase in community use fees for district facilities since these fees were far below market value. In the early 1990s, board policy established a market rate of \$28 per hour for classroom usage. The current estimated market rate for use of these facilities is \$33 per hour.
2. In reviewing community use fees in the neighborhood and in other districts, the district found that there is no industry standard. Instead of changing the current methodology and/or process, the district implemented an across-the-board increase of 19 percent on all existing rates. Approximately \$50,000 in extra revenue could be generated annually from this increase.
3. Additional oversight, staffing and/or safeguards have not been implemented to deal with potential fraud and abuse issues.
4. Prenumbered forms are not being used as an internal control to deter fraudulent activity.

### Standard Implemented: Partially

July 2003 Rating:	4
January 2004 Rating:	Not Reviewed
July 2004 Self-Rating:	8
July 2004 New Rating:	5





## **Table of Standards for Financial Management**



# Financial Management

Standard to be addressed		July 2003 rating	January 2004 rating	July 2004 rating	January 2005 focus
1.1	Integrity and ethical behavior are the product of the district's ethical and behavioral standards, how they are communicated, and how they are reinforced in practice. All management-level personnel should exhibit high integrity and ethical values in carrying out their responsibilities and directing the work of others. [State Audit Standard (SAS) 55, SAS-78]	3	NR	NR	<input type="checkbox"/>
1.2	The district should have an audit committee to: (1) help prevent internal controls from being overridden by management; (2) help ensure ongoing state and federal compliance; (3) provide assurance to management that the internal control system is sound; and, (4) help identify and correct inefficient processes. [SAS-55, SAS-78]	0	NR	NR	<input type="checkbox"/>
1.3	The attitude of the Governing Board and key administrators has a significant effect on an organization's internal control. An appropriate attitude should balance the programmatic and staff needs with fiscal realities in a manner that is neither too optimistic nor too pessimistic. [SAS-55, SAS-78]	7	NR	NR	
1.4	The organizational structure should clearly identify key areas of authority and responsibility. Reporting lines should be clearly identified and logical within each area. [SAS-55, SAS-78]	3	NR	NR	
1.5	Management should have the ability to evaluate job requirements and match the requirements to the employee's skills. [SAS-55, SAS-78]	2	NR	NR	

# Financial Management

Standard to be addressed		July 2003 rating	January 2004 rating	July 2004 rating	January 2005 focus
1.6	The district should have procedures for recruiting capable financial management and staff and hiring competent people. [SAS-55, SAS-78]	6	NR	NR	
1.7	All employees should be evaluated on performance at least annually by a management-level employee knowledgeable about their work product. The evaluation criteria should be clearly communicated and, to the extent possible, measurable. The evaluation should include a follow-up on prior performance issues and establish goals to improve future performance.	3	NR	5	
1.8	The responsibility for reliable financial reporting resides first and foremost at the district level. Top management sets the tone and establishes the environment. Therefore, appropriate measures must be implemented to discourage and detect fraud (SAS 82; Treadway Commission).	0	NR	NR	<input type="checkbox"/>

# Financial Management

Standard to be addressed		July 2003 rating	January 2004 rating	July 2004 rating	January 2005 focus
2.1	The business and operational departments should communicate regularly with internal staff and all user departments on their responsibilities for accounting procedures and internal controls. The communications should be written whenever possible, particularly when it (1) affects many staff or user groups, (2) is an issue of high importance, or (3) when the communication reflects a change in procedures. Procedures manuals are necessary to the communication of responsibilities. The departments also should be responsive to user department needs, thus encouraging a free exchange of information between the two (excluding items of a confidential nature).	2	6	NR	<input type="checkbox"/>
2.2	The financial departments should communicate regularly with the Governing Board and community on the status of district finances and the financial impact of proposed expenditure decisions. The communications should be written whenever possible, particularly when it affects many community members, is an issue of high importance to the district and board, or reflects a change in policies.	3	NR	NR	<input type="checkbox"/>
2.3	The Governing Board should be engaged in understanding globally the fiscal status of the district, both current and as projected. The Governing board should prioritize district fiscal issues among the top discussion items.	1	NR	NR	<input type="checkbox"/>



