



Edison School District

January 12, 2008

Joel D. Montero
Chief Executive Officer



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January 12, 2008

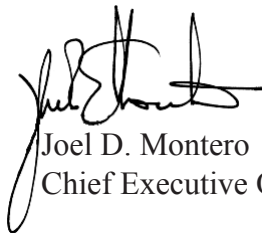
Alison Kitchen, President of the Board
Michael Butcher, Interim Superintendent
Edison School District
721 Edison Rd.
Bakersfield, CA 93306

Dear President Kitchen and Interim Superintendent Butcher:

Attached is the management letter developed by the Fiscal Crisis and Management Assistance Team for your district. We hope you will find this document helpful.

Thank you for allowing us to serve you, and please contact us again if we can be of further assistance.

Sincerely,



Joel D. Montero
Chief Executive Officer

FCMAT

Joel D. Montero, Chief Executive Officer

1300 17th Street - CITY CENTRE, Bakersfield, CA 93301-4533 • Telephone 661-636-4611 • Fax 661-636-4647
422 Petaluma Blvd North, Suite. C, Petaluma, CA 94952 • Telephone: 707-775-2850 • Fax: 707-775-2854 • www.fcmat.org
Administrative Agent: Larry E. Reider - Office of Kern County Superintendent of Schools



January 12, 2008

Alison Kitchen, President of the Board
Michael Butcher, Interim Superintendent
Edison School District
721 Edison Rd.
Bakersfield, CA 93306

Dear President Kitchen and Interim Superintendent Butcher:

The purpose of this letter is to document the findings and recommendations developed by the Fiscal Crisis and Management Assistance Team (FCMAT) in response to the governing board's request for FCMAT assistance. The letter contains the background of the request, identification of specific concerns related to the scope of work, and recommendations that will help the district restore sound internal controls and conduct business in accordance with best public education practices.

Background

On November 8, 2007 the Fiscal Crisis and Management Assistance Team was contacted regarding a management assistance review for the Edison School District. In December 2007 FCMAT entered into an agreement with district to complete the following scope of work:

Conduct a review of credit card usage to determine whether district funds have been expended appropriately and in compliance with district policies and program guidelines.

Review specified reimbursements to determine whether district funds have been expended appropriately and in compliance with district policies and program guidelines.

Review and verify that the district's policies and procedures for fixed asset management have been implemented appropriately.

FCMAT submitted a preliminary document request list to the district's interim superintendent via email on November 13, 2007 to determine the extent of the review. FCMAT visited the district on December 5, 2007 to interview district staff members and conducted a short telephone interview with the district's board president on December 19, 2007. An interview with the superintendent was conducted on January 9, 2008. To document responses to each credit card use profiled in this report, the comments of the superintendent are included immediately after a description of each circumstances related to the purchase.

In some cases contradictions exist between the oral information gathered in interviews with district office employees and oral information provided by the superintendent. FCMAT's ability to document information as to fact is based on credit card transactions and itemized descriptions of items purchased. FCMAT has not expressed an opinion as to the factual accuracy of the information by any of the parties.

In addition to recommendations for improvements in internal controls and procedures to be followed for best practices, the letter includes recommendations in other areas that came to the attention of the FCMAT team during the on-site review.

Summary

Credit card receipts and statements reviewed for this management letter were limited to the card issued to the superintendent. FCMAT found sufficient documentation to indicate three incidents of inappropriate use and poor judgment on the part of the superintendent when using the district's credit card. These include the use of the credit card to pay for alcohol; using the card for personal purchases without reimbursing the district; and not reimbursing the district when cash was received from another employee for a personal purchase made on the district's credit card.

The superintendent noted two situations when other district credit cards have been used by employees for purchases. The details of these purchases are included later in the report. FCMAT recommends the Governing Board request further information from the district office on all charges to district credit cards and after reviewing, considers necessary changes that should be incorporated into an updated credit card policy.

