



# **Glenn County Office of Education**

## **Management Review**

February 5, 2009

Joel D. Montero  
Chief Executive Officer





**CSIS California School Information Services**

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February 5, 2009

Arturo Barrera, Superintendent  
Glenn County Office of Education  
311 South Villa Avenue  
Willows, California 95988

Dear Superintendent Barrera:

In June 2008, the Fiscal Crisis and Management Assistance Team (FCMAT) entered into an agreement for a management review with the Glenn County Office of Education. The request specified that FCMAT would:

1. Review expenditures of the SPARK after school program for the 2006-07 and 2007-08 fiscal years and document any misuse of funds, if applicable.
2. Review conference and mileage reimbursement, and stipends paid to a former administrator for calendar years 2002 through 2006 and document inappropriate use of public funds, as applicable.
3. Review expenditures of the William Finch Charter School for fiscal years 2004-05 through 2007-08 and document inappropriate use of public funds, as applicable.
4. Review admission of students to the charter school for the same fiscal years listed above to determine if the school complied with maintaining the racial and ethnic balance identified in the charter petition.
5. Review special education expenditures of the COE for fiscal years 2004-05 through 2007-08 for compliance with program guidelines and the use of public funds and document inappropriate expenditures, as applicable.
6. Review general fund expenditures for non salary/benefit accounts for fiscal years 2004-05 through 2006-07 to document any misuse of funds and inappropriate expenditures as applicable.
7. Identify needed improvements to internal controls, as applicable.
8. Review and report on each of the following areas related to the William Finch Charter School:
  - a. Determine if the charter committed a material violation of any of the conditions, standards, or procedures set forth in the charter.

**FCMAT**

Joel D. Montero, Chief Executive Officer

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- b. Determine if the charter failed to meet or pursue any of the pupil outcomes identified in the charter.
- c. Determine if the charter failed to meet generally accepted accounting principles, or engaged in fiscal mismanagement.
- d. Determine if the charter violated any provision of the law.

The attached final report contains the study team's findings with regard to the above areas of review. We appreciate the opportunity to serve you, and we extend our thanks to all the staff of the Glenn County Office of Education.

Sincerely,

A handwritten signature in black ink, appearing to read "Joel D. Montero". The signature is stylized with a large initial "J" and a long horizontal stroke at the end.

Joel D. Montero  
Chief Executive Officer

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# Foreword

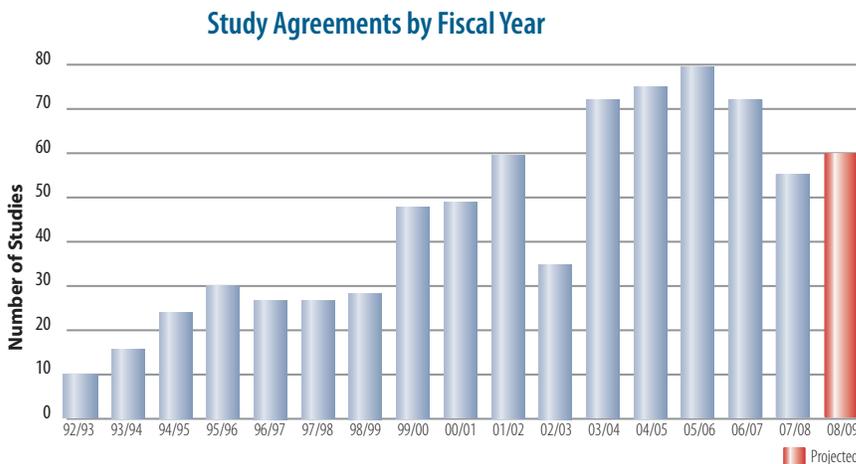
## FCMAT Background

The Fiscal Crisis and Management Assistance Team (FCMAT) was created by legislation in accordance with Assembly Bill 1200 in 1992 as a service to assist local educational agencies in complying with fiscal accountability standards.

AB 1200 was established from a need to ensure that local educational agencies throughout California were adequately prepared to meet and sustain their financial obligations. AB 1200 is also a statewide plan for county offices of education and school districts to work together on a local level to improve fiscal procedures and accountability standards. The legislation expanded the role of the county office in monitoring school districts under certain fiscal constraints to ensure these districts could meet their financial commitments on a multiyear basis. AB 2756 provides specific responsibilities to FCMAT with regard to districts that have received emergency state loans. These include comprehensive assessments in five major operational areas and periodic reports that identify the district’s progress on the improvement plans.

Since 1992, FCMAT has been engaged to perform nearly 700 reviews for local educational agencies, including school districts, county offices of education, charter schools and community colleges. Services range from fiscal crisis intervention to management review and assistance. FCMAT also provides professional development training. The Kern County Superintendent of Schools is the administrative agent for FCMAT. The agency is guided under the leadership of Joel D. Montero, Chief Executive Officer, with funding derived through appropriations in the state budget and a modest fee schedule for charges to requesting agencies.

<b>Total Number of Studies.....</b>	<b>711</b>
<b>Total Number of Districts in CA .....</b>	<b>982</b>
● Management Assistance.....	675 (94.9%)
● Fiscal Crisis/Emergency .....	36 (5.1%)
Note: Some districts had multiple studies.	
● Districts (7) that have received emergency loans from the state.	
(Rev. 7/30/08)	





# Introduction

The Glenn County Office of Education (Glenn COE) is located in Willows, California, 85 miles north of Sacramento in the heart of the Sacramento Valley. The Sacramento River serves as the eastern border of Glenn County. Willows and Orland are the largest communities in the county, with Chico in Butte County serving as the major economic hub in the area about 30 miles to the east. The economic base in the region is agricultural in nature.

The Glenn COE serves approximately 330 K-12 students in a variety of programs, as well as nine school districts serving approximately 5,600 students grades K-12. The Glenn COE sponsors the William Finch Charter School.

In April 2008 the county office contacted FCMAT to request a review of processes, procedures, expenditures and operations for a variety of programs. The study agreement identifies eight different scope points covering a variety of time frames. These scope points are as follows:

1. Review expenditures of the SPARK after school program for the 2006-07 and 2007-08 fiscal years and document any misuse of funds, if applicable.
2. Review conference and mileage reimbursement, and stipends paid to a former administrator for calendar years 2002 through 2006 and document inappropriate use of public funds, as applicable.
3. Review expenditures of the William Finch Charter School for fiscal years 2004-05 through 2007-08 and document inappropriate use of public funds, as applicable.
4. Review admission of students to the charter school for the same fiscal years listed above to determine if the school complied with maintaining the racial and ethnic balance identified in the charter petition.
5. Review special education expenditures of the Glenn COE for fiscal years 2004-05 through 2007-08 for compliance with program guidelines and the use of public funds and document inappropriate expenditures, as applicable.
6. Review general fund expenditures for non salary/benefit accounts for fiscal years 2004-05 through 2006-07 to document any misuse of funds and inappropriate expenditures as applicable.
7. Identify needed improvements to internal controls, as applicable.
8. Review and report on each of the following areas related to the William Finch Charter School:
  - a. Determine if the charter committed a material violation of any of the conditions, standards, or procedures set forth in the charter.

- b. Determine if the charter failed to meet or pursue any of the pupil outcomes identified in the charter.
- c. Determine if the charter failed to meet generally accepted accounting principles, or engaged in fiscal mismanagement.
- d. Determine if the charter violated any provision of the law.

### ***Study Team***

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\*As a member of this study team, this consultant was not representing her employer but was working solely as an independent contractor for FCMAT.

### ***Study Guidelines***

On September 17, 2008, FCMAT conducted interviews with representatives of the Glenn COE, including the Director of Business Services, Coordinator of Fiscal Oversight, board president, and County Superintendent. From September 22 through September 25, 2008 the study team conducted fieldwork at the county office. During this time interviews and discussions were conducted with the directors of the SPARK and Special Education programs, as well as the William Finch Charter School. An exit conference was held on September 25, 2008.

In addition to the interviews, the FCMAT team reviewed the COE’s organizational chart, a sampling of documents supporting accounts payable and payroll transactions, attendance reports, grant applications, program expenditure reports, budget reports reflecting current budgets, year-to-date transactions and balances, and Glenn COE external audit reports for the previous three years.

This report is the result of those activities and is organized into the following components:

- Study Overview
- Executive Summary
- Internal Controls
- SPARK Program
- Administrator Travel and Conference
- William Finch Charter School
- Special Education
- General Fund
- Appendices



## Study Overview

The current Glenn COE County Superintendent took office in January 2007 and began a process to address concerns regarding the fiscal and programmatic operations of a variety of departments and programs that had been the subject of considerable attention in the community and the local media for several years. The consensus of those interviewed by FCMAT was that these concerns and their related circumstances led to a crisis in confidence in the Glenn COE and its ability to effectively manage public funds.

Some of these concerns were identified in the Glenn County Grand Jury's 2006-07 report regarding certain fiscal operations of the Glenn COE. Per the report, the reason for the study was "allegations of possible misuse of county equipment and misappropriation of funds, as reported by local news media, prompting the Glenn County Grand Jury to launch an investigation."

In its report the grand jury made these recommendations:

1. The person authorizing the expenditures of the Superintendent should be independent of the authority of the Superintendent.
  - a. The Board of Education should review expenditures monthly.
2. The Glenn COE Business Manager should take a more active role in monitoring the finances of the department.
3. Restrict the use of credit cards.
  - a. Store credit cards in a secure location to be checked out as needed.
  - b. Establish the purchase order system as the preferred method of purchasing, with the credit cards as a backup.
  - c. All purchases to have prior approval before the use of a credit card can be authorized.
4. Monthly budget allocation: If a department's funds are expended at the beginning of the month, no further expenses will be approved for that month.
5. Recommend all requests for travel follow a set procedure:
  - a. Shall have prior approval by the Business Office; the participants must show a need to attend meetings, and produce a written report that demonstrates how their attendance will benefit the schools.
  - b. Travel only when necessary to accomplish school business.

- c. Participants in mandated conferences to stay in an approved room, or in an approved facility. GCOE will only pay a set amount equal to that of the discounted conference room rate.
  - d. GCOE will pay only the per diem amounts for meals, regardless of where the conference is held.
  - e. GCOE shall not pay for any expenses for travel prior to, or after, the approved conference.
  - f. Returning participants must submit proof of attendance and a written report to their supervisor about what was learned and how it will be put to use at GCOE.
6. County vehicles:
    - a. Personal vehicles may not be substituted for county vehicles.
    - b. County vehicles will be used for business purposes only, to be checked in and out of the county yard as needed.
    - c. County vehicles may not be taken home unless the business for which they were intended requires travel beyond normal business hours.
  7. Expenditures for business meals require documentation of individuals who attended said meals and the GCOE-related purpose for attendance.
  8. Consider establishing term limits for Board of Education members to two terms. Advertise all open positions to the general public, advising them of the duties, as well as the benefits of the office.

A copy of the Grand Jury report is attached to this report as Appendix A.

A California Department of Justice (DOJ) probe of accusations of illegal activities involving the previous County Superintendent was also conducted. The investigation took approximately two years and was completed in June 2008; the DOJ found no evidence that the previous superintendent committed any crime.

The current County Superintendent contacted FCMAT in April 2008 to inquire about a study with the purpose of reviewing those areas of concern that were not addressed by the DOJ investigation.

# Executive Summary

## *Internal Controls*

The Glenn County Office of Education needs to substantially strengthen its internal controls. Duties in the business office need to be segregated according to employees' functions so that no employee handles all aspects of a transaction. Cash should be deposited daily, and monthly reconciliations should be performed for all bank statements and account balances.

Several significant control weaknesses were found in the purchasing function. VISA credit cards were used extensively for a wide range of purchases including restaurant meals, airline tickets, and office, computer, and home improvement store goods. Purchasing card policies and procedures need to be implemented. An online requisition system should be used to streamline the purchasing process.

The county office utilizes a Travel and Conference Expense Claim form. However, travel and conference activities typically were not authorized in advance by an administrator, but were approved after the fact. Advance approval should be required for these activities.

No findings of misuse or inappropriate use of public funds were made in any of the programs or functions reviewed. However, internal controls deficiencies were consistently found in each aspect of county office operations covered in this review.

## *SPARK Program*

Fixed asset purchases made by the Supporting Participation in Academics and Recreation for Kids (SPARK) after-school program did not appear to be properly accounted for or inventoried. Expenditure reports filed for the program differed from the actual expenditures shown in the financial system reports. The county office plans to file amended reports to reconcile the inconsistencies.

Federal data indicates that there is little correlation between participation in the SPARK program and improved California Standardized Test scores. However, the program does meet a need for after-school care. The county office should use achievement data to provide targeted instruction and remediation to students in the specific areas of weakness.

## *Administrator Travel and Conference*

Review of a former county office administrator's travel and conference expenditures did not reveal direct evidence of inappropriate use of public funds, but did reveal lax internal controls that made it difficult to determine propriety with any certainty.