# Financial Management

Standard to be addressed		July 2003 rating	January 2004 rating	July 2004 rating	January 2005 focus
2.4	The district should have formal policies and procedures that provide a mechanism for individuals to report illegal acts, establish to whom illegal acts should be reported, and provide a formal investigative process.	0	NR	8	
3.1	Develop and use a professional development plan, i.e., training business staff. The development of the plan should include the input of business office supervisors and managers. The staff development plan should at a minimum identify appropriate programs office-wide. At best, each individual staff and management employee should have a plan designed to meet their individual professional development needs.	1	NR	NR	<input type="checkbox"/>
3.2	Develop and use a professional development plan for the in-service training of school site/department staff by business staff on relevant business procedures and internal controls. The development of the plan should include the input of the business office and the school sites/departments and be updated annually.	2	5	NR	<input type="checkbox"/>
4.1	The Governing Board should adopt policies establishing an internal audit function that reports directly to the Superintendent/State Administrator and the audit committee or Governing Board.	1	NR	NR	

# Financial Management

Standard to be addressed		July 2003 rating	January 2004 rating	July 2004 rating	January 2005 focus
4.2	Internal audit functions should be designed into the organizational structure of the district. These functions should include periodic internal audits of areas at high risk for non-compliance with laws and regulations and/or at high risk for monetary loss.	0	NR	NR	
4.3	Qualified staff should be assigned to conduct internal audits and be supervised by an independent body, such as an audit committee.	1	NR	NR	
4.4	Internal audit findings should be reported on a timely basis to the audit committee, governing board and administration, as appropriate. Management should then take timely action to follow up and resolve audit findings.	1	NR	NR	
5.1	The budget development process requires a policy-oriented focus by the Governing Board to develop an expenditure plan that fulfills the district's goals and objectives. The Governing Board should focus on expenditure standards and formulas that meet the district goals. The Governing Board should avoid specific line-item focus, but direct staff to design an entire expenditure plan focusing on student and district needs.	1	NR	NR	<input type="checkbox"/>
5.2	The budget development process includes input from staff, administrators, board and community.	5	NR	NR	<input type="checkbox"/>
5.3	Policies and regulations exist regarding budget development and monitoring.	3	NR	NR	<input type="checkbox"/>

# Financial Management

Standard to be addressed		July 2003 rating	January 2004 rating	July 2004 rating	January 2005 focus
5.4	The district should have a clear process to analyze resources and allocations to ensure that they are aligned with strategic planning objectives and that the budget reflects district priorities.	1	NR	NR	<input type="checkbox"/>
5.5	The district should have policies to facilitate development of a budget that is understandable, meaningful, reflective of district priorities, and balanced in terms of revenues and expenditures.	2	NR	NR	
5.6	Categorical funds are an integral part of the budget process and should be integrated into the entire budget development. The revenues and expenditures for categorical programs must be reviewed and evaluated in the same manner as unrestricted General Fund revenues and expenditures. Categorical program development should be integrated with the district's goals and should be used to respond to district student needs that cannot be met by unrestricted expenditures. The superintendent, superintendent's cabinet and fiscal office should establish procedures to ensure that categorical funds are expended effectively to meet district goals. Carry-over and unearned income of categorical programs should be monitored and evaluated in the same manner as General Fund unrestricted expenditures.	8	NR	NR	

# Financial Management

Standard to be addressed		July 2003 rating	January 2004 rating	July 2004 rating	January 2005 focus
5.7	The district must have an ability to accurately reflect its net ending balance throughout the budget monitoring process. The first and second interim reports should provide valid updates of the district's net ending balance. The district should have tools and processes that ensure that there is an early warning of any discrepancies between the budget projections and actual revenues or expenditures.	2	5	6	
6.1	The budget office should have a technical process to build the preliminary budget amounts that includes: the forecast of revenues, the verification and projection of expenditures, the identification of known carryovers and accruals and the inclusion of concluded expenditure plans. The process should clearly identify one-time sources and uses of funds. Reasonable ADA and COLA estimates should be used when planning and budgeting. This process should be applied to all funds.	3	NR	5	
6.2	An adopted budget calendar exists that meets legal and management requirements. At a minimum the calendar should identify statutory due dates and major budget development activities.	9	NR	NR	
6.3	Standardized budget worksheets should be used in order to communicate budget requests, budget allocations, formulas applied and guidelines.	3	NR	NR	