In several credit card purchases of electronic items, the items are not present within the district and were not tagged as provided for by standard district procedures. The After School Education and Safety (ASES) program is intended to serve pupils in kindergarten through grade nine at participating public elementary, middle, junior high and charter schools. It appears that in some instances equipment or supplies charged to the ASES or Gifted and Talented Education (GATE) programs may not have been delivered to or are not being used in these programs.

The superintendent indicated that many of the purchased items that are not in use by the programs are still in her possession and would have been put into use at the district had she remained on active duty.

Sections of this letter include the following:

- Credit cards and Verification of Purchases
- District Equipment
- Standard Practices

Credit cards and Verification of Purchases

Credit Card Policy and Guidelines

In July 2007, the district re-instituted the use of credit cards. The superintendent was issued a card and two additional cards were activated and issued to the administrative secretary of finance and the director of special programs. These cards were stored in the safe at the district office and are used primarily for conference registrations and to make purchases when a vendor will not accept a purchase order.

Governing board policy BP 3350 for travel expenses addresses the use of credit cards as follows: "Authorized employees may use district credit cards while attending to district business. Under no circumstances may personal expenses be charged on the district credit cards." The policy was last updated in June 1998.

In most public agencies, a policy and guidelines handbook is developed and distributed to each employee at the time a card is issued. A sample policy and guidelines are shown below, including a requirement that the employee sign and date the documents to indicate that it has been read and understood:

Purchasing Card

POLICIES AND PROCEDURES

To expedite the purchase and accounting of low cost and specialized items, the district may issue credit cards to a limited number of employees whenever there is sufficient benefit to the office. The number of cards shall be restricted and should only be requested when significant justification and need exists. The district business office will establish credit limits upon the request and recommendation of the administration.

1. Every cardholder must be a full time, permanent employee of the district, and shall agree to all terms and conditions established for the issuance of a district credit card.
2. Every cardholder shall sign their card in the presence of a designated district issuer *immediately* upon taking possession of the card.
3. The cardholder shall be personally liable for all inappropriate charges and shall be personally responsible for the settlement of any dispute with a vendor regarding any purchase.
4. The credit card may be revoked for the following reasons:
 - a. The card is used for personal or unauthorized purposes.
 - b. The card is used to purchase alcoholic beverages or any substance, material, or service which violates policy, law, or regulation pertaining to the district.
 - c. The cardholder allows the card to be used by another individual except as authorized by policy.
 - d. The cardholder splits a purchase to circumvent a purchase limit assigned to the card.

- e. The cardholder uses another cardholder's card to circumvent a purchase limit assigned to either cardholder.
 - f. The cardholder accepts a personal gratuity from a vendor.
 - g. The cardholder uses the card to purchase gratuities and gifts.
 - h. The cardholder fails to provide accounts payable with information about any specific purchase.
 - i. The cardholder fails to provide documentation confirming that charges are approved within five days of a billing cycle.
 - j. The cardholder fails to provide accounting with expense documentation that may be needed to record a purchase appropriately.
 - k. The cardholder does not adhere to credit card policies and procedures.
 - l. The credit card is the property of the bank, and it may at any time revoke card privileges under the provisions of its policies and procedures.
5. Each credit card will be assigned specific purchase limits and restrictions. Cardholders shall adhere to these limits and restrictions. It is the responsibility of the cardholder to monitor usage and confirm that sufficient balances are available prior to incurring charges.
 6. The cardholder is personally responsible for guaranteeing that all charges are for appropriate district expenses, that purchases are within budget limits, and that a purchase does not violate any other law, regulation or policy of the governing board. Neither the bank *nor* the district assumes responsibility for nondistrict purchases. The cardholder shall be liable to the district and to the bank for any nondistrict purchases.
 7. The cardholder shall immediately notify the district business office if the credit card is lost, stolen or in the possession of an unauthorized person. A written follow-up, including pertinent information on the cause of the credit card loss or use by an unauthorized person, shall be forwarded *immediately* to the business office.
 8. Every cardholder shall take reasonable precautions with the credit card. These include, but are not limited to, the following:
 - Keep the card in view after giving it to a clerk. Retrieve it promptly after the clerk has imprinted it.
 - Avoid signing a blank receipt. Draw a line through blank spaces above the total when signing.
 - Destroy all void receipts. If the clerk has to keep a voided receipt for the store's accounting system, be sure to obtain a copy.
 - Save all credit card receipts. Upon receiving the monthly accounting report, check receipts and payments with the statement.
 - Immediately report any questionable charges in writing to the business office.
 - Never lend the card to anyone.
 - Never leave the card, receipts or carbon copies where anyone can pick them up.
 - Never put a card number on a postcard or on the outside of an envelope.
 - Never provide the card number over the phone unless it is certain that the company being dealt with is legitimate.