### ***William Finch Charter School***

The William Finch Charter School has been out of compliance with the charter document, and the county office has not provided the required fiscal or academic oversight. The student population at the charter school does not reflect the racial and ethnic balance of the community the charter school serves. The charter school has not been compliant with the charter document in tracking exit outcomes, nor is there evidence of school-wide or individual student remediation plans.

The charter is due to be renewed in August 2009, and planning for that process should begin immediately. If the county office no longer wishes to sponsor the charter school, it should consider creating an independent study program as an alternative for the students who are home schooled under the charter.

A separate, external, independent financial audit would benefit all those involved in managing the charter school.

### ***Special Education***

Many special education program expenditures were not coded in compliance with the California School Accounting Manual (CSAM) and the Standardized Account Code Structure (SACS) account coding system, resulting in over- and under-statement of instructional, support service and administrative costs. Developing a SACS coding guide for various special education programs would assist in identifying which codes apply to which programs. Subcodes should be adopted to facilitate more effective fiscal program management.

### ***General Fund***

Documentation was lacking with regard to the bidding process for the purchase of furniture and equipment in accordance with Public Contract Code Sections 20111 and 20112. All purchases that exceed the legal bid limits must adhere to the advertised bid procedure required by the state. The January 1, 2008 legal bid limits are \$15,000 for public works projects and \$72,400 for supplies, furniture, and equipment.

Public Contract Code Section 20116 prohibits splitting or separating into smaller work orders or projects any work, project, service or purchase for the purpose of evading the law that requires competitive bidding.

Section 20118 of the Public Contract Code provides an alternative for obtaining supplies, furniture and equipment, commonly referred to as piggybacking. Notwithstanding Section 20111 and 20112 of the code, the governing board of any school district or county office, without advertising for bids, and if the board determines it is in the best interest of the COE, may authorize the purchase of such supplies, furniture and equipment.

Purchases of office furniture from a single vendor in the amount of \$373,131 in the 2005-06 fiscal year, with one warrant in the amount of \$105,357, exceeded the amount that would have required the solicitation of bids. The county office should ensure that it adheres to the requirements of the Public Contract Code when purchasing goods or services that are subject to the code.



# Internal Controls

The principal mechanism for deterring fraud or illegal practices in any organization is a strong system of internal controls. Internal controls are the foundation of sound financial management that allows organizations to fulfill their mission while ensuring a solid financial structure and credible financial information. A comprehensive internal controls structure includes the policies and procedures used by the district staff, accounting and information systems, the work environment and the professionalism of employees. Strong internal controls help to ensure that resources are used appropriately, transactions are processed on time and financial information is reported accurately. A well-planned financial system contains procedures that produce accurate and reliable financial statements while safeguarding assets, financial resources and the integrity of employees who handle money or property.

Other types of internal controls include soft controls such as management tone, performance evaluations, training programs, and maintaining established policies, procedures, and standards of conduct.

A lack of effective internal controls may lead to the following:

- Failure to segregate duties and authorization responsibilities
- Unrestricted access to assets or sensitive data, such as cash, fixed assets, or personnel records
- Failure to record transactions, resulting in a lack of accountability
- Failure to reconcile assets with the appropriate records
- Unauthorized transactions
- Unimplemented controls because of unqualified personnel
- Collusion among employees where little or no supervision exists

Throughout this review, FCMAT noted numerous instances of internal control weaknesses and the lack of correct accounting procedures. In the following sections of this report, the internal control issues are noted and recommendations provided for each area of review.

## *Internal Control Concepts*

In an ideal situation, all employees' work would be verified by the work of another employee, with each employee working separately and independently. Internal controls include segregating duties according to employees' functions so that one person does not handle a transaction from beginning to end. Functions that need to be segregated typically include the following:

- Initiating or authorizing transactions
- Executing transactions
- Responsibility for the item resulting from the transaction

To help ensure adequate internal control, organizations need to:

- Prevent internal controls from being overridden by management.
- Identify and correct inefficient processes.
- Ensure that employees are aware of proper internal control expectations.

Implementing adequate internal procedures and segregating job duties can help protect the district's assets. Different employees should participate in each transaction at various stages so that every employee arrives at the same results independently and verifies the accuracy of the other's work. Proper internal controls do not eliminate the chance of error or fraud, but they should reduce the risk to an acceptable level. Very few entities have perfect internal controls in place, so it is imperative that management develop techniques to offset any weaknesses.

Applying the following concepts and procedures to transactions and reporting is a necessary step for any organization that seeks to build an internal control structure:

- **System of checks and balances.** Formal procedures should be implemented to initiate, approve, execute, record, and reconcile transactions. The procedures should identify the employee responsible for each step and the time period for completion. Key areas in need of checks and balances include payroll, purchasing, accounts payable, and cash receipts.
- **Segregation of duties.** No single employee or group of employees should be in a position to handle a transaction from initiation to reconciliation, and no single employee should have custody of an asset (such as cash or inventory) and maintain the records of related transactions. Adequate segregation of duties reduces the likelihood that errors will remain undetected, whether intentional or unintentional.
- **Staff cross-training.** More than one person should always be able to perform a job. In addition, all staff should be required to take vacations, during which time another staff member performs their duties. Inadequate cross-training is often a problem in even the largest business offices.
- **Use of pre-numbered documents.** Checks, sales/cash receipts, purchase orders, receiving reports and tickets should be printed by an outside printer. Physical controls should be maintained over the check stock, signature plate, cash receipt books and tickets. Simply using pre-numbered documents is not sufficient; a log of documents and numbers should be maintained and reconciled daily.
- **Asset security.** Cash should be deposited daily; computer equipment should be secured, and only designated employees should have access to supplies, food stocks, tools and gasoline.
- **Timely reconciliations.** Bank statements and account balances should be reconciled monthly by a person independent from the original transaction and recording. For example, one employee should reconcile bank accounts every month, while another employee should be responsible for generating payments.

- **Comprehensive annual budget.** The annual budget should include sufficient detail regarding revenues and expenditures (by site, department and resource) to identify variances, determine whether goals were achieved, and evaluate performance. Material variances in revenues and expenditures should be investigated promptly and thoroughly.
- **Inventory records.** Inventory records should be maintained and identify the items and quantities purchased and the items and quantities requisitioned or sold. In addition, a physical inventory should be performed periodically and reconciled with inventory records. Typical inventoried items include computer equipment, warehouse supplies, food service commodities, maintenance and transportation parts, and student store goods.

### *Purchasing and Cash Disbursements*

FCMAT observed a number of significant weaknesses in the internal control structure of the Glenn COE involving the purchasing and cash disbursement functions. When considered in their totality, these weaknesses create significant risk for misappropriation of funds and for fraud.

The Glenn COE administration has advised FCMAT that specific components of these weaknesses have been addressed, and that work will continue to implement further internal control system improvements.

#### **Purchasing**

Several significant internal control weaknesses were observed in the purchasing function. They are:

**Public Contract Code.** Payments in the sampling of cash disbursement transactions were made for purchases that were subject to the bidding requirements of Public Contract Code Section 20111-20112, but no bid process was conducted. See more narrative in the General Fund section of this report.

**Charge Cards.** A variety of employees were issued credit cards for business use, and these cards were used extensively. Purchases included goods and services from curriculum vendors, consulting companies, computer stores, restaurants, hotels, airlines, car rental companies, grocery stores, office supply stores, home improvement stores, gas stations and travel Web sites. Although each of these transactions may have been for legitimate business purposes, the purposes could not be readily determined by the supporting documentation. Further, FCMAT did not observe any advance authorization for any of these purchases.

In the payables system sampling and review, FCMAT examined the US Bancorp VISA Card vendor warrant for May of 2006 and noted the following:

- 12 employees used their VISA cards that month
- 134 charges were made against the VISA card, averaging 11 charges per card and ranging from two to 36 transactions per employee
- A total of \$35,943.74 was charged, averaging \$2,995 per card and ranging from a low of \$-165 to a high of \$10,967 per employee

This volume of credit card use is typical for Glenn COE based on a review of the payment history for US Bancorp, but excessive relative to typical use by a COE.

The following table summarizes the card activity noted above.

### US Bancorp Credit Card Disbursements

US Bancorp - Transaction Listing			
Warrant 40115817 - 5/31/2006 - \$32,442.17 - Direct Pay PV006813			
Employee	Name	# of Transactions	Amount
1	Redacted	2	\$ 363.68
2	Redacted	6	\$ 1,993.84
3	Redacted	9	\$ 1,531.91
4	Redacted	4	\$ 189.29
5	Redacted	12	\$ 2,063.05
6	Redacted	10	\$ 5,053.78
7	Redacted	36	\$10,966.99
8	Redacted	30	\$ 5,611.33
9	Redacted	3	\$ (165.27)
10	Redacted	10	\$ 1,190.41
11	Redacted	8	\$ 2,552.38
12	Redacted	4	\$ 3,927.29
	Total	134	\$35,278.68
	Total Purchases		\$35,943.74
	Redacted		\$ (401.90)
	Redacted		\$ (188.16)
	Redacted		\$ (75.00)
	Net amount paid		\$35,278.68

The issue of excessive credit card use at Glenn COE has been addressed by other outside agencies in recent years. The following is an excerpt from the 2006-07 Glenn County Grand Jury Final Report that addresses this topic:

“The use of credit cards allowed departments to purchase items with no oversight, whether or not funds had been budgeted for the purchase.”

The grand jury made the following recommendation:

“Restrict the use of credit cards.

- a. Store credit cards in a secure location to be checked out as needed.
- b. Establish the purchase order system as the preferred method of purchasing, with the credit cards as backup.
- c. All purchases to have prior approval before the use of a credit card can be authorized.”

Appendix B is a sample Purchasing Card Policies and Procedures document as utilized by the Kern County Superintendent of Schools office. This document could serve as a tool for the Glenn COE to use in improving its credit card policies and procedures.

**Gift Cards.** In the FCMAT disbursement sample, two incidences were noted of gift cards purchased and provided to staff of the SPARK after-school program school sites. See the SPARK section of this report for more information.

### **Cash Disbursements**

FCMAT noted that a significant portion of vendor payments were authorized via a payment voucher known as a Payment Request form. This form of payment authorization is utilized in most non-compensation expenditures charged to programs. When utilized, the payment request is accompanied by an invoice for the goods or services that have already been purchased or provided, creating at a minimum the appearance the purchase was not authorized in advance by the appropriate manager. Purchase orders, which are designed to document advance approval of the appropriate manager and constitute the most common form of advance authorization in accounts payable systems, were utilized in only a small fraction of the purchases. This demonstrates the relative lack of sound internal controls at Glenn COE during the various time frames reviewed for the various programs.

As an alternative to the current paper-driven purchasing system, an online method could be developed that would enable an employee to request a purchase order for materials and supplies electronically. The program supervisor could either insert an electronic approval on the request or return it for further clarification. Once it is approved, the program supervisor could forward it to the Administrative Assistant for processing and send a copy back to the requestor. The request then would be attached to the purchase order

form and sent to the business office for processing. The FCMAT study team observed that modules exist in the COE financial management software to accommodate this type of electronic processing.

### ***Revolving Fund***

Revolving funds in the public school environment are utilized to provide for specific cash disbursements when standard check processing systems will not meet the needs of the organization. These types of funds are normally small, secondary checking accounts with established balances, the maximum of which are set by the Education Code. When exhausted, the fund is replenished through a check drawn on the Glenn COE's funds in the county treasury. The current revolving account limit set for the Glenn COE is \$5,000.

When used properly, revolving funds can provide for an alternate payment system with all the appropriate internal controls being observed. A revolving fund should not be utilized merely for the convenience of the organization or its employees, or to purposely bypass existing systems of internal control.

During FCMAT's review a number of revolving fund transactions were observed that demonstrate the relatively lax controls in place at Glenn COE. Payments were made for items that should have been supported by a purchase order. In some instances, payments were made to reimburse employees for out-of-pocket expenses where there was no documented evidence of authorization for the purchase, or any evidence that the goods were actually received and used by the Glenn COE.

The incidence of these transactions gives the appearance that the revolving fund is utilized less as a means of properly disbursing cash and more as a convenient way to circumvent the purchasing process for those managing the fund and those receiving reimbursement.

### ***Journal Entries***

FCMAT's review of expenditures included a number of journal entries. A journal entry is a self-balancing entry that is made to the books to record or adjust transactions. Sound internal controls dictate that the same person does not prepare, authorize and record a journal entry. The entry should be supported by an explanation and documentation, if applicable. If staffing issues prohibit the separation of duties as noted above, mitigating procedures can be implemented to ensure that appropriate controls are in place.

FCMAT noted that journal entries were prepared by one staff member and authorized by their supervisor. The preparer then often entered the journal in the county office financial records. While this is not a complete separation of duties consistent with sound internal controls as noted above, it is common in smaller organizations such as Glenn COE because of staffing issues.