# Financial Management

Standard to be addressed		July 2003 rating	January 2004 rating	July 2004 rating	January 2005 focus
7.1	The district should adopt its annual budget within the statutory time lines established by Education Code Section 42103, which requires that on or before July 1, the governing board shall hold a public hearing on the budget to be adopted for the subsequent fiscal year. Not later than five days after that adoption or by July 1, whichever occurs first, the governing board shall file that budget with the county superintendent of schools. [EC 42127(a)]	2	NR	7	
7.2	Revisions to expenditures based on the State Budget should be considered and adopted by the governing board. Not later than 45 days after the governor signs the annual Budget Act, the district shall make available for public review any revisions in revenues and expenditures that it has made to its budget to reflect funding available by that Budget Act. [EC 42127(2) and 42127(i)(4)]	8	10	10	
7.3	The district should have procedures that provide for the development and submission of a district budget and interim reports that adhere to criteria and standards and are approved by the county office of education.	1	7	NR	
7.4	The district should complete and file its interim budget reports within the statutory deadlines established by Education Code Section 42130, et. seq.	2	7	NR	

# Financial Management

Standard to be addressed		July 2003 rating	January 2004 rating	July 2004 rating	January 2005 focus
7.5	The district must comply with Governmental Accounting Standard No. 34 (GASB 34) for the period ending June 30, 2003. GASB 34 requires the district to develop policies and procedures and report in the annual financial reports on the modified accrual basis of accounting and the accrual basis of accounting.	4	5	5	
7.6	The first and second interim reports should show an accurate projection of the ending fund balance. Material differences should be presented to the board of education with detailed explanations.	1	NR	6	
7.7	The district should arrange for an annual audit (single audit) within the deadlines established by Education Code section 41020.	0	NR	NR	
7.8	Standard management practice dictates the use of an audit committee.	0	NR	7	
7.9	The district should include in its audit report, but not later than March 15, a corrective action for all findings disclosed as required by Education Code Section 41020.	0	NR	NR	
7.10	The district must file certain documents/reports with the state as follows: J-200 series - (Education Code Section 42100); J-380 series - CDE procedures; Interim financial reports - (Education Code Section 42130); J-141 transportation report (Title V, article 5, Section 15270).	2	NR	NR	<input type="checkbox"/>

# Financial Management

Standard to be addressed		July 2003 rating	January 2004 rating	July 2004 rating	January 2005 focus
<b>7.11</b>	Education Code Section 41020(c) (d) (e) (g) establishes procedures for local agency audit obligations and standards. Pursuant to Education Code Section 41020(h), the district should submit to the county superintendent of schools in the county that the district resides, the State Department of Education, and the State Controller's Office an audit report for the preceding fiscal year. This report must be submitted "no later than December 15."	0	4	NR	
<b>8.1</b>	All purchase orders are properly encumbered against the budget until payment.	2	NR	5	
<b>8.2</b>	There should be budget monitoring controls, such as periodic reports, to alert department and site managers of the potential for overexpenditure of budgeted amounts. Revenue and expenditures should be forecast and verified monthly.	2	5	NR	
<b>8.3</b>	The routine restricted maintenance account should be analyzed routinely to ensure that income has been properly claimed and expenditures within the guidelines provided by the State Department of Education. The district budget should include specific budget information to reflect the expenditures against the routine maintenance account.	9	NR	NR	
<b>8.4</b>	Budget revisions are made on a regular basis and occur per established procedures and are approved by the board of education.	3	5	7	