9. Receipt/Invoice – The vendor shall be *required* to itemize all receipts/invoices. An itemized receipt/invoice shall consist of the following:
 - Description of items purchased
 - Quantity purchased
 - Unit price per item
 - Sales tax
 - Shipping charges
 - Purchase total

10. Payment for charges made against the credit card shall be processed as follows:
 - When the statements are transmitted or otherwise received by the district, the charges against each card shall be charged to that card's designated budget account.
 - Statements shall be forwarded to a designated administrator for review and local processing.
 - The designated administrator shall confirm the amount and purpose of each and every purchase. Confirmation shall be original receipts indicating the requisition number to be charged and the account line.
 - A copy of the bank statements with *all* itemized receipts shall be assembled and returned as a complete group to accounts payable within five working days.
 - Charges made by phone will need to be recorded with the date, vendor, and a description of items, amount, requisition number and account number to be charged.

11. All charges on the bank statement will be passed on to the designated cardholder account, including any transaction fees.

12. Departments are requested to centralize the processing of purchases made via credit cards to book reservations and process authorized purchases.

13. Credit card use *must* be restricted to the following uses:
 - a. Non-standard and/or urgent purchases of supplies, with explanation, with a total transaction amount not to exceed \$250.
 - b. All nonelectronic vendor purchases with a total transaction amount of less than \$250.
 - c. Lodging and registration charges.
 - d. Car rental fees, with prior written approval by an administrator.
 - e. Subscriptions.
 - f. Purchases of minor repairs and parts.
 - g. Workshop meals, with proper documentation and itemization.
 - h. Sole source suppliers who do not accept district purchase orders.
 - i. Parking fees.
 - j. Fuel for district vehicles.
 - k. Student and/or conference attendee materials needed immediately.

14. Card restrictions
Cards **may not** be used for the following:
 - a. Electronic purchases.

- b. Purchases of more than \$250, except as specifically authorized in section 13.
- c. Meal purchases.
- d. Personal purchases.
- e. Equipment purchases.
- f. Cell accounts, phones, pagers or communication equipment.
- g. Services, except as specifically authorized in section 13.
- h. District-provided products and services.
- i. Product and supply purchases not authorized in section 13.
- j. Memberships.
- k. Nonemployee expenditures.

I, _____, have read the District Credit Card Policy and Procedures and agree to abide by them upon acceptance of a credit card issued to me. I agree that revocation of card authorization will have no effect on obligations outstanding as of the date of revocation.

Signature: _____ Date: _____

Card Number: _____ Card Holder Number: _____

Authorized Monthly Amount: \$_____ Card Expires: _____

Credit Card Use July to November 2007

Credit card receipts and statements reviewed for this report were limited to the card issued to the superintendent. When interviewed, the superintendent indicated that the administrative secretary, finances provided her with monthly card statements for review on only one occasion, and that if she had seen each statement, she would have been more aware of instances when she had used the district card rather than her own personal card. The superintendent indicated that if this had occurred, she would have reimbursed the district at that time. The superintendent also indicated more than once that she had incurred expenses for the district and not submitted requests for reimbursement.