Many of the journal entries did not contain adequate explanation that would allow the reviewer to fully understand the nature of the entry, and supporting documentation was not provided to substantiate the basis for the entry.

### ***Travel and Conference Requests***

Certain procedures are commonly observed by many organizations to ensure transactions are properly authorized. One such procedure is the advance approval of any activity where travel by employees is involved. Advance approval provides control over the authorized cost of the activity and documents the employer's authorization for participation.

FCMAT's review of expenditures included multiple samples of travel and conference activities, including:

- Conferences and workshops
- Mileage reimbursements
- In-house staff development activities

The Glenn COE utilizes a Travel and Conference Expense Claim form that, when used as designed, acts as both a travel authorization (Section A) and a claim form for actual expenses (Section B). The reverse of this form provides guidelines for the user regarding travel policies and procedures. An example of the form is attached to this report as Appendix C.

With respect to each of the above activities, FCMAT noted in its review that virtually none of the related expenditures required advance approval of an appropriate administrator. When conferences or workshops were attended, Section A was never signed by an administrator. When mileage was incurred, no evidence of advance approval for the mileage was observed. For in-house staff development activities, many of which involved the provision of food at the activity or at a local restaurant, no advance approval was observed. In some instances, reservations for lodging or registration for conferences were made in advance of the activity, yet no conference request form was attached to verify the activity was approved in advance.

### ***Performance Audits***

Audits can be defined and performed in multiple formats, such as financial or performance audits. A financial audit is defined as the examination by an independent third party of the financial statements of a governmental agency, company or any other legal entity, resulting in the publication of an independent opinion on whether or not those financial statements are relevant, accurate, complete, and fairly presented.

Financial audits are typically performed by accounting firms because they require specialist financial reporting knowledge. The financial audit is one of many assurance or attesta-

tion functions provided by accounting and auditing firms, whereby the firm provides an independent opinion on published information.

In contrast, a performance audit refers to an examination of a program, function, operation or the management systems and procedures of a governmental or nonprofit entity to assess whether the entity is achieving economy, efficiency and effectiveness in the employment of available resources. The examination is objective and systematic, generally using structured and professionally adopted methodologies.

Performance audits may also be conducted by internal auditors who are employees of the entity being audited. However, some national governments require agencies, departments and branches to periodically retain outside auditors to conduct these types of audits.

Performance audits may include the detection of fraud, waste and abuse, although often these are not included in the scope of review. Prior to engaging in a performance audit, the auditor must have a scope of work and plan defined that will be used to guide the audit process.

Finally, many organizations separately employ or hire internal auditors, who do not attest to financial reports but focus mainly on the internal controls of the organization. External auditors may choose to place limited reliance on the work of internal auditors. While an internal audit function can be useful to maintaining the internal controls necessary to effectively manage any public entity, the cost of such a function would most likely outweigh its benefit given the relatively small size of the Glenn COE budget.

### ***Audit Reports***

FCMAT reviewed the external independent auditor's report of the Glenn COE for the fiscal years ended June 30, 2005 through June 30, 2007. All the audits had material findings related to internal controls, which are listed below. Each finding is followed by information on the status of implementation of the auditor's recommendations.

#### **Audit findings for the year ended June 30, 2005:**

**Instructional Minutes.** Instructional minutes were short of the required minimum at a local high school where Glenn COE operated a special day class. The auditors recommended increasing instructional minutes, and return the over-claimed special education apportionment calculated at \$0.36.

This audit finding was fully implemented as noted in the following year's audit report.

### **Audit findings for the year ended June 30, 2006:**

**Deficit Spending.** The county office was experiencing deficit spending, although reserve levels were projected to carry such deficits for some time. The auditors recommended continued close monitoring of the budget.

This audit finding was fully implemented as noted in the following year's audit report.

**GASB 34 Accounting.** The county office did not complete the GASB 34 accounting entries to convert their financial statements to the full accrual basis as required. The auditor recommended additional procedures be implemented to ensure this was accomplished in future years.

This audit finding was fully implemented as noted in the following year's audit report.

**Attendance Accounting.** Small, immaterial differences were observed between source documents and entries in the student attendance accounting system for certain hourly programs. The auditors recommended improved procedures that would detect the discrepancies before the related attendance reports are prepared.

This audit finding was fully implemented as noted in the following year's audit report.

### **Audit findings for the year ended June 30, 2007:**

**Instructional Minutes.** Instructional minutes were short of the required minimum at a local high school where Glenn COE operated a special day class. The auditors recommended increasing instructional minutes, and returning the overclaimed special education apportionment calculated at \$0.36.

This audit finding will be reviewed by the Glenn COE auditor during the course of the current audit.

The county office should continue to prioritize and address these compliance areas with assigned staff responsibilities to ensure corrective measures are in place and minimize the number of future audit findings.

### ***Audit Committee***

The audit committee is an important element in the overall governance system of any public entity. The objectives of the committee are geared toward effecting pragmatic, progressive changes in the functions and expectations placed on boards, audit committees,

senior and financial management, any internal auditor and the outside auditors regarding financial reporting and the oversight process.

The responsibility for financial management is vested in three groups:

- The board, including the audit committee
- Financial management, including any internal auditors
- The independent auditors

The audit committee is an extension of the full board and functions as the ultimate monitor of the process.

One of the core principles of an effective audit committee is that committee members are independent from the administration. Thus, management should not be audit committee members. However, management should have the opportunity for significant interaction with the audit committee.

In summary, an audit committee is engaged primarily in an oversight function and ultimately is responsible for the organization's financial processes and the quality of its financial reporting. As a basis for carrying out its fiscal oversight responsibilities, the audit committee must have a working knowledge of the organizations goals and strategies as well as the issues its faces in achieving its objectives.

A periodic performance audit should be commissioned by the Glenn COE to test its internal control systems and thus demonstrate a commitment to meeting the fiscal standards that a sound internal control system provides. Further, these audits would help to restore the community's trust and confidence in the Glenn COE as good stewards of taxpayer funds. These audits could also be utilized to ascertain that the recommendations found in this report are properly implemented and adhered to in the years to come.

An audit committee would benefit the Glenn COE by demonstrating oversight responsibility and transparency that the Glenn COE needs to gain command of its internal control systems, and thus regain the confidence of the community at large.

## Recommendations

*The Glenn COE should:*

1. Segregate duties in the business department according to employees' functions so that no employee handles a transaction from beginning to end.
2. Identify and correct inefficient processes and implement adequate internal accounting procedures to initiate, approve, execute, record, and reconcile transactions so that the COE's assets and employees are protected.
3. Ensure that employees are aware of internal accounting control expectations.
4. Cross-train staff so that more than one person can perform a job. Require all staff to take periodic vacations, during which another employee performs the vacationing employee's duties.
5. Use and maintain a log of prenumbered documents, and prepare periodic reconciliations.
6. Ensure that all assets are secured safely by depositing cash daily, securing computer equipment and restricting access to supplies, food stocks, tools, and gasoline.
7. Perform monthly reconciliations for all bank statements and account balances. Ensure that the employee performing the reconciliations is independent of the original transaction.
8. Use comprehensive budgeting to ensure that material variances in revenues and expenditures are investigated promptly and thoroughly.
9. Maintain inventory records that identify the items and quantities purchased and the items and quantities requisitioned or sold. Take periodic physical inventory and reconcile it with inventory records.
10. Continue to invest time and attention to address the audit findings. Emphasis should be given to addressing recurring findings related to internal control weaknesses.
11. Implement an online purchase requisition system utilizing electronic approvals to replace the current paper-driven process.
12. Restrict use of the revolving fund account to those needs consistent with the purpose of a revolving fund.
13. Develop and implement more stringent oversight measures for the purchasing functions regarding bidding and hiring of vendors and contractors. Ensure that all purchase orders and contracts for work comply with the Public Contract Code.

14. Utilize purchase orders to authorize purchases of goods and services in advance of the actual purchase.
15. Limit the issuance of credit cards to a few key management employees, and establish written policies to provide guidance on their proper utilization.
16. Eliminate the practice of issuing gift cards as a means of procurement.
17. Require sufficient supporting documentation to substantiate the use of funds transferred from program to program within the Glenn COE or provided to outside school districts and other public agencies.
18. Implement appropriate controls over the accounting of fixed assets, both those located at Glenn COE facilities as well as those located at the various program sites of the school districts.
19. Require advance authorization for all travel and conference requests.
20. Utilize the services of professional experts to conduct periodic performance audits to meet the fiscal standards that a system of sound internal control provides, as well as detect any fraud, waste or abuse.
21. Commission an audit committee as an important element in the overall governance of the Glenn COE.

## SPARK Program

The Glenn COE operates an after-school program known as Supporting Participation in Academics and Recreation for Kids (SPARK). The program is funded by a federal 21st Century Community Learning Center grant and a state After School Education and Safety (ASES) grant.

FCMAT reviewed SPARK after-school program expenditures for all accounts, object codes 1000 through 6999, for fiscal years 2006-07 and 2007-08.

### *Salary and Benefit Costs*

The best way to avoid a biased or unrepresentative sample is to select a random, or probability sample. FCMAT selected a sample of 14 employees of the SPARK program for the two years under review, and examined relevant payroll and personnel information pertaining to the sample.

The files reviewed all contained the appropriate documentation for determining compensation. The files raised no question with regard to the appropriateness of the employment and/or the compensation for those employees reviewed.

### *Review of Supplies, Services and Capital Outlay Expenditures*

FCMAT selected a variety of transactions for the non-salary and benefit portion of the expenditure review. Statistics of each year's sample with respect to object codes 4000 through 6999 are presented in the following table:

#### **SPARK Program Expenditure Sample Statistics**

Year	Total \$	Sample #	Sample \$	Sample as % of total \$
2006-07	\$281,315	14	\$173,905	61.8%
2007-08	\$437,039	19	\$118,097	27.0%
Total	\$718,354	33	\$292,002	40.6%

The review of the above expenditures did not reveal any misuse of funds, but a variety of internal control issues were observed that are of significant concern.

The internal control issues observed by FCMAT made it difficult, if not impossible, to ascertain the propriety of many of the transactions reviewed. They include:

**Purchases made without purchase orders.** In most transactions reviewed, the payment of a vendor or contractor invoice was supported by a pay voucher known as a Payment Request form, as opposed to the industry standard of a

requisition or purchase order. This form of payment authorization was utilized in most of the non-compensation expenditures charged to programs throughout the Glenn COE. When utilized, the payment request was accompanied by an invoice for goods or services that had already been purchased or provided, indicating that the purchase was not authorized in advance by the appropriate manager. Purchase orders, which are designed to document advance approval of the appropriate manager and are the most common form of advance authorization in accounts payable systems, were utilized in only a fraction of the purchases.

FCMAT prepared an analysis of all SPARK program expenditures for the two years under review and found a very small percentage of transactions utilized purchase orders. This level of after-the-fact expenditure authorization implies a relatively low level of administration oversight of program funds and a significant internal controls concern and oversight.

#### **Percentage of Expenditures Utilizing Purchase Orders**

SPARK Program	2006-07	2007-08
Payment Request	59.6%	77.1%
Purchase Order	12.1%	2.4%
All Other	28.3%	20.5%
Total	100.0%	100.0%

**Excessive use of VISA credit cards.** A variety of employees of the Glenn COE were issued credit cards for business use including the SPARK program, and these cards were used extensively. Purchases across all programs included goods and services from curriculum vendors, consulting companies, computer stores, restaurants, hotels, airlines, car rental companies, grocery stores, office supply stores, home improvement stores, gas stations and travel Web sites. Although each of these transactions may have been for legitimate business purposes, those purposes could not be readily determined by the supporting documentation. Further, FCMAT did not observe any advance authorization for any of these purchases.

**Issuance of gift cards to staff.** In the FCMAT sample, two incidences were noted of gift cards purchased and provided to staff of the SPARK after-school program school sites.

In the first instance, 11 \$1,000 Wal-Mart gift cards were purchased using SPARK program funds and provided to program staff at the various program school sites. No business office approval was noted on the Payment Request form. The card users returned receipts evidencing the use of these cards, and the receipts were attached as supporting documentation. The receipts numbered in the dozens; a scan of these revealed that the vast majority of purchases were for small supply items for use in the SPARK program at each school. The ultimate usage of these supplies could not be verified by FCMAT given their disposable nature.

In the second instance, one \$1,000, six \$500 and six \$250 VISA gift cards were provided to staff members, although no receipts were attached to support how the cards were used. This lack of documentation could easily result in a “gift of public funds” issue for the Glenn COE.

The Glenn COE should immediately abandon the practice of issuing gift cards due to the inherent lack of control over the items purchased. In no circumstance did this practice appear to provide any strategic advantage other than a convenience to those using the cards. Properly authorized purchase orders made directly to various vendors could have been successfully utilized to consummate these transactions.