Financial Management					
Standard to be addressed		July 2003 rating	January 2004 rating	July 2004 rating	January 2005 focus
8.5	The district uses an effective position control system, which tracks personnel allocations and expenditures. The position control system effectively establishes checks and balances between personnel decisions and budgeted appropriations.	3	6	7	
8.6	The district should monitor both the revenue limit calculation and the special education calculation at least quarterly to adjust for any differences between the financial assumptions used in the initial calculations and the final actuals as they are known.	6	NR	NR	
8.7	The district should be monitoring the site reports of revenues and expenditures provided.	2	5	NR	
9.1	The district budget should be a clear manifestation of district policies and should be presented in a manner that facilitates communication of those policies.	1	NR	NR	
9.2	The district should clearly identify one-time source and use of funds.	1	NR	5	
10.1	The governing board must review and approve, at a public meeting and on a quarterly basis, the district's investment policy. [GC 53646]	3	8	NR	
11.1	An accurate record of daily enrollment and attendance is maintained at the sites and reconciled monthly.	1	8	NR	
11.2	Policies and regulations exist for independent study, home study, inter/intradistrict agreements and districts of choice, and should address fiscal impact.	1	NR	NR	☐



# Financial Management

Standard to be addressed		July 2003 rating	January 2004 rating	July 2004 rating	January 2005 focus
11.3	Students should be enrolled by staff and entered into the attendance system in an efficient, accurate and timely manner.	5	NR	NR	<input type="checkbox"/>
11.4	At least annually, the school district should verify that each school bell schedule meets instructional time requirements for minimum day, year and annual minute requirements.	7	NR	NR	
11.5	Procedures should be in place to ensure that attendance accounting and reporting requirements are met for alternative programs such as ROC/P and adult education.	9	NR	NR	
11.6	The district should have standardized and mandatory programs to improve the attendance rate of pupils. Absences should be aggressively followed-up by district staff.	4	NR	NR	<input type="checkbox"/>
11.7	School site personnel should receive periodic and timely training on the district's attendance procedures, system procedures and changes in laws and regulations.	1	8	NR	
11.8	Attendance records shall not be destroyed until after the third July 1 succeeding the completion of the audit. (Title V, CCR, Section 16026)	7	NR	NR	
11.9	The district should make appropriate use of short-term independent study and Saturday school programs as alternative methods for pupils to keep current on classroom course work.	1	NR	NR	<input type="checkbox"/>

Financial Management					
Standard to be addressed		July 2003 rating	January 2004 rating	July 2004 rating	January 2005 focus
12.1	The district should adhere to the California School Accounting Manual (CSAM) and Generally Accepted Accounting Principles (GAAP) as required by Education Code Section 41010. Furthermore, adherence to CSAM and GAAP helps to ensure that transactions are accurately recorded and financial statements are fairly presented.	8	NR	NR	
12.2	The district should timely and accurately record all information regarding financial activity (unrestricted and restricted) for all programs. Generally Accepted Accounting Principles (GAAP) require that in order for financial reporting to serve the needs of the users, it must be reliable and timely. Therefore, the timely and accurate recording of the underlying transactions (revenue and expenditures) is an essential function of the district's financial management.	0	6	NR	
12.3	The district should forecast its revenue and expenditures and verify those projections on a monthly basis in order to adequately manage its cash. In addition, the district should reconcile its cash to bank statements and reports from the county treasurer reports on a monthly basis. Standard accounting practice dictates that, in order to ensure that all cash receipts are deposited timely and recorded properly, cash be reconciled to bank statements on a monthly basis.	1	5	6	

# Financial Management

Standard to be addressed		July 2003 rating	January 2004 rating	July 2004 rating	January 2005 focus
12.4	The district's payroll procedures should be in compliance with the requirements established by the County Office of Education, unless fiscally independent. (Education Code Section 42646) Standard accounting practice dictates that the district implement procedures to ensure the timely and accurate processing of payroll.	2	NR	NR	
12.5	Standard accounting practice dictates that the accounting work should be properly supervised and work reviewed in order to ensure that transactions are recorded timely and accurately, and allow the preparation of periodic financial statements.	1	NR	NR	<input type="checkbox"/>
12.6	Federal and state categorical programs, either through specific program requirements or through general cost principles such as OMB Circular A-87, require that entities receiving such funds must have an adequate system to account for those revenues and related expenditures.	6	NR	NR	
12.7	Generally accepted accounting practices dictate that, in order to ensure accurate recording of transactions, the district should have standard procedures for closing its books at fiscal year-end. The district's year-end closing procedures should comply with the procedures and requirements established by the county office of education.	1	NR	NR	<input type="checkbox"/>