The superintendent submitted receipts to the business office for all but a few purchases. Items purchased were typically not checked in by another member of the staff but were delivered directly to the school sites by the superintendent. Under best practices, all items should be received and compared to the receipt before being distributed. Electronic equipment such as computers, printers and cameras should be recorded and tagged before being used. Some electronic items were put into use at the district office or school sites. Purchase requisitions for items bought with the credit card were often completed after the fact by the business office to provide supporting documentation. The superintendent wrote notations on some receipts to identify which program was to be charged. The superintendent indicated that she was often in between tasks when asked to identify the programs to be charged and made notations quickly.

The district's standard process for purchases begins with an employee completing a brown purchase requisition. After the requisition is approved and signed by the superintendent, it is forwarded to the business office for coding, then to the office clerk for typing and processing.

Employees understand the general policy that there will not be a purchase without prior approval and that an item should not be requested if it is not needed. Because the superintendent is the senior administrator, purchases made by the superintendent are not reviewed or approved by another employee prior to purchase.

Purchase orders are issued for the majority of purchases. When an invoice is received, the purchase order is matched to the invoice before it is processed for payment. Purchases made by credit card provide a receipt to match with the credit card statement prior to coding and payment, bypassing confirmation of available funds before purchase.

August 22 Statement

The first statement reviewed by the FCMAT is dated August 22, 2007 and includes transactions posted between July 25 and August 18, 2007. The statement balance of \$9,116.61 includes a payment of \$6,032.60 to Bakersfield Blueprint & Copy, which was transacted by telephone on August 2, 2007 and so noted on the receipt. The expense was charged to the building fund. Because expenditures related to building projects are often material in nature and most vendors will accept a purchase order, payments for services of this type would be more appropriately processed through the district's financial system.

The superintendent indicated that she was out of the district when the blueprints were being picked up by a district maintenance employee and is unsure whether Bakersfield Blueprint & Copy would not accept a purchase order at the time. The superintendent recalls that the administrative secretary, finances contacted her by telephone to ask whether the cost could be paid with the superintendent's credit card. The superintendent approved the purchase.

The remaining charges on the August statement were for transactions with the following businesses:

Sheraton Hotels, Sacramento	AMPCO Parking, San Francisco
CompUSA	Barnes & Noble
Hilton Hotels, San Francisco	Target
Bed, Bath & Beyond	El Jacalito Mexican Restaurant
GW Bakersfield	Logans Roadhouse
Home Depot	Party City
Witts Everything for Office	Shell Oil
Motel 6	Apple iTunes

The superintendent later reimbursed the district for the Motel 6 charge. A color Epson printer had been purchased by the district for use by the superintendent at her home. A CompUSA receipt dated July 29, 2007 for \$128.61 was for Epson ink cartridges. A Target receipt dated August 17, 2007 for \$193.81 was also for Epson Ink cartridges. Later statements also include numerous purchases of ink for the home printer.

The superintendent indicated that she viewed the credit card statement with the Motel 6 charge and gave the administrative secretary, finances a check made out to the credit card company for the payment since this should have gone on her personal credit card.

The superintendent indicated that large quantities of ink were needed for the Epson printer so that her daughter, who was teaching a photography class in the after school program, could print 8 x 10-inch photos taken by the students. The daughter indicated that the district printers did not work well for this type of printing.

September 24 statement

The September 24, 2007 statement for \$730.71 reflects transactions posted between August 23 and September 12, 2007. Purchases were made from the following businesses:

Home Depot	Barnes & Noble
School Outfitters	GW Bakersfield

October 22 statement

The October 22, 2007 statement for \$5,897.09 reflects transactions posted between September 24 and October 18, 2007. The superintendent submitted no receipts for purchases from Adoro Mexican Restaurant, Chevron, U.S. Post Office and Jack in the Box. The superintendent indicated that she believes she has receipts for all purchases. Purchases supported by receipts were made from the following businesses:

CompUSA	Denny's
Wal-Mart	Kmart
Target	Bed, Bath & Beyond
Michaels	IKEA
Red Robin Restaurant	Macy's West
Budget Rent-a-Car	Chevron
Wilshire Grand Hotel	Office Max
Radio Shack	GW Bakersfield
Home Depot	Kohnen's County Bakery
Albertson's	Market City Café
El Torito	