**Interprogram Transfers.** FCMAT’s sample included ten journal entries, many of which were to record a variety of inter-program and inter-agency fund transfers. These journal entries recorded the transfer of SPARK program funds to other programs operated by the Glenn COE and to outside school districts for specified services.

These transfers were typically supported by a Memorandum of Understanding (MOU) between the SPARK program and another service provider. The MOU document typically provides information regarding the nature, scope, timing and dollar amount of the services to be provided. In virtually all of the MOUs, there was no requirement for the service provider to provide evidence or documentation to substantiate the actual services provided. The actual supporting documentation that was provided for these transfers was insufficient for FCMAT to determine that the services were provided.

In one instance, \$50,000 was provided to the Sparkle Preschool after-school program of the Princeton School District. In another example, \$30,000 was transferred to another Glenn COE program for after-school tutoring. In neither case was the supporting documentation sufficient to determine that the level of service provided was commensurate with the funds paid.

**Fixed Assets.** Generally Accepted Accounting Principles (GAAP) require school districts and county offices to maintain a list of all fixed assets (land, buildings and equipment) for accountability. Education Code Section 35168 requires the governing board to establish and maintain a historical record of all items of equipment including the cost, date of acquisition, location of use, and time and method of disposal. Fixed assets are defined by GASB 45 as equipment and other assets of \$5,000 or more in cost that have a useful life of one year or more. Title 34 of the Code of Federal Regulations, Part 80.32, requires the district to maintain a record of all equipment purchased with federal funds. The district is also required to perform a physical inventory of property purchased with federal funds every two years and reconcile the physical inventory to the property records at least every two years.

Implementing an inventory tracking system, performing frequent and unscheduled inventory audits and limiting access to storage areas are some of the best defenses against loss of assets. Typically, fixed asset accounting procedures require that the assets are affixed with a tag that contains a unique identifier that corresponds with that asset in the fixed asset inventory records of the agency. Further, public agencies typically conduct a periodic physical count of the assets and reconcile the count to the fixed asset inventory records. These records document the agency's compliance with the above-noted requirements.

FCMAT's interviews revealed concerns among Glenn COE staff regarding the inventorying of fixed asset purchases of the SPARK program. Many of these assets are located at the district school sites where the programs are operated. Staff indicated the assets were not being subjected to the appropriate accounting procedures. Further, that some of the assets were utilized by school site staff for purposes not related to the SPARK after school program.

An important function of the governing board is to clearly delegate responsibility for the tracking and care of district property. Procedure 410 of the California School Accounting Manual (CSAM) outlines procedures for conducting a physical inventory of property and equipment.

Capital assets consist of property and equipment of material value that have an initial useful life extending beyond a single financial reporting period. Examples include computers, office furniture, vehicles and machinery. CSAM Procedure 430 provides recommendations for record keeping for capital assets. These are in addition to the inventory requirements of Education Code Section 35168, which are necessary to comply with GAAP, and the requirements of federal funding agencies.

CSAM Procedure 330 defines the following areas for which school districts are required to record capital outlay expenditures:

- Equipment
- Equipment replacement
- Books and media for new school libraries or major expansion of school libraries
- Buildings and improvement of buildings
- Land and land improvements

The recommendations for permanent property records are minimum standards that meet legal requirements and comply with commonly accepted property accounting practices.

**Travel and Conference reimbursement requests without appropriate advance approval.** As noted in the Internal Controls section of this report, FCMAT's review of expenditures provided no indication that travel and conference activities were authorized in advance by an appropriate administrator.

Further, payment requests were submitted for hotel reservations without sufficient explanation of the business purpose of the activity. Below are details of the disbursements that were reviewed in the FCMAT sample:

- *Hyatt Regency* – On February 14, 2007, a payment was made to Hyatt Regency of \$2,293.50 for a conference in Irvine. Reservations were made under two employees’ names, yet five rooms were reserved for nine people for three nights each. No conference request form was attached indicating the business purpose or authorization of this activity. No original invoice from the hotel was attached indicating the final, actual cost of the activity.
- *Holiday Inn* – On November 14, 2007, a \$3,603.66 payment was made to the Holiday Inn at Fisherman’s Wharf in San Francisco. Eight rooms were reserved for two nights, plus a meeting room for one day. Names of employees in attendance were not provided, and the business purpose was not indicated. A conference request form was not attached. No original hotel invoice was attached indicating the final, actual cost of the activity.
- *USS Hornet* – A \$1,210.00 payment was made to the USS Hornet on November 14, 2007 (note this is the same date of the Holiday Inn payment above). Supporting documentation indicated this payment was for the Live Aboard program of the USS Hornet naval ship for 16 adults. A conference request form was not attached indicating authorization or the business purpose of this activity.
- *Hyatt Regency* – On April 23, 2008, a payment was made to Hyatt Regency Palm springs of \$2,293.50 for hotel rooms for the Boost Conference. Reservations were made for six employees. No conference request form was attached indicating authorization of this activity, and no original invoice from the hotel was attached indicating the final, actual cost of the activity. A \$3,515.00 payment to the Boost Conference on April 9, 2008 for registration for 10 employees also was reviewed in the FCMAT sample; again, no conference request form was attached.

### ***SPARK Program Expenditure Reports***

FCMAT reviewed the expenditure reports filed by the Glenn COE for the SPARK program for the 2006-07 and 2007-08 fiscal years. FCMAT observed that the 2006-07 year-end expenditure report for the After School Education and Safety (ASES) grant, SACS resource 6010, differed from the actual expenditures per the Glenn COE financial system reports.

Total expenditures per grant expenditure report	\$1,121,525
Total expenditures per Glenn COE financial system report	\$1,186,257
Difference	\$64,732

Glenn COE administrative staff have acknowledged the difference and advised they will file amended reports with the grantor.

### ***Program Effectiveness***

The Glenn COE first applied for the 21st Century Community Learning Centers (CCLC) and ASES programs in 2004 and started the after-school programs at nine sites in the fall of 2005. The grant application lists the expected outcomes as academic achievement, improved parenting skills, and improved personal development. Evidence of these outcomes were to include improvements in grade point average, California Standardized Test (CST) scores, increased parental participation and volunteering, reduced suspensions and referrals, reduced dropouts and reduced after-school crime.

The ASES program funds the establishment of local after-school education and enrichment programs. These programs are created through partnerships between local schools and community resources to provide literacy, academic enrichment and safe, constructive alternatives for students in kindergarten through ninth grade.

After-school programs must include two elements: educational literacy and educational enrichment. ASES programs are required to submit annual student outcome data to the California Department of Education from local program evaluations. Data must include research-based indicators and measurable student outcomes for academic performance, attendance, and positive behavioral changes. The California Department of Education may consider the results of these evaluations when determining eligibility for three-year grant renewal.

FCMAT was provided a narrative report for the 2005-06 school year, spreadsheets of the data collected for state reporting for 2005-06 and 2006-07 and the federal data for students who have proficiency test data in both 2004-05 and 2005-06.

A review of the federal data indicates that there is minimal correlation between attendance in the after-school programs and improved CST scores. The data was analyzed for Capay, Fairview, Hamilton, Murdock, Price and Willows after-school programs. Other schools had insufficient numbers of students with scores in both years for comparison.

A total of 389 students who participated in the after-school program took the math portion of the CST in both years. Of those students, 47% showed no change in their math score, 28% had an increase and 25% had a decrease.

A total of 393 students who participated in the after-school program took the reading portion of the CST in both years. Of those students, 55% showed no change in their reading score, 28% had an increase and 17% had a decrease.

It should be noted that on the math portion of the CST, only 3% more students (28% vs. 25%) experienced an increase in their score versus those who experienced a decrease. On the reading portion, the difference was only 11% (28% vs. 17%).

Individual districts that will require follow-up and training include Fairview, Murdock and Willows. Both Fairview and Murdock showed a significant decline in math scores and Willows showed a significant decline in reading scores. On a positive note, Capay showed the largest increase in reading scores, with 40 students showing improvement.

It is clear that the SPARK program is meeting a community need for after-school care. However, to measure the effectiveness of the program and to continue receiving state and federal funds, the Glenn COE must collect and analyze data for achievement, attendance, behavior, and other domains. The 2005-06 year-end report states that “districts are not willing to share statistical data in regards to attendance, testing and demographics.”

The Glenn COE and districts should use achievement data to provide targeted instruction to students. While a homework club type of program is likely helpful in keeping students up to date in their classes, sufficient evidence exists to demonstrate that targeted instruction and remediation has been more successful in improving test scores.

## Recommendations

*The Glenn COE should:*

1. Adhere to the requirements of the Public Contact Code when purchasing goods or services subject to the code.
2. Utilize purchase orders to authorize purchases of goods and services in advance of the actual purchase.
3. Limit the issuance of credit cards to a few key management employees, and establish written policies to provide guidance on their proper utilization.
4. Eliminate the practice of issuing gift cards as a means of procurement.
5. Require sufficient supporting documentation to substantiate the use of funds transferred from the SPARK program to Glenn COE programs or provided to outside school districts and other public agencies.
6. Implement appropriate controls over the accounting of fixed assets purchased with SPARK program funds, both those located at Glenn COE facilities and those located at the various program sites of the school districts.
7. Require advance authorization for all travel and conference requests and original invoices from hotels showing final room costs.

8. Use data collected in the areas of gender, ethnicity, free/reduced lunch, CST scores, English Learner status and attendance by student, site and overall program to determine what programs are meeting the goals outlined in the grant applications.
9. Clearly communicate to districts that the collection of statistical data with regard to attendance, testing and demographics is a requirement of participation.
10. Use achievement data to provide targeted instruction and remediation to students in the specific areas of weakness.

## Administrator Travel and Conference

The former COE administrator that is the subject of this portion of the study was responsible for administration of the county-wide SELPA and the Glenn COE's special education programs.

FCMAT learned that supporting documentation for disbursements in the sample period January 1, 2002 through June 30, 2004 had been destroyed per Glenn COE practice, consistent with the records retention requirements of Title V of the California Code of Regulations. Thus, FCMAT reviewed documentation from the period of July 1, 2004 through December 31, 2006.

The scope of work included all payments to this administrator coded to the object code series 5200, Travel and Conference. The reimbursements paid to this administrator totaled \$22,697.63 during the four-year period. FCMAT reviewed 10 transactions from the above-noted time frame (July 1, 2004 through December 31, 2006), eight travel reimbursements and two mileage reimbursements, totaling \$4,825.16, or 21.3% of the total disbursed.

FCMAT's review of the administrator's travel and conference expenditures did not reveal any direct evidence of inappropriate use of public funds in the expense reimbursements component, but it did reveal lax internal controls that in some instances made it impossible to determine propriety with any certainty.

For instance, mileage expense claims were detailed with respect to the origin, destination and date of travel and the miles driven, but they very often did not indicate the purpose of the trip. In the sample, mileage reimbursement requests were submitted in a batch covering six months, making it virtually impossible for the authorizer to determine the validity of the reimbursement request.

Also, advance approval of travel was never indicated on the travel documents, making it impossible to determine if the appropriate authorization was obtained.

### *Mileage Stipend*

FCMAT also reviewed the payroll file of this administrator and observed this employee was authorized by contract to receive a monthly mileage stipend of \$350 during the period July 1, 2005 through July 2, 2007, this administrator's last day of employment with the Glenn COE. FCMAT reviewed the stipend agreement language to determine if any offset was to occur for mileage driven to conferences, workshops and meetings. The agreement indicates the stipend was to cover "local mileage expenses related to his GCOE related travels (sic) within Glenn County." "Out of county travel will be claimed on mileage reimbursement or conference claim reimbursement forms as occurred (sic)."

FCMAT reviewed the mileage expense reimbursements received during this time frame, comparing them to the mileage stipend, and found that no overlap between the two occurred; that is, there was no payment of mileage stipend and mileage reimbursement for the same miles driven.

### *Travel and Conference Requests - Advance Approval*

The Internal Controls section of this report describes FCMAT's observations regarding the lack of advance approval for conference activities. The conferences attended by this administrator that were reviewed by FCMAT contained the same absence of advance approval. Please see the Internal Controls section for more information.

Below are details from FCMAT's sample, including the date and amount of the reimbursement and location of the activity. In each instance, the business purpose of the travel was fairly discernible but no advance authorization for the activity was noted in the supporting documentation.

<b>Date of Event</b>	<b>Amount</b>	<b>Location</b>
07/26/04	\$581.46	San Diego
03/18/05	\$422.93	San Jose
06/27/05	\$626.53	Eureka
03/13/06	\$297.00	Kansas City, MO
06/12/06	\$404.49	Gleneden Beach, OR
08/07/06	\$348.60	Gleneden Beach, OR
10/17/06	\$225.77	Sacramento
11/20/06	\$263.50	Sacramento

### *Travel and Conference Activity*

SELPA directors working for rural county offices of education incur significant travel costs in the normal course of performing their assigned duties. While the incidence of travel for this administrator was significant in its volume, it was somewhat typical.