# Financial Management

Standard to be addressed		July 2003 rating	January 2004 rating	July 2004 rating	January 2005 focus
<b>12.8</b>	The district should comply with the bidding requirements of Public Contract Code Section 20111. Standard accounting practice dictates that the district have adequate purchasing and warehousing procedures to ensure that only properly authorized purchases are made, that authorized purchases are made consistent with district policies and management direction, that inventories are safeguarded, and that purchases and inventories are timely and accurately recorded.	4	NR	5	
<b>12.9</b>	The district has documented procedures for the receipt, expenditure and monitoring of all construction-related activities. Included in the procedures are specific requirements for the approval and payment of all construction-related expenditures.	5	NR	5	
<b>12.10</b>	The accounting system should have an appropriate level of controls to prevent and detect errors and irregularities.	2	NR	NR	<input type="checkbox"/>
<b>13.1</b>	The Governing Board adopts policies and procedures to ensure compliance regarding how student body organizations deposit, invest, spend, raise and audit student body funds. [EC 48930-48938]	0	0	NR	

# Financial Management

Standard to be addressed		July 2003 rating	January 2004 rating	July 2004 rating	January 2005 focus
13.2	Proper supervision of all student body funds shall be provided by the board. [EC 48937] This supervision includes establishing responsibilities for managing and overseeing the activities and funds of student organizations, including providing procedures for the proper handling, recording and reporting of revenues and expenditures.	1	NR	NR	
13.3	In order to provide for oversight and control, the California Department of Education recommends that periodic financial reports be prepared by sites, and then summarized by the district office.	1	NR	NR	
13.4	In order to provide adequate oversight of student funds and to ensure the proper handling and reporting, the California Department of Education recommends that internal audits be performed. Such audits should review the operation of student body funds at both district and site levels.	1	NR	NR	
13.5	In order to provide adequate oversight of student funds and to ensure proper handling and reporting, the California Department of Education recommends that internal audits be performed. Such audits should review the operation of student body funds at both district and site levels.	1	NR	NR	
14.1	A reliable computer program that provides reliable multiyear financial projections is used.	7	NR	7	

# Financial Management

Standard to be addressed		July 2003 rating	January 2004 rating	July 2004 rating	January 2005 focus
14.2	The district annually provides a multiyear revenue and expenditure projection for all funds of the district. Projected fund balance reserves should be disclosed. The assumptions for revenues and expenditures should be reasonable and supportable. [EC 42131]	5	NR	5	
14.3	Multiyear financial projections should be prepared for use in the decision-making process, especially whenever a significant multiyear expenditure commitment is contemplated. [EC 42142]	8	NR	NR	
15.1	The district should comply with public disclosure laws of fiscal obligations related to health and welfare benefits for retirees, self-insured Workers Compensation, and collective bargaining agreements. [GC 3540.2, 3547.5, EC 42142]	3	NR	8	
15.2	When authorized, the district should only use non-voter approved, long-term financing such as certificates of participation (COPS), revenue bonds, and lease-purchase agreements (capital leases) to address capital needs, and not operations. Further, the general fund should be used to finance current school operations, and in general should not be used to pay for these types of long-term commitments.	3	8	NR	

# Financial Management

Standard to be addressed		July 2003 rating	January 2004 rating	July 2004 rating	January 2005 focus
15.3	For long-term liabilities/debt service, the district should prepare debt service schedules and identify the dedicated funding sources to make those debt service payments. The district should project cash receipts from the dedicated revenue sources to ensure that it will have sufficient funds to make periodic debt payments. The cash flow projections should be monitored on an ongoing basis to ensure that any variances from projected cash flows are identified as early as possible, in order to allow the district sufficient time to take appropriate measures or identify alternative funding sources.	2	NR	NR	