The receipt submitted by the superintendent for \$120.00 for the Wilshire Grand Hotel on October 2, 2007 was not itemized and included a handwritten notation reading, "CPM Conference, dinner." The district business office contacted the hotel to request a copy of the itemized receipt, which included 13 alcoholic beverages at a cost of \$104.00 and a \$16.00 gratuity. The recollection of an employee who participated in the event is that she and the superintendent joined a group of administrators from the Bakersfield area in the evening and drinks were purchased. The employee indicated before leaving each person would give cash to the district superintendent to cover the cost of the beverages (the employee stepped out of the room before any cash changed hands). The superintendent did not reimburse the district for the cost of the alcoholic beverages or the gratuity. Public funds cannot be used to purchase alcohol under any circumstances.

The superintendent indicated that she had been provided with only a summary bill by the hotel, and that she believed she had used her personal credit card for the drinks. The superintendent indicated that she was rushed on the day that the administrative secretary, finances needed the receipts and information on where to charge the expense and quickly noted the CPM conference

activity on the receipt. Also, that the group had already ordered other alcoholic beverages before she and the employee arrived, and that the amount of cash she was given was not enough to cover the bill.

Epson ink cartridges were purchased at CompUSA and Office Max as follows:

September 24, 2007	\$83.63	October 04, 2007	\$141.16
October 10, 2007	\$259.00	October 11, 2007	\$51.96
October 15, 2007	\$124.00		

The superintendent indicated that while she could not recall exactly what was printed in late September and October, it certainly would have been for district purposes, perhaps for covers for board information or for the Edusoft Training for teachers. The superintendent indicated that six separate color cartridges are required to print color copies, and that if one cartridge is depleted; all the cartridges need to be replaced.

A CompUSA receipt dated October 11, 2007 included a Compaq Presario Desktop PC, a 19" Samsung monitor, a HP Notebook PC, a computer bag, flash drives and several other small items. The HP computer and the computer bag were charged to the ASES program and the Compaq computer and monitor were charged to the special education program. A CompUSA receipt dated October 10, 2007 included a 4GB memory stick, a Sony Handycam and a digital keychain.

The superintendent indicated that at least two computers had been reassigned to other staff members when the former Special Education Director and RSP teacher left the district, and when a new employee was hired to fill one of the positions, a new computer was purchased. The superintendent indicated that at least three computers had been purchased for the ASES program since it started, and that she assumed all had been correctly tagged. FCMAT confirmed that multiple Apple Macbook Pro computers had been purchased by the district in February and were charged to the ASES program. The purchase order description of goods to be purchased was non-specific, simply stating: Not to exceed \$14,000.

A Wal-Mart receipt dated September 24, 2007 included the purchase of women's slippers, slippers, and footwear. Crystal stemware and two bake ware items were purchased at Macy's West for \$108.21 with a notation of "staff incentives for ASES" included on the receipt. District funds may be used to recognize outstanding performance, but under best practices should be reasonable in cost. The ASES program distributes gift cards, a practice that is acceptable under the program's guidelines.

The superintendent indicated that the slippers and footwear had a tiger, panther, and pig theme and were worn for spirit activities at school sites or at the fair. The superintendent indicated that past district practice for the Christmas party was for each school site and the district office to rotate hosting the event, and that raffle prizes would be purchased in advance and awarded to the employee with a matching ticket stub drawn from a container. The superintendent indicated that the district would add the costs of the prizes prior to the event to identify the total cost that would be reimbursed through the proceeds of tickets that employees purchased for the party. The superintendent also indicated that she has the items purchased from Macy's in their original packaging. Had the event moved forward as intended, the superintendent indicated that the prizes

would have been awarded, and the proceeds from the ticket sales would have been used to reimburse the costs charged to the credit card.