In interviews of Glenn COE staff and others, concerns were expressed about in-state and out-of-state travel and the authority of the County Superintendent to approve such activity. While compliance requirements of the Education Code that mandate board approval of out-of-state travel are widely understood in the public education sector, it is not as widely understood that this law does not apply to county offices of education, and that the authority to approve all in-state and out-of-state travel for Glenn COE employees rests with the County Superintendent.

For this reason, it would be beneficial for the organization and the community if periodic reporting, presented at a public meeting, were required of those who travel both inside and outside of California. This would help provide transparency to those who are less informed regarding the purpose, nature and authorization of such travel.

### ***Other Reimbursements***

FCMAT observed an expense reimbursement paid to this employee for a \$1,252.51 purchase of shelving that was transacted by the employee on their personal American Express card. No evidence was provided demonstrating advance purchase approval or the business purpose of the item purchased. This practice was observed in most of the areas reviewed by the study team, further demonstrating the lack of standard internal control procedures for purchasing throughout the organization.

## **Recommendations**

*The Glenn COE should:*

1. Require all travel and conference requests to be approved by the appropriate supervisor/administrator in advance of the requested travel.
2. Require all employees to submit mileage reimbursement requests monthly to allow the authorizing administrator the opportunity to validate such mileage in a timely manner.
3. Use a mileage reimbursement request form that requires the preparer to identify the purpose of the mileage driven.
4. Require periodic reporting at a public meeting of the purpose, nature and authorization of all travel and conferences.



## William Finch Charter School

The William Finch Charter School (charter/charter school) is an independent study school that was chartered by the Glenn COE in 2001 and approved by the CDE in 2004.

The original school converted to a charter in 2004 in response to community demand for a home-schooling program.

According to the School Accountability Report Card (SARC), the mission of the school is to deliver a standards-based educational experience to each child in a home environment. The SARC states this will be accomplished by promoting student mastery in basic skills and that students will understand and apply their knowledge in successful and meaningful ways.

The charter school currently serves over 150 students and employs nine teachers. Students are assigned to a teacher who creates an individual education plan for each student. The school uses state-adopted, standards-based curriculum. Students meet with teachers either weekly or biweekly to share completed assignments and receive new assignments.

The SARC states that parents participate in focus-group meetings and understand the importance of their active engagement in the education of their children. According to the SARC, parents of children enrolled at William Finch School are equally involved through meetings for inclusion in the school's programs with their student's teachers, field trips and family activities. The school culture has developed through the school community stakeholders contributing to the development and shared vision of the school.

Interviews with both Glenn COE staff and charter parents reveal that there is an adversarial relationship between the school and the county office. The disagreement is basically related to perceived control of the charter school. The parent community perceives that the Glenn COE has not been supportive of the school and has taken away decision-making authority from the charter. In addition, the charter community believes that the past director was fired by the Glenn COE. However, FCMAT reviewed documentation that indicates the director resigned the position.

Legal fees have been incurred by the charter school without authorization of the Glenn COE Superintendent, and the invoices remain unpaid.

There is also a dispute about funding for the charter school; the parent community believes the school is receiving less money than it is entitled to from the Glenn COE. When the school was converted to a charter there was a balance of \$200,000 that the parent community believes belongs to the charter. According to parents, that money had been in a savings account that was transferred to the Glenn COE in November 2007. Glenn COE administration advised that this amount was unspent carryover of funds

restricted to the court and county community school program. In May of 2008 the Glenn COE administration transferred \$89,347.55 of these funds to the charter school fund 09 with the balance remaining in Glenn COE fund 17, Special Reserve for Other than Capital Outlay.

The charter community understood that the charter would be supervised by the Glenn COE Board of Trustees, but it is now being supervised by the County Superintendent.

The Glenn COE administration believes that the charter school has discouraged groups of students from enrolling, and that students have been improperly disenrolled or discouraged from enrolling in the charter school.

### *Disparity of the Charter Document*

This relationship is further complicated by the fact that there are three versions of the charter document and disagreement on which one was adopted by the Glenn COE board. Three versions of the charter document were reviewed by FCMAT. According to Glenn COE staff, version A is the document that was approved by the Glenn COE Board of Education on September 19, 2001. The minutes of the September 19, 2001 board meeting were reviewed and indicate that the proposal was approved with “the addition of the changes to the governance section.” The minutes do not indicate what those changes were. Version A of the charter document has a large “X” through section five, Governance Structure of School, and at the bottom of the page there is a handwritten note that says “as per approved September 19, 2001 board minutes see Attachment A.” Attachment A states that the William Finch Charter School will be a legal arm of the Glenn COE and will be governed pursuant to the bylaws adopted by the incorporators. The bylaws will call for the Glenn COE Superintendent to govern the charter school. The superintendent will be assisted by an advisory committee consisting of three parents, three teachers, the lead teacher, a student and the School Director.

The governance information originally submitted to the Glenn COE Board of Education called for a board of directors to govern the school. The board of directors was to be made up of at least three parents, three teachers and the lead teacher. A student and the school director were to serve as ex-officio members on the board of directors. At least one representative of the Governing Board of the Glenn COE was to sit on the board as an ex-officio member to facilitate communications and mutual understanding between the school and the Glenn COE.

Version B of the charter document states that the board of directors is the elected Glenn COE Board of Education, with the addition of the lead teacher and one parent. Version C of the charter document states that the William Finch Charter School will constitute itself as a California Public Benefit Corporation pursuant to California law. It specifies that a board of directors consisting of at least three parents, three teachers and the lead teacher will provide governance to the charter school. The documents are undated.

Version A appears to be the approved version of the document, with the exception of section five, Governance. Based on correspondence between County Superintendent Arturo Barrera and the Charter Schools Division of the CDE, it appears that Version A is an accurate representation of what the board directed to legal counsel on September 19, 2001. Since no bylaws have been written or adopted, governance of the charter school should be the responsibility of the Glenn COE Superintendent and his advisory committee.

An advisory committee consisting of four teachers, three parents, one student and the director of the charter school has been in place and meeting monthly. According to parents, this committee has followed Brown Act requirements since July 2007. In the summer of 2007 a William Finch Charter School Board was formed and bylaws were written. Minutes of these meetings are titled, "The Board of Directors of William Finch Charter School." These minutes create the distinct appearance that this group is operating autonomously from the direction and control of the Glenn COE and its Superintendent. In August 2007 a letter signed by the chairman of the board was provided to Glenn COE administration advising that a charter school teacher was appointed as acting director. However, neither the advisory committee nor the board has met with the Glenn COE board or Superintendent to fulfill an advisory role.

While there has been considerable disagreement about which version of the charter document is the approved version, it is clear that both the Glenn COE and the William Finch Charter School have failed to comply with the terms of versions A, B or C of the charter document since the inception of the charter. Specifically, all versions call for significant increases in academic performance, UC-approved course outlines and senior portfolios. While the school is in the process of submitting course outlines for approval, to date, none of these goals have been met. Additionally, all versions require that an annual report be submitted to the Glenn COE board. There is no evidence that this report has ever been submitted to or requested by the Glenn COE.

## ***Review of Expenditures***

### **Salary and Benefit Costs**

FCMAT randomly selected a sample of 10 employees of the charter school over the four years under review, and reviewed relevant payroll and personnel information pertaining to the sample. The files reviewed all contained the appropriate documentation for the determination of compensation. The files raised no question with regard to the appropriateness of the employment and/or the compensation for the employees reviewed.

### **Supplies, Services and Capital Outlay Expenditures**

FCMAT reviewed charter school expenditures for non-salary and benefit accounts, object codes 4000 through 6999, for fiscal years 2004-05 through 2007-08 for the purposes noted above. Statistics of each year's sample are presented in the following table.

### Charter School Expenditure Sample Statistics

Year	Total \$	Sample #	Sample \$	Sample \$ as % of Total \$
2004-05	\$ 82,999	4	\$ 16,899	20.4%
2005-06	\$ 127,487	9	\$ 44,362	34.8%
2006-07	\$ 198,307	4	\$ 14,286	7.2%
2007-08	\$ 140,532	3	\$ 5,364	3.8%
Total	\$ 549,325	20	\$ 80,911	14.8%

FCMAT's review of the above expenditures did not reveal any misuse of funds or inappropriate expenditures, but a variety of internal control issues were observed and certain transactions occurred that are of significant concern. These issues made it difficult, if not impossible, to ascertain the propriety of many of the transactions reviewed.

**Purchases made without purchase orders.** FCMAT prepared an analysis of all charter school expenditures for the four years under review and found a remarkably small percentage of transactions were completed with the use of purchase orders. This level of after-the-fact expenditure authorization suggests a relatively low level of administration and oversight of program funds.

The following table provides data indicating the relatively small percentages of charter school expenditures that utilized a purchase order.

#### Percentage of Expenditures Utilizing Purchase Orders

Wm Finch Charter	2004-05	2005-06	2006-07	2007-08
Payment Request	82.8%	68.4%	51.4%	73.5%
Purchase Order	0.0%	17.6%	4.1%	3.6%
All Other	17.2%	13.9%	44.5%	22.9%
Total	100.0%	100.0%	100.0%	100.0%

**Excessive use of VISA credit cards.** A variety of employees of the Glenn COE, including charter school employees, were issued credit cards for business purposes and these cards were used extensively. This topic is covered in more detail in the Internal Controls section of this report.

The FCMAT sample included a payment to VISA Bancorp dated March 29, 2006 that included numerous charges by charter employees for conference costs totaling \$4,452.94. Another payment dated April 26, 2006 included charges by charter employees totaling \$2,030.88 for various purchases of materials, supplies, and other items. On May 31, 2006, \$172.95 was charged by the charter school director for books and instructional materials. In all of the above instances, receipts for the charges were attached, but no advance authorization for use of the credit card was noted.

**Travel and conference reimbursement requests without appropriate advance approval.** As noted in the report section on internal controls, FCMAT’s review of expenditures provided no indication that travel and conference activities were authorized in advance by an appropriate administrator. Further, payment requests were submitted for hotel reservations without sufficient explanation of the business purpose of the activity. Below are details of the disbursements that were reviewed in the FCMAT sample.

- *Holiday Inn* – On February 15, 2006, a payment was made to Holiday Inn of \$3,434.04 for the California Charter School Association (CCSA) conference. Reservations were made for six rooms for three nights each, but no employee names were provided. No conference request form was attached indicating the authorization of this activity. No original invoice from the hotel was attached indicating the final, actual cost of the activity. A related payment of \$4,345.00 was made to CCSA on the same date for registration of 11 people at the conference. Again, no conference form was attached indicating authorization for the activity.
- *Rancho Las Palmas Resort* – A payment of \$1,113.00 for two rooms for three days for four employees was paid to the resort for the CSIS conference. No conference form was included indicating advance authorization for the activity.

**Student Meal Expenses.** Within FCMAT’s sample were payments to a charter school employee that served as meal advances for the employee, students and chaperones of the Academic Decathlon team for attendance at a competition on two separate occasions. The first payment in the amount of \$1,200 occurred in March 2007 and the second payment of \$1,670 occurred in March 2008.

Receipts and an accounting of these advances show that the funds were used to pay for meals for the entire group, students included. Further, \$162 of these funds were used for the students to play laser-tag and mini-golf during the second trip. Both advances exceeded the amount of expenses incurred for the trip, and notations on the accounting indicated the difference was returned to the charter school.

All expenditures of the charter school need to serve a public purpose, and the Legislature leaves governing boards a fair amount of discretion in determining what serves a public purpose for their charter schools. However, expenditures of a personal nature can be deemed as serving a public purpose if they are designated as “awards” for the students per board policy. Incidental benefit to an individual is permitted if the expenditure promotes a valid and substantial public purpose within the authorized mission of the agency. For these concepts to apply, board authorization should occur in advance of the expenditure.

However, the charter school board did not meet regularly, if at all, and thus FCMAT could not locate minutes authorizing this activity. Thus, the activity could be deemed a gift of public funds, particularly with respect to the entertainment.

### *Audit Report*

All charter schools are subject to an external independent financial audit every fiscal year per state law. The William Finch Charter School audit is conducted within the scope of the same audit as the Glenn COE, the chartering agency.

FCMAT reviewed the external independent auditor's report of the Glenn COE for the fiscal years ended June 30, 2005 through June 30, 2007. All the audits had material findings related to internal controls, but none of these findings related to the charter school.

Nonetheless, and as a result of the lack of findings in the Glenn COE audit relative to the charter school, FCMAT believes a separate, external, independent financial audit would be very beneficial to all the stakeholders involved in managing the charter school. This separate focus would provide invaluable feedback to charter school and Glenn COE administration and board members that would assist in the proper management of the school's finances. It would also demonstrate a strong degree of commitment to the charter school community that the school is being operated in an open and transparent manner.