# Financial Management

Standard to be addressed		July 2003 rating	January 2004 rating	July 2004 rating	January 2005 focus
16.1	The Governing Board must ensure that any guideline they develop for collective bargaining is fiscally aligned with the instructional and fiscal goals on a multiyear basis. The superintendent must ensure that the district has a formal process where collective bargaining multiyear costs are identified to the governing board and those expenditure changes are identified and implemented as necessary prior to any imposition of new collective bargaining obligations. The governing board must ensure that there is a validation of the costs and the projected district revenues and expenditures on a multiyear basis so that the fiscal issues faced by the district are not strained further due to bargaining settlements. The public should be informed about budget reductions that will be required for a bargaining agreement prior to any contract acceptance by the governing board. The public should be given advance notice of the provisions of the final proposed bargaining settlement and be given an opportunity to comment.	2	NR	NR	



# Financial Management

Standard to be addressed		July 2003 rating	January 2004 rating	July 2004 rating	January 2005 focus
16.2	The Governing Board must ensure that any guideline developed for collective bargaining is fiscally aligned with the instructional and fiscal goals on a multi-year basis. The Superintendent must ensure that the district has a formal process in which collective bargaining multi-year costs are identified for the Governing Board, and those expenditure changes are identified and implemented as necessary prior to any imposition of new collective bargaining obligations. The Governing Board should ensure that costs and projected district revenues and expenditures are validated on a multi-year basis so that the fiscal issues faced by the district are not worsened by bargaining settlements. The public should be informed about budget reductions that will be required for a bargaining agreement prior to any contract acceptance by the Governing Board. The public should be notified of the provisions of the final proposed bargaining settlement and provided with an opportunity to comment.	2	NR	NR	
17.1	There should be a process in place for fiscal input and planning of the district technology plan. The goals and objectives of the technology plan should be clearly defined. The plan should include both the administrative and instructional technology systems. There should be a summary of the costs of each objective, and a financing plan should be in place.	5	NR	NR	

# Financial Management

Standard to be addressed		July 2003 rating	January 2004 rating	July 2004 rating	January 2005 focus
17.2	Management information systems must support users with information that is relevant, timely, and accurate. Needs assessments must be performed to ensure that users are involved in the definition of needs, development of system specifications, and selection of appropriate systems. Additionally, district standards must be imposed to ensure the maintainability, compatibility, and supportability of the various systems. The district must also ensure that all systems are compliant with the new Standardized Account Code Structure (SACS), year 2000 requirements, and are compatible with county systems with which they must interface.	4	NR	NR	
17.3	Automated systems should be used to improve accuracy, timeliness, and efficiency of financial and reporting systems. Needs assessments should be performed to determine what systems are candidates for automation, whether standard hardware and software systems are available to meet the need, and whether or not the district would benefit. Automated financial systems should provide accurate, timely, relevant information and should conform to all accounting standards. The systems should also be designed to serve all of the various users inside and outside the district. Employees should receive appropriate training and supervision in the operation of the systems. Appropriate internal controls should be instituted and reviewed periodically.	4	NR	NR	

# Financial Management

Standard to be addressed		July 2003 rating	January 2004 rating	July 2004 rating	January 2005 focus
17.4	Cost/benefit analyses provide an important basis upon which to determine which systems should be automated, which systems best meet defined needs, and whether internally generated savings can provide funding for the proposed system. Cost/benefit analyses should be complete, accurate, and include all relevant factors.	5	NR	NR	
17.5	Selection of information systems technology should conform to legal procedures specified in the Public Contract Code. Additionally, there should be a process to ensure that needs analyses, cost/benefit analyses, and financing plans are in place prior to commitment of resources. The process should facilitate involvement by users, as well as information services staff, to ensure that training and support needs and costs are considered in the acquisition process.	9	NR	NR	
17.6	Major technology systems should be supported by implementation and training plans. The cost of implementation and training should be included with other support costs in the cost/benefit analyses and financing plans supporting the acquisition.	4	NR	NR	
17.7	Food service software should permit point-of-sale transaction processing for maximum efficiency.	3	NR	NR	