The IKEA receipt for \$204.69 dated October 2, 2007 included a swivel chair, table, and chair components (frame, armrest, and seat shell) and was charged to the Read 180 program. Another employee who was with the Superintendent at IKEA made a personal purchase, and that item was included with the charges made on the district credit card. The employee wrote a personal check to the Superintendent for \$80 with a notation that this amount was for her child's desk. The district was not reimbursed from the cash received by the superintendent for the item purchased by the other employee.

The superintendent indicated that all of the IKEA purchases were personal and that she thought she had used her personal credit card and therefore kept the \$80 given to her by the other employee. The superintendent indicated that had she seen the credit card statement and charges, she would have realized she used the wrong credit card and reimbursed the district for the total cost.

Receipts submitted to the team prior to the next statement included purchases from Kohnen's Country Bakery, El Jacalito restaurant, Office Depot, Office Max, and Sports Chalet. The Sports Chalet purchase of \$128.69 was for a self-contained action camera with a notation that this item was for the GATE program. Based on interviews, it appears that the camera is not being used by GATE.

The superintendent indicated that she has the camera purchased for the GATE program at the request of the GATE teacher, in its original packaging.

Based on interviews with other district office employees, a camera valued at approximately \$2,000 was purchased by the district and used by the Superintendent to photograph school events. In separate interviews three of the employees indicated that the camera was not tagged, although a lens purchased for the camera was tagged by the district when delivered.

The superintendent indicated that the camera, which was last used by her on Halloween, was located in her office in a camera bag underneath her desk and bears a tag on the bottom of the device.

The superintendent indicated that on one occasion she had questioned the cost of a purchase charged to a district credit card by two employees for curtains to provide visual separation for windows between a regular classroom and a room used by the after school program. The classroom teacher had complained that activities going on in the other room were disruptive. The curtains, reportedly costing approximately \$700 (the superintendent did not see the receipt) were purchased at JC Penney's. The purchased items did not address the problem sufficiently and were returned for a "store credit". The superintendent indicated that she reprimanded one of the employees for the purchase and directed that employee to contact JC Penney's for a full refund. The required curtains were later purchased by the superintendent and the employee elsewhere at a much reduced cost. This incident was not mentioned by any other employee during their interview and FCMAT did not receive any documentation to show that a full refund had been processed and received by the district.

The Superintendent also indicated that an employee used a district credit card to purchase food for the day care program. During an interview with FCMAT, the After School Director indicated that she has used a credit card to purchase from Food Max. On those occasions, the director indicated that she attaches an itemized receipt to the district's brown purchase requisition and submits the documentation to the district office.

Other options should be exercised to purchase the type of items charged on the credit card, including basic district supplies, computers, and technology accessories such as cables, printer ink, etc. as had been past practice prior to implementing credit card use. While credit cards allow purchasing in a more expedient manner, their use may bypass budgetary controls. Issuing a purchase order for purchases results in funds being encumbered in the appropriate accounts and adheres to the district's identified level of documenting prior approval for the purchase of the items. The superintendent indicated that the district has no written procedures for the use of credit cards.

The superintendent indicated that prior to implementing the use of credit cards, teachers and other staff members made purchases without prior approval and submitted receipts for reimbursement, and that at least one employee requested interest on her out-of-pocket expense because of delays in reimbursement. The superintendent indicated that after she worked with site principals to provide prior approval of purchases, the number of problems has decreased. Employees are reimbursed from the petty cash fund if sufficient cash is available or through the county system.

Recommendations

The district should:

1. Request that identification of all purchases made on district credit cards be provided to the governing board. The board should review this information for the purpose of providing greater specificity as to acceptable uses of credit cards when updating the current board policy.
2. Develop a credit card use handbook and provide training for all employees that will be issued a credit card. Employees should be required to sign a statement acknowledging that they have read and understood the policy. Cards should be cancelled if abused.
3. Require employees to reimburse the district for purchases that do not comply with board policy.
4. Require that all electronic items purchased by credit card are properly received and tagged prior to being placed into service.
5. Maintain an inventory of all district property purchased by a credit card that may be in use at an alternate location.