### *School Demographics*

The William Finch Charter indicates that the school will implement a student recruitment strategy to ensure a racial and ethnic balance among students that is reflective of the district. Unfortunately, the school has not been successful in meeting this goal. Comparing the demographics of the school to those of the Glenn COE and to Glenn County shows significant under representation in the enrollment of Hispanic students. In the 2007-2008 school year just 6.7% of the students at the charter school were Hispanic as compared to 30% for the Glenn COE and 47.1% for the county. White students were overrepresented, accounting for 88.1% of the students at the charter school compared with 59.4% for the Glenn COE and 43.5% for the county.

#### **2007-08 Enrollment by Ethnicity (Source: DataQuest)**

School	American Indian or Alaska Native%	Asian%	Pacific Islander%	Filipino%	Hispanic or Latino%	African American%	White (not Hispanic)%	Multiple or No Response%	Total Enrollment
William Finch	0	1.5	1.5	0	6.7	2.2	88.1	0	135
Glenn COE	3	1.8	.6	0	30.1	1.8	59.3	3.3	329
County	2.5	3.7	.2	.2	47.1	1.0	43.5	1.8	5,934

The charter school demographics are also not representative of the district or county when comparing English Learner (EL), special education students, or students receiving free and reduced lunch. While English learners made up 10% of the Glenn COE and 18.3% of the county students, there were no EL students at the charter school during the 2007-08 school year. CBEDS data indicates that no EL students have ever enrolled at the charter school.

Countywide, 9.75% of the students receive special education services but only 2.96% of the charter school students are identified as receiving special education. At the charter school 31.6% of the students receive a free or reduced lunch as compared to 60.4% of the district students and 55.4% of the county students.

The charter clearly outlines the steps that will be taken to recruit a diverse student population at the school. Yet at this point no recruitment is taking place and no outreach meetings have been held. The charter refers to marketing materials but at this point a brochure is the only evidence of marketing materials. The brochure is only available in English at this time.

### *Charter Agreement*

There have been material violations of the charter petition approved by the COE. Many of the ideas and concepts outlined in the original charter have not been pursued. For example, no courses have been approved by UC or CSU, student achievement data has not been sufficiently collected, portfolios have not been maintained, no marketing plan has been created, no admission criteria has been established, no annual report was submitted to the Glenn COE, benchmark assessments have not been created and a racial and ethnic balance has not been achieved.

The charter has also failed to meet some of the pupil outcome measures identified in the charter. The API scores of William Finch are significantly lower than the average scores of the other schools in the county.

### *Academic Performance*

The charter document clearly delineates the expectations for student learning, assessment and outcomes. Unfortunately, the charter has not been compliant in tracking exit outcomes, has not submitted course outlines to the University of California or California State University for approval, has not created benchmark assessments and has not created a list of student outcomes.

The charter established a goal that 75% of students would progress one grade level each year as evidenced by the adopted state or federal test. However, most students score in the Below Basic range on the CST:

	2007 No. of Students	2007 %	2008 No. of Students	2008 %
Far Below Basic	10	12.0%	12	11%
Below Basic	33	42%	52	46%
Basic	19	24%	31	28%
Proficient	15	19%	13	12%
Advanced	2	3%	3	3%
Total	79		111	

The API score at William Finch is significantly lower than the average for other schools in the county. The average 2007 base for all schools in Glenn County was 739; the 2007 base for William Finch was 668.

District	2008 Growth	2007 Base
Capay	835	816
Glenn COE	660	646
Hamilton Union Elementary	694	722
Hamilton Union High	739	741
Lake Elementary	810	800
Orland Joint Unified	711	696
Plaza Elementary	838	835
Princeton Joint Unified	670	714
Stony Creek Joint Unified	649	669
Willows Unified	749	750

Historically, the API has remained low at William Finch:

Year	API	Rank	Enrollment
2006	675	4	159
2005	663	4	146
2004	675	6	116

The charter states that if students or the school do not meet standards, a remediation plan will be developed and implemented. At this time there is no evidence of school-wide or individual student remediation plans.

### ***Generally Accepted Accounting Principles***

FCMAT's review of the charter school's 2006-07 and 2007-08 unaudited actuals reports, SACS Form 09, revealed the charter school utilized the modified accrual basis

of accounting in its financial reporting. This basis is consistent with generally accepted accounting principles of California charter schools that are not Internal Revenue Code Section 501(c)(3) nonprofit organizations.

### *Fiscal Mismanagement*

FCMAT's review did not reveal any fiscal mismanagement, although numerous internal control issues were identified. More information regarding these issues is contained elsewhere in this section and in the Internal Controls section of this report.

### *Charter School Law*

FCMAT's review did not include an exhaustive review of the charter school's adherence to all laws pertaining to charter schools, as the magnitude of such a review would be the subject of a far more extensive study. However, during this review, FCMAT did not find that the charter school violated any provisions of the law.

The focus for this study was to analyze the school's adherence to the non-classroom-based instruction portion of charter school law in California, as that is the nature of the William Finch Charter School.

A non-classroom-based charter school may not receive funding as a charter school unless it meets specified terms of law, generally including, but not limited to, the following:

1. The school must apply for and obtain a determination of funding from the State Board of Education. The process for doing so is briefly outlined below.
2. The school must adopt and apply conflict-of-interest policies.
3. The school must certify that its funds are spent principally for the benefit of students and that its contracts and purchases are in the school's best interest and reflect reasonable market rates.
4. The school can only claim funding in those instances where attendance is capped at an attendance-to-teacher ratio not exceeding specified local rates or a fixed rate of 25-to-one, whichever is higher.

Schools offering instruction via independent study must comply with myriad laws and regulations. Failing to do so may result in audit exceptions, sometimes leading to major fiscal penalties. In general, independent study programs must comply with the following major requirements:

1. Formally adopt and adhere to written independent study policies. These written policies should be drafted with close attention to the laws that list several mandatory elements and should be reviewed and adopted by the school's governing board after conducting a public hearing. Some of the required elements include:

- a. Specifying the maximum amount of time that may lapse between when work is assigned to a student and when it must be completed and
  - b. The number of assignments a student may fail to complete before triggering an evaluation of whether independent study is an appropriate instructional mode for the student.
2. Enter into written agreements with all independent study students, teachers, and parents. These agreements should be drafted with very close attention to the details of the laws that require many specific elements. Some of these mandatory elements include:
  - a. The manner, time, and frequency for submitting student assignments
  - b. The objectives and methods of study
  - c. The methods used to evaluate student work
  - d. The specific resources (including materials and personnel) to be available to the student
  - e. The maximum amount of time allowed prior to the due date of an assignment and the number of missed assignments that will trigger an evaluation of a student's placement (in line with the adopted policies)
  - f. The duration of the agreement, which shall be no longer than one semester in length
  - g. The number of courses or credit to be awarded on completion of the work
  - h. A statement that independent study is an optional alternative
  - i. Dated signatures from the student, parent, and instructional staff, obtained before the commencement of independent study.
3. Comply with a legal cap on the attendance-to-teacher ratio specified in law. Special laws developed for charter schools define the cap at the level of the largest unified (K-12) district in the counties served by the charter school or a fixed ratio of 25-to-1, whichever is higher. This cap must be calculated pursuant to detailed guidelines. If the charter school's attendance-to-teacher ratio exceeds this cap, its reported ADA must be reduced to the capped level.
4. Document the time value of instruction completed by each student and student daily engagement to estimate average daily attendance. The instructional staff responsible for monitoring each student's work must review and estimate a time value to the work completed by each of their students. These data, plus logs or records of students' daily engagement in instructional activities, are required to form the basis for reporting average daily attendance to the state for funding purposes.

5. Claim funding for only those students who are eligible to be funded under independent study. The laws regulating independent study also prohibit charter schools from serving students who do not live in the county where the average daily attendance is reported or an adjacent county.

FCMAT reviewed the calculation of the cap noted in item 3 above as prepared by the charter school and the Glenn COE. The calculation indicates the school was in compliance with the attendance-to-teacher ratio specified in law for the 2007-08 year.

FCMAT reviewed the 2007-08 Non-Classroom-Based Funding Determination, CDE Funding Recommendation and Summary Worksheet for the charter school and noted that the CDE recommended and the State Board of Education approved the charter for 100% funding for three years.

The Glenn COE administration also should be aware of the limitations included in Education Code Section 47605.1(c) that were approved after the William Finch charter was approved in 2001. This section of the code provides:

“... a charter school may establish a resource center, meeting space, or other satellite facility located in a county adjacent to that in which the charter school is authorized if the following conditions are met:

- (1) The facility is used exclusively for the educational support of pupils who are enrolled in nonclassroom-based independent study of the charter school.
- (2) The charter school provides its primary educational services in, and a majority of the pupils it serves are residents of, the county in which the school is authorized.”

The above provision will apply to William Finch Charter School but only as provided by Education Code Section 47601.1(e):

“For a charter school that was granted approval of its charter prior to July 1, 2002, but did not provide educational services to pupils before July 1, 2002, this section shall only apply upon the expiration of a charter that is in existence on January 1, 2003.”

This issue will have implications for the William Finch Charter School, and must be addressing during the renewal process.

## *Charter Renewal*

Although the William Finch Charter School has failed to meet the provisions of the charter, the Glenn COE has also provided very limited oversight since the inception of the charter. The Glenn COE should have given notice to the charter that it was not complying with the terms of the agreement. When no annual report was submitted or when there were questions about the practices at the charter school, the Glenn COE, as the entity who authorized and oversees the charter school, had a fiduciary and legal responsibility to intervene.

Since the charter will expire in August 2009, the Glenn COE and the William Finch Charter School should focus on the renewal process. Significant work needs to be done if the charter is to be renewed.

Ultimately, the Glenn COE and the William Finch school community will need to determine if they can work together to renew the charter. The advisory committee and Glenn COE board will also need to determine if it will be possible for the charter school to meet pupil achievement and demographic diversity goals. Charter schools receive less state oversight, but they must document pupil achievement. That has not been the case with the William Finch Charter School.

If the Glenn COE board does not approve the charter, the William Finch community has the option to charter through a district or directly with the state. The following issues need to be addressed for renewal to be considered:

1. Agree on a governance structure.
  - a. Ensure that the advisory committee meets regularly and complies with Brown Act requirements
2. Create a marketing and recruitment plan that ensures that William Finch has demographics similar to neighboring districts.
  - a. Ensure that materials are available in Spanish
  - b. Provide EL services
3. Create a school application process and accept all students who apply.
  - a. While not all students may be ideal candidates for independent study, charter schools are required to admit all students who apply
  - b. Create a lottery process to use if the school is at capacity
4. Create written independent study contracts with all students.

5. Create and adopt a discipline policy.
6. Focus on student achievement.
  - a. Set measurable goals in the charter application
  - b. Ensure that progress is documented
  - c. Create benchmark performance assessments
  - d. Define the role of the intervention specialist
7. Submit course outlines to UC/CSU for approval.
8. Define parameters for the annual performance report and submit to the Glenn COE board annually.
9. If the Glenn COE believes the charter is out of compliance with any aspect of the renewed charter, provide written notice immediately.

The following information from the California Department of Education regarding charter school governance and renewal is included here as reference.

### ***Governance Guidelines***

One of the 16 required elements of a charter school petition is an identification of the school's governance structure and a description of the process to be followed to ensure parental involvement. School governance can be structured in a variety of ways, but it usually involves the school's stakeholders (parents, teachers, administrators, classified staff, and community leaders) in some form or another. An existing school district board of trustees may govern a charter school, but if so, the charter school usually also forms an advisory body made up of charter school stakeholders to advise the school district governing board on issues such as program implementation, budgets, and facilities.

There are two types of charter schools: dependent schools that operate as an arm of the district under which they are chartered, and independent, which operate as a public benefit organization (nonprofit). The type of charter must be clearly defined in the charter. The charter granting authority has oversight responsibilities including:

1. Ensuring the school is meeting the terms of the charter
2. Ensuring that the school is fiscally sound
3. Ensuring that the school is complying with all laws

If a charter school elects to operate as a nonprofit public benefit corporation, the entity granting the charter is entitled to a representative on the corporation's board of directors. However, the Legislature has stated its intent that the authorizer would not be liable for any of the debts or obligations of the charter school. Nonprofit corporations are governed by a body of law in the California Corporations Code. A charter school that is operated by or as a nonprofit would be required to meet the conditions of the laws governing nonprofit corporations in addition to complying with all charter school laws. [See Education Code sections 47604 and 47605(b)(5)(D).]