# Financial Management

Standard to be addressed		July 2003 rating	January 2004 rating	July 2004 rating	January 2005 focus
17.8	Administrative system users should be adequately trained in the use of administrative systems and should receive periodic training updates to ensure that they remain aware of system changes and capabilities.	3	7	NR	
17.9	Business office computers, computer screens, operating systems, and software applications used for administrative system access should be kept up to date.	2	9	NR	
18.1	The district has a comprehensive risk-management program. The district should have a program that monitors the various aspects of risk management including workers compensation, property and liability insurance, and maintains the financial well being of the district.	2	NR	NR	
18.2	The district should have a work order system that tracks all maintenance requests, the worker assigned, dates of completion, labor time spent and the cost of materials.	6	NR	NR	
18.3	The district should control the use of facilities and charge fees for usage in accordance with district policy.	4	NR	5	
18.4	The Maintenance Department should follow standard district purchasing protocols. Open purchase orders may be used if controlled by limiting the employees authorized to make the purchase and the amount.	5	NR	NR	
18.5	Materials and equipment/tools inventory should be safeguarded from loss through appropriate physical and accounting controls.	6	NR	NR	

# Financial Management

Standard to be addressed		July 2003 rating	January 2004 rating	July 2004 rating	January 2005 focus
18.6	District-owned vehicles should be used only for district purposes. Fuel should be inventoried and controlled as to use.	4	NR	NR	
18.7	Vending machine operations are subject to policies and regulations set by the State Board of Education. All contracts specifying these should reflect these policies and regulations. An adequate system of inventory control should also exist. [EC 48931]	5	NR	NR	
18.8	Capital equipment and furniture should be tagged as district-owned property and inventoried at least annually.	3	NR	NR	
18.9	The district should adhere to bid and force account requirements found in the Public Contract Code (Sections 20111 and 20114). These requirements include formal bids for materials, equipment and maintenance projects that exceed \$50,000; capital projects of \$15,000 or more; and labor when the job exceeds 750 hours or the materials exceed \$21,000.	8	NR	NR	

# Financial Management

Standard to be addressed		July 2003 rating	January 2004 rating	July 2004 rating	January 2005 focus
19.1	In order to accurately record transactions and to ensure the accuracy of financial statements for the cafeteria fund in accordance with generally accepted accounting principles, the district should have adequate purchasing and warehousing procedures to ensure that: 1. Only properly authorized purchases are made consistent with district policies, federal guidelines, and management direction. 2. Adequate physical security measures are in place to prevent the loss/theft of food inventories. 3. Revenues, expenditures, inventories, and cash are recorded timely and accurately.	3	NR	NR	
19.2	The district should operate the food service programs in accordance with applicable laws and regulations.	3	NR	NR	
20.1	In the process of reviewing and approving charter schools, the district should identify/establish minimal financial management and reporting standards that the charter school will follow. These standards/procedures will provide some level of assurance that finances will be managed appropriately, and allow the district to monitor the charter. The district should monitor the financial management and performance of the charter schools on an ongoing basis, in order to ensure that the resources are appropriately managed.	0	NR	NR	

# Financial Management

Standard to be addressed		July 2003 rating	January 2004 rating	July 2004 rating	January 2005 focus
21.1	The district should have procedures that provide for the appropriate oversight and management of mandated cost claim reimbursement filing. Appropriate procedures would cover: the identification of changes to existing mandates; training staff regarding the appropriate collection and submission of data to support the filing of mandated costs claims; forms, formats, and time lines for reporting mandated cost information; and, review of data and preparation of the actual claims.	3	NR	NR	
22.1	The district should actively take measures to contain the cost of special education services while still providing an appropriate level of quality instructional and pupil services to special education pupils.	2	NR	NR	