District Equipment

At various times, employees observed the superintendent or a family member using the district's copy machine or poster maker for purposes outside of district activities. In some cases, a family member came to the district office to use the equipment because "the printer at home was out of ink". On some occasions, posters were made for an outside foundation that was not school-related. When interviewed by telephone, the Board President told the team that she had not been informed or given approval for nonschool-related use of equipment or supplies.

The superintendent indicated that while a family member may have used the district copy machine in some instances, this would have occurred infrequently and for very small quantities. The superintendent indicated that she used the poster machine occasionally for nondistrict use as did other employees. The superintendent recalled several occasions when other employees used district equipment, such as when an employee printed an enlarged copy of a photo taken on a Hawaii vacation; carnival posters were printed; and, something was printed for a funeral of an employees' relative.

Envelopes and labels were printed in the district office for the foundation, and one of the district office employees indicated that this occurred many times and that district employees helped stuff the envelopes during the work day. Although the foundation supports a good cause and made a donation to the district during the back-to-school drive, the use of public funds and employee time is not appropriate.

The superintendent indicated that she brought her own envelopes and labels from home and ran them through district equipment. The superintendent also indicated that employees did not stuff envelopes for the foundation, but on one occasion, an employee offered to manually feed envelopes through a printer.

In November, the Interim Superintendent met with the Superintendent to collect several pieces of district equipment. Three computers were returned:

A Gateway Tablet computer had been provided to the district by Gateway for evaluation with the intent of subsequent purchase by the district. Two monitors, one for the office and one for the home, were also provided, along with two Bluetooth mouse devices and keyboards, a dock, and two flat paneled monitors. The Gateway computer was returned although none of the peripheral items have been received by the district at this time. The computer had not been tagged, as it had yet to be purchased by the district. The condition of the computer was such that the staff members are compelled to purchase the computer rather than return it to Gateway as is.

A HP laptop was returned to the district and was tagged at that time. The computer was not set up for the district network.

A Macintosh Apple computer was returned to the district. According to the district Network Manager, the serial number of this computer *does not match* that of the Apple computer that was purchased by the district in August 2007. CompUsa provided the

district with information that said the returned computer had been purchased on November 9, 2007, indicating that it is *not the same* computer purchased by the district in August 2007.

The superintendent indicated that two of her family members own the exact same model of Apple computer, and a mix-up may have occurred between those computers and the one purchased by the district. The superintendent indicated that she will make the exchange and accepts that by doing so she will lose personal non-transferable software that has already been loaded on the computer returned in November. The superintendent has requested that she be provided with the serial number of the computer that was purchased by the district on August 14, 2007.

The serial number is sw873179yx91 as recorded on the CompUsa packing list from August 2007.

Standard practice for tagging and recording equipment is to tag items costing \$300 or more. The Office Clerk records the serial number, model number, cost, budget code and tag number for each item. Items are normally delivered to the district office by the vendor and tagged at that time. Purchases made with the credit card may not have come to the district office prior to being put into service.

Surplus items are approved by the board prior to going to a public sale, and the inventory log is updated if the board item includes the tag number

Recommendations

The district should:

1. Develop a policy to identify criteria for the use of district equipment or supplies for nonschool purposes, including reimbursement for the cost of supplies.
2. Require that all electronic items purchased by the district are properly received and tagged prior to being placed into service.
3. Maintain an inventory of all district property purchased by the district that may be in use at an alternate location.
4. Ensure that the sale of surplus items is conducted under Education Code guidelines.

Standard practices

During interviews, it became clear that certain district practices that should be considered standard are not consistently applied. For example, some employees are not reimbursed for mileage driven in personal vehicles while on district business. Reimbursement should be applied to all employees who are required to drive a personal vehicle during the work day when on district business.

In 2007-08 the business office began to budget and account for expenditures at a site level at the direction of the Superintendent. The Director of Special Programs did not receive regular budget reports, and indicated although she oversees the Special Education program, the budget for the program was managed directly by the Superintendent. Recently, district practices have been revised to provide monthly budget printouts to program directors/coordinators. Budget monitoring and accountability cannot be properly maintained without those in charge of supervising the program having access to information on how much is available and how much has been spent to date.