While charter schools are exempt from most laws specifically applicable to school districts, they are not exempt from laws that generally apply to public agencies, including open meeting law requirements. Government Code Section 54950 et seq. (the Brown Act) requires the actions taken by local (public) agencies and their deliberations to be conducted openly. The Brown Act defines a local agency as “a county, city, whether general law or chartered, city and county, town, school district, municipal corporation, district, political subdivision, or any board, commission or agency thereof, or other local public agency.”

The entity that authorizes the charter school is responsible for ensuring the charter school complies with all applicable laws and the terms of its charter. Education Code Section 47604.3 specifically requires a charter school to respond to reasonable requests for information from its charter authorizer and from the state Superintendent of Public Instruction.

Education Code Section 47604.32 specifies the duties of a charter authorizer. The charter authorizer must:

1. Identify at least one staff member as a contact person for the charter school
2. Visit each charter school at least annually
3. Ensure that each charter school under its authority complies with all reports required of charter schools by law
4. Monitor the fiscal condition of each charter school under its authority

The cost of performing the duties required by this section is funded with supervisory oversight fees collected pursuant to Education Code Section 47613. The California Department of Education suggests that the charter authorizer and the charter school establish an agreement regarding the format, frequency, and scope of oversight activities.

### ***Renewal Guidelines***

Each charter petition must contain reasonably comprehensive descriptions of each of 16 required elements. They are:

1. A description of the educational program of the school. If the proposed charter school will serve high school pupils, a description of how the charter school will inform parents about the transferability of courses to other public high schools and the eligibility of courses to meet college entrance requirements must be included in the charter petition
2. The measurable pupil outcomes identified for use by the school
3. The method by which pupil progress in meeting those pupil outcomes is to be measured
4. The school's governance structure, including parental involvement
5. The qualifications to be met by individuals employed by the school
6. Procedures to ensure health and safety of pupils and staff
7. The means by which the school will achieve racial and ethnic balance among its pupils, reflective of the general population residing in the district
8. Admission requirements, if applicable
9. The manner in which annual financial audits will be conducted, and the manner in which audit exceptions and deficiencies will be resolved
10. The procedures by which pupils may be suspended or expelled
11. Provisions for employee coverage under the State Teachers Retirement System, the Public Employees Retirement System, or federal Social Security
12. The public school alternatives for pupils residing in the district who choose not to attend charter schools
13. A description of the rights of any employee of the school district upon leaving the employment of the school district to work in a charter school, and of any rights of return to the school district after employment at a charter school
14. A dispute resolution process
15. A declaration whether or not the charter school will be the exclusive public school employer of the charter school employees
16. The procedures to be used if the charter school closes

Although the relationship between the Glenn COE and the charter school community is strained, it is clear that the charter school meets a need for the community. If the school were to close, most of the students currently enrolled would not be enrolled by their parents in their neighborhood public school. This is because the families whose children attend William Finch are interested in a home schooling program. If that were not available through the Glenn COE, many would enroll in one of the many statewide programs designed to support home schooling.

If the charter is to be renewed, the Glenn COE will need to accept its oversight role and will need to allow the charter school to follow the charter. If the Glenn COE is not comfortable with the oversight role, it has the option of creating an independent study program instead of a charter school. If the Glenn COE does not approve the charter, then after August 2009 the charter school can seek approval from another district or apply for direct oversight by the state.

## Recommendations

*The Glenn COE should:*

1. Utilize version A of the charter document as the official authorized document for the remainder of the 2008-09 school year and provide written communication to the charter that this version of the petition will be followed.
2. Set up a reporting structure that will provide oversight to the charter school that will assure adherence to the requirements of the charter document.
3. Begin working immediately with the charter school to consider renewal of the charter before it expires in August 2009, or consider creating an independent study program instead of a charter school.
4. Consult with Glenn COE legal counsel to determine the appropriate disposition of the invoices for legal services requested by and provided to the charter school.
5. Consult with Glenn COE external auditors to determine the appropriate distribution of the unspent court and county community school funds and make any related interfund transfers as soon as possible.

*The charter school should:*

1. Utilize version A of the charter document as the official authorized document for the remainder of the 2008-09 school year.
2. Create admission criteria and a marketing and recruitment plan that will achieve a racial and ethnic balance that reflects the demographics of all of Glenn County.
3. Develop a list of student outcomes and collect and track student achievement data.
4. Develop student portfolios.
5. Establish benchmark assessments.
6. Develop remediation plans for students not achieving to standards.
7. Submit course outlines to the UC and CSU systems for approval.
8. Submit annual reports to the Glenn COE.
9. Conduct regular meetings of the charter school governing board.

10. Prepare and approve minutes for each meeting of the charter school governing board following Brown Act requirements.
11. Solicit an external annual independent financial audit.
12. Utilize purchase orders to authorize purchases of goods and services in advance of the actual purchase.
13. Limit the issuance of credit cards, and establish written policies to provide guidance on their proper utilization.
14. Establish policies regarding what constitutes student awards.
15. Require advance authorization for all travel and conference requests.
16. Begin working immediately with Glenn COE administration to consider renewal of the charter before it expires in August 2009.



## Special Education

### *Expenditures*

The Glenn COE operates a variety of special education programs for students with special needs throughout Glenn County. The Glenn COE also provides fiscal services to the Glenn County Special Education Local Plan Area (SELPA). The SELPA is the county-level administrative unit for special education. It is responsible for ensuring that all services are provided as required by the Individuals with Disabilities Education Act (IDEA), the federal law for special education.

This review addressed expenditures made for object codes 4000 through 7310, as well as certificated and classified salaries and benefits, object codes 1000-3000.

FCMAT reviewed samplings of special education expenditures for all four fiscal years specified in the scope, as follows:

#### **Special Education Expenditure Sample Statistics**

<b>Fiscal Year</b>	<b>No. of Items Reviewed</b>	<b>Expenditure Amount Sampled</b>	<b>Percentage of Total Expenditures</b>	<b>Total Expenditures</b>
2004-05	11	\$104,645	26.1	\$401,350
2005-06	9	\$141,461	30.8	\$459,990
2006-07	8	\$59,293	10.7	\$553,340
2007-08	10	\$90,025	17.7	\$509,521

These expenditure item samples were selected from all expenditures incurred during the time frames indicated. A secondary review of the general ledgers for the four fiscal years resulted in an analysis of additional expenditure items that merited review.

Most of the expenditure items analyzed presented minimal concern in that the appropriateness and purposes for the expenditures were discernible, if not clearly provided. Telecommunication and US Bancorp charges appeared to be linked to specific telephone and account numbers, which enables monitoring of individual usage. Distributions of support funds for special day classes at district sites were distributed pursuant to SELPA policy.

However, several areas of serious concern were noted in this review. The pervasive problem for the four years reviewed was the absence of essential internal fiscal control, particularly in the following areas for special education:

**Purchases made without purchase orders.** A lack of documentation for prior approval for expenditures seemed to be the norm rather than the exception. Far too often, expenditures were made based solely on payment vouchers. Exceptions should only be made in the most urgent situations. As an alternative to the current paper-driven purchasing system, an online method could be developed that would enable an employee to submit a purchase order for items electronically. See the Internal Controls section of this report for more information regarding the purchasing system.

The number of personal reimbursements for the purchase of materials and supplies and the broad approval authority given to the Administrative Assistant are very troubling. While there did not appear to be illegal or fraudulent activity, the combination of loose approval authority and personal reimbursement could easily be an invitation for that type of activity.

**Excessive use of VISA credit cards.** In a number of instances, reimbursements were made to employees (and some to employees of other agencies) for products that were delivered to the employee's home and charged to the employee's credit card. There was little, if any, verification that the items were actually received by the county office and not returned for credit by the reimbursed party. These are a few examples:

**2004-05**

PV003555: Employee of a school district - two radios and one scanner purchased at Circuit City and shipped to her address in Durham, CA.

**2005-06**

PV000391: Reimbursement of more than \$1,000 to employee for "supplies" purchased with personal American Express card at Costco. No description or explanation of supplies.

**2006-07**

PV005199: Materials ordered and paid for by employee in the amount of \$2,245.03. Items delivered to employee's residence. Packing slip assures delivery; no verification of receipt at county office or proof that items were not returned.

**2007-08**

PV004115: Reimbursement to employee of \$982.23 for materials and supplies.

In 2004-05, 137 of 685 purchases of instructional materials and supplies were personal reimbursements, representing 20% of such purchases.

In 2007-08 the percentage dropped to 14.8%, 102 out of 689 purchases. There has been some decline in the practice, but every effort should be made to keep these types of expenditures to a minimum.

As noted elsewhere in this report, the almost overwhelming use of the credit card account by a large number of employees is very problematic. It is almost an open invitation to abuse, whether intentional or accidental. Although the practice was reportedly curtailed in mid-2007-08, expenditures continued to appear through the end of the year. The credit card account has been generally replaced by another payment system. The county office should take every step to ensure that there are adequate controls and documented prior approval before the credit card is used.

### *Expenditure Coding*

The COE's budget document is the fiscal blueprint for the program, and the coding of expenditures needs to be more accurate. Accurate coding ensures that all expenditures for federal and state programs are accounted for according to CSAM guidelines and procedures. This is crucial when the county office is operating programs for which the school districts are ultimately fiscally responsible party. Districts need to be able to readily understand the expenditures.

There is consistent overuse of Goal Code 5001 (Unspecified) when a more appropriate goal code would provide information for more effective program fiscal management and greater clarification as to the purpose of the expenditure. For example, it appears that staff development activity appears to routinely be charged to this goal code. However, this should only be the case when the staff development focus crosses population categories. For example, a staff development activity addressing the preschool population should be charged to Goal Code 5730. Similarly, a staff development activity addressing the population of students with autism spectrum disorder would be more appropriately charge to either 5750, Severely Disabled, or a sub-goal code as recommended by the SELPA Administrators' Finance Committee, 5754, Severely Disabled – Autism.

Some agencies have elected to distinguish pupil personnel and health service activities from other unspecified expenditures by employing Goal Code 5002 in combination with Function Code 3110 for Counseling Services, 3120 for Psychological Services, and 3140 for Health Services.

Reimbursing district food service for meals provided to students in county-operated programs could reflect the appropriate special education goal code (5730 for Preschool, 5750 for Severely Disabled, and 5770 for Nonseverely Disabled) rather than 5001.

Staff development activity expenditures use Function Code 2100 (Instructional Supervision and Administration). Using the 2140 function code (In-House Instructional

Staff Development) would distinguish these activities from other instructional supervision and administration activities.

Additionally, some staff development activities have been conducted for which the county has been reimbursed by Cal-Stat or by neighboring SELPAs and/or school districts. Expenditures for which reimbursement might be provided should identify the source of abatement. For example, using Function 2141 (a sub-function code for 2140) for those situations would help track an abatement to an expenditure. The associated revenue could be coded with a 2141 sub-function code to show the linkage.

Conference and travel expenditures/reimbursement present another area of concern. If a consultant is being reimbursed for travel and related expenses related to his/her consultation, the expenditure should be made a part of the consultancy contract and coded as Object Code 5800 rather than Object Code 5200.

Since Glenn County is a rather large and sparsely populated area, it requires considerable driving time for the provision of many services. The county office might want to consider using a sub-Object Code 5201 for coding local mileage to distinguish it from other travel, particularly out of county travel for conferences and meetings. This could help ease concerns that staff are often out of the office.

Each of the four years contained an end of year journal entry expenditure under Object Code 5750 to reimburse the cafeteria for “adult meals for Student Services Staff.” This suggests that the office routinely provides meals for staff, which could be an inappropriate practice. If this is not the case, then the documentation is misleading or inadequate. Either the practice or the documentation should be reviewed and addressed.

A transfer of \$42,139 made from special education to technology was troubling in the manner it was made and charged. The sole documentation for this transaction seemed to be an e-mail from the concerned employee to the Superintendent. It stated that the agreement was that, on his change of assignment, this amount that represented half of his salary should be transferred from student services. There was no accompanying documentation that verified action on the assertions in the e-mail. Since the functions involved included providing reporting capability for a variety of required reports, it is not clear why the transfer of funds only came from special education, particularly when the e-mail expressly stated that was not to be the case. Furthermore, even in special education, the largest reporting requirement is CASEMIS, which should be addressed through the use of Goal Code 5050, Function 2200, not Goal 5001, Function 2100. Function 2200 is SELPA administration.

There does not appear to be sufficient use of the regionalized service/program specialist funding goal codes. This is a restricted revenue source to be used for specified purposes. The current code usage doesn't facilitate documentation that the funds are used for those

purposes, as required by EC Section 56836.25. Over the four-year period in question Glenn County SELPA received revenues as follows:

Year	2004-05	2005-06	2006-07	2007-08
RS/PS Funding	74,559.30	77,659.77	81,557.16	84,811.85
NSS Augmentation	122,451.60	127,684.69	135,943.68	142,541.79
Total	197,010.89	205,344.46	217,500.84	227,353.64

This totals almost \$850,000 over the four-year period, of which about \$525,000 is an augmentation to enable Glenn County, a necessary small SELPA, to adequately provide regionalized services and/or program specialist services.