Posting and maintaining information on calendars is done in differently by some employees in the district office. Several of the district office employees interviewed indicated that they post outside appointments, vacations, or meetings to Outlook but do not necessarily post due dates or other information. Four of the employees in the district office have access to the Superintendent's calendar in Outlook. Access to the staff calendars is important when the Superintendent or any other employee who is involved in an activity outside of the district needs to be contacted.

The Superintendent indicated that in the past there had been a problem whereby site staff had been able to access calendars for district staff. Under standard practices, access would generally be limited based on the organizational structure within sites.

The Network Manager reviews requests for technology purchases to determine whether the requested item(s) is consistent with other technology and is the best option for the intended use. The manager has begun to separately record and monitor items of more than \$300 and solicits quotes for new items prior to purchasing through a purchase order.

Competitive bids for contracts for services are submitted to the board for approval. Quotes should be requested for services that fall under the bid levels and submitted to the board for approval as well to ensure fairness in selecting vendors. Conflict-of-interest guidelines should be followed by the administration or board when family or friends have submitted a competitive bid or quote for consideration.

Most local businesses accept purchase orders by FAX. Using this method, district supplies can be purchased from a variety of vendors. The purchase order amount can be based on an estimate of cost or on specific cost information secured from the vendor. Purchases of district supplies using a credit card should be reserved for emergency situations only. Vons and Food Maxx supermarkets allow the district to purchase food items for after-school programs on a store

account. Payment for these purchases is processed via pay vouchers in the district's financial system.

The normal process for attending conferences is for an employee to submit a conference attendance request form for approval at least 10 days prior to the registration deadline. A pink conference reimbursement request must be submitted within two weeks after the conference with original receipts and a list of purchases for out-of-pocket expenses. As noted earlier in this letter out of pocket reimbursements are processed through the petty cash account if sufficient funds are available; or, are otherwise processed through the district's financial system.

Between August 2006 and November 2007, the Superintendent was reimbursed by a petty cash check for 21 claims for supplies, per diem meals/mileage, etc, totaling \$3,021. In order to verify the frequency and amount of checks issued for reimbursements to all employees from the petty cash account and the district's financial system, the governing board should request a full reconciliation of the number of reimbursement claims processed from the business office. Information on the average number of days it takes for a warrant to be issued by the county office should also be provided to the board.

After review, limitations for processing reimbursements through the petty cash account should be re-considered if the number of days needed to process a warrant through the financial system is determined to be reasonable. Reimbursements for less than \$25.00 should continue to be processed through petty cash. Any changes to the current procedure should be communicated to all staff in memo form.

Recommendations

The district should:

1. Ensure that district policies are applied consistently and fairly for all employees.
2. Ensure that program budgets are regularly reviewed at a supervisory or management level. The district should also ensure that employees with responsibilities for overseeing programs are familiar with the budgets and are held accountable for the use of funds.
3. Determine whether the addition of other information would be helpful on employee outlook calendars.
4. Continue to strengthen guidelines for technology purchases to standardize equipment, obtain the best pricing available, and maintain accurate equipment inventory data.
5. Require board approval for contracts of more than \$1,000.
6. Adhere to the guidelines for the disposal of surplus equipment.
7. Consider limiting the use of credit cards for specific items under a fixed dollar amount, or for emergency situations when a vendor will not accept a purchase order.

8. Identify a maximum level for petty cash checks and consider processing all employee reimbursements over \$25 through the financial system.

We appreciate the opportunity to serve the Edison School District. If you have any questions regarding the information in this letter, please contact me at 661 636-4611. All of the original documentation provided to FCMAT will be returned to the district once the report has been finalized.

Sincerely,

A handwritten signature in black ink that reads "Barbara Dean". The signature is written in a cursive, flowing style.

Barbara Dean
Deputy Administrative Officer
Fiscal Crisis and Management Assistance Team