The budget and expenditures should clearly delineate between program expenditures and regionalized service/program specialist expenditures. While the use of Goal Codes 5050 (Regionalized Services) and 5060 (Regional Program Specialist Services) were optional under SACS operational guidelines, they became mandatory in 2005-06. The county office should clearly delineate the provision of regionalized services and program specialist services through proper coding. As these funds are for restricted purposes (see EC 56836.23), the expenditures in Goal Codes 5050 and 5060 should demonstrate compliance with the statutory requirements.

Function Code 2200 (SELPA Administration) should only be used with Goal Codes 5050 and 5060 and not in combination with Goal Code 5001.

### ***Personnel, Salaries, and Benefits***

FCMAT reviewed relevant personnel information pertaining to the upper level management of the special education programs and randomly selected staff. The files of 16 employees were reviewed. Of the 16, seven were employed by the county office for all four of the years being reviewed, five had been employed three of the four years, and four had been employed two of the five years.

The files reviewed all contained the appropriate documentation for the hiring process and the determination of salary and benefit compensation. The files raised no question with regard to the appropriateness of the hiring process and/or the total compensation.

There were problems with the SACS codes employed by the accounting staff. Goal Code 5050 was not used when it would have been the appropriate code. Goal Code 5060 was associated with Function Code 2100 (Instructional Supervision and Administration) instead of the appropriate Function Code, 2200 (SELPA Administration). An LVN assigned a SACS code string of 6500.5770.3140.1200 one year and 6500.5770.3140.2200 the next. That would indicate that individual changed from a certificated employee to a classified employee. Additionally, since this type of personnel usually performs

specialized health care services for children with severe disabilities, it would have been more appropriate to use Goal Code 5750 (Severe Disabilities) than 5770 (Nonsevere Disabilities).

## Recommendations

*The Glenn COE should:*

1. Require prior approval before expenditure commitments are made. Limit the authority of the Administrative Assistant to grant approval unless she/he has specific verifying authorization from the Program Administrator.
2. Reimburse employees and others for costs incurred securing instructional supplies only in urgent situations based on the specific written approval of the appropriate program manager and the chief financial officer.
3. Develop a SACS coding guide for various programs to assist in identifying which codes apply to which programs. Provide administrative assistants and other clerical staff with more training in the appropriate use of the SACS codes.
4. Adopt subcodes for a variety of goal, function, and object codes to facilitate more effective fiscal program management.
5. Place very strict controls on the use of credit cards or other forms of credit purchases. Strictly limit the number of employees who may use this system.

## General Fund

### *Supplies, Services and Capital Outlay Expenditures*

FCMAT reviewed general fund expenditures for non-salary and benefit accounts, object codes 4000 through 6999, for fiscal years 2004-05 through 2006-07 for the purposes noted above. Statistics of each years sample are presented in the table below.

#### General Fund Expenditure Sample Statistics

Year	Total \$	Sample #	Sample \$	Sample \$ as % of Total \$
2004-05	\$ 913,589	15	\$ 273,832	30.0%
2005-06	\$ 1,494,709	20	\$ 324,267	21.7%
2006-07	\$ 1,100,432	22	\$ 394,796	35.9%
Total	\$ 3,508,730	57	\$ 992,894	28.3%

FCMAT's review of expenditures did not reveal any misuse of funds or inappropriate expenditures, but a variety of internal control issues were observed that are of significant concern. These control issues made it difficult, if not impossible, to ascertain the propriety of many of the transactions reviewed. The issues include:

**Violations of the Public Contract Code.** FCMAT's review of expenditures for the 2005-06 fiscal year revealed payments to Esplanade Furniture of \$383,100 for furniture and equipment primarily for the new Willows and Orland administration buildings. Public Contract Code Section 20111 provides that purchases in excess of a certain dollar amount – adjusted annually for inflation – shall be subject to bid. The dollar amount of purchases subject to bidding effective July 2005 – the beginning of the time frame for these purchases – was \$62,400. No documentation was provided to FCMAT that these purchases were subject to a bidding process.

Section 20116 of the Public Contract code prohibits the splitting of jobs to avoid the bidding requirements. Seventeen warrants were issued throughout that fiscal year beginning in July and ending in June. An additional nine warrants totaling \$12,212 were issued to this vendor in the 2006-07 fiscal year. One of those warrants exceeded the bid amount; the other 25 did not.

**Excessive use of VISA credit cards.** FCMAT's expenditure review of the general fund revealed significant use of VISA credit cards to transact county office business. See the Internal Controls section of this report regarding FCMAT's findings and recommendations for the use of credit cards.

FCMAT's general fund sample included three US Bancorp VISA card payment transactions, as follows:

- *December 8, 2004* – total payment to US Bancorp of \$12,541.74 including general fund charges of \$10,244.24. Receipts were attached and included charges for materials, supplies, travel, conferences and meals. No advance authorizations for use of the cards were noted, and the business expense was not clearly discernible for many of the expenditures. Nine different employees made charges during the month. Late fees and finance charges of \$190.19 also were paid.
- *May 31, 2006* – Total payment of \$35,679.45 to US Bancorp including \$32,442.17 charged to the general fund. Again, receipts were attached, yet no evidence of advance approval was provided, and the business purpose of the expenditures was not always clear. Twelve different employees made a total of 134 charges during the month.
- *December 6, 2006* – Total payment of \$15,826.99 was made to US Bancorp, including \$15,601.40 in charges to the general fund. All the same conditions noted in the above payments were noted here again. Ten different employees made charges for the month.

The volume of credit card use noted above was typical for the Glenn COE based on FCMAT's review of the payment history for US Bancorp, but excessive relative to typical use by a COE. In virtually none of the above charges did FCMAT note any evidence that advance authorization for use of the credit cards was either sought or provided. In all, \$530,465.84 was charged to VISA cards over the three-year period ending June 30, 2007, averaging \$14,735 per month.

**Journal entries without sufficient supporting documentation.** FCMAT's review of general fund expenditures included 19 journal entries of several varieties. Eleven of the journal entries, or 58% of the sample, did not contain adequate explanation or supporting documentation that would allow the reviewer to fully understand the nature of the entry. See the Internal Controls section of this report for more comments regarding journal entries.

**Travel and Conference reimbursement requests without appropriate advance approval.** FCMAT's review of expenditures included a variety of travel and conference activities. No evidence of advance approval was noted in the supporting documentation for these expenditures. See the Internal Controls section of this report for more information.

FCMAT's sample of general fund expenditures included a \$1,110.82 reimbursement to an administrator on March 7, 2007 for travel costs to attend a conference. No advance authorization for this activity was observed in the supporting documentation.

## Recommendations

*The Glenn COE should:*

1. Adhere to the requirements of the Public Contract Code when purchasing goods or services subject to the code.
2. Utilize purchase orders to authorize purchases of goods and services in advance of the actual purchase.
3. Limit the issuance of credit cards to a few key management employees, and establish written policies to provide guidance on their proper utilization.
4. Provide adequate supporting documentation for all journal entries.
5. Require advance authorization for all travel and conference requests.



## Appendices

Appendix A – Grand Jury report

Appendix B – Purchasing Card Policies and Procedures

Appendix C – Travel and Conference



**2006-2007 Glenn County Grand Jury  
Final Report**

**GLENN COUNTY OFFICE OF EDUCATION**

**I. PURPOSE:**

To investigate the processes, policies and procedures of the office of the Glenn County Superintendent of Schools.

**II. BACKGROUND:**

The Glenn County Superintendent of Schools is charged with oversight of the financial and overall welfare of the schools in Glenn County. Allegations of possible mis-use of county equipment and misappropriation of funds, as reported by local news media, prompted the Glenn County Grand Jury to launch an investigation.

The Grand Jury obtained records through the California Public Records Act (Government Code §§ 62506276.48). The records originally requested on August 22, 2006 had to be re-requested on August 25, 2006 through the Open Records Act because the Grand Jury was denied direct access to them by the Glenn County Office of Education. The records were delivered to the Grand Jury on September 1, 2006. The Grand Jury thoroughly reviewed the records, which had been redacted to eliminate sensitive information. It is possible the Grand Jury did not have access to all files relating to the investigation.

**III. FINDINGS:**

The Grand Jury conducted interviews with G.C.O.E. employees and found that County of Glenn computers, copiers and printers had been used by Glenn County Office of Education personnel for their personal use during business hours. This included, but was not limited to, e-mails, personal blogs, conduct of personal business and electioneering. The Grand Jury examined financial and credit card records of the Glenn County Office of Education and found that Glenn County was paying expenses related to personal and/or family matters, and for conduct of private self-promotion through credit card charges.

At some point in the tenure of the previous Superintendent, a car was issued by the County of Glenn to the Superintendent for business use. Instead, an agreement was approved between the Glenn County Superintendent of Schools and the Glenn County Board of Education that would allow the Superintendent to use her personal vehicle in lieu of a county-owned vehicle. For this, the Superintendent's personal vehicle was tuned up, a Global Positioning System and four new tires were installed. In addition, the Superintendent received a \$600.00 per month stipend for the use of her personal vehicle, plus gas and mileage payments. Upon review of travel expenditures of the Superintendent, the expenditures appear to be excessive and out of proportion to the duties of the office.

Each of the five members of the Glenn County Board of Education represents a district within Glenn County, and are elected by the voters of their districts. Each member serves a four-year term, and terms are staggered.

At meetings of the Board of Education attended by Grand Jury members, it appeared the Board exercised little or no oversight over the Glenn County Office of Education and the Superintendent. The Superintendent appeared to conduct the meetings, calling on staff members for reports. The Board members seldom asked questions.

#### **IV. CONCLUSIONS:**

The use of credit cards allowed departments to purchase items with no oversight, whether or not funds had been budgeted for the purchase. This caused the Business Office to shuffle funds between departments to cover expenditures.

The working relationship between the Superintendent of Schools, the Glenn County Office of Education and the Glenn County Board of Education lacks an effective system of checks and balances. Neither the Business Office nor the Glenn County Board of Education are sufficiently involved in protecting the financial status of the Glenn County school system.

#### **V. RECOMMENDATIONS:**

1. The person authorizing the expenditures of the Superintendent should be independent of the authority of the Superintendent.
  - a. The Board of Education should review expenditures monthly.
2. The Glenn County Office of Education Business Manager should take a more active role in monitoring the finances of the department. If necessary, an auditor should monitor daily expenses.
3. Restrict the use of credit cards.
  - a. Store credit cards in a secure location to be checked out as needed.
  - b. Establish the purchase order system as the preferred method of purchasing, with the credit cards as a backup.
  - c. All purchases to have prior approval before the use of a credit card can be authorized.
4. Monthly Budget Allocation:

If a department's funds are expended at the beginning of the month, no further expenses will be approved for that month.
5. Recommend all requests for travel expenses follow a set procedure:
  - a. Shall have prior approval by the Business Office;  
The participant must show a need to attend meetings, and produce a written report that demonstrates how their attendance will benefit the schools.
  - b. Travel only when necessary to accomplish school business.
  - c. Participants in mandated conferences to stay in an approved room, or in an approved facility. GCOE will only pay a set amount equal to that of the discounted conference room rate.
  - d. GCOE will pay only the per diem amounts for meals, regardless of where the conference is held.
  - e. GCOE shall not pay for any expenses for travel prior to, or after, the approved conference.
  - f. Returning participants must submit proof of attendance and a written report to their supervisor about what was learned and how it will be put to use at GCOE.
6. County Vehicles:
  - a. Personal vehicles may not be substituted for county vehicles.
  - b. County vehicles will be used for business purposes only, to be checked in and out of the county yard as needed.
  - c. County vehicles may not be taken home unless the business for which they were intended requires travel beyond normal business hours.

7. Expenditures for business meals require documentation of individuals who attended said meals and the GCOE-related purpose for attendance.
8. Consider establishing term limits for Board of Education members to two terms. Advertise all open positions to the general public, advising them of the duties, as well as the benefits of the office.

**VI. RESPONSE REQUIRED:**  
**Glenn County Board of Education**  
**Glenn County Office of Education Business Office**  
**Glenn County Superintendent of Schools**



Office of Larry E. Reider  
Kern County Superintendent of Schools  
*Advocates for Children*

### **PURCHASING CARD POLICIES AND PROCEDURES**

In order to expedite the purchase and accounting of low cost and specialized items, the SUPERINTENDENT OF SCHOOLS issues Purchasing Cards to a limited number of employees whenever there is sufficient benefit to the office. Cards will be issued by Budget/Purchasing Services director upon the request of the appropriate division administrator. The number of cards shall be restricted in number and should only be requested when significant justification and need exists. The Budget/Purchasing Services will establish credit limits upon the request and recommendation of division administrators.

1. Every cardholder must be a full-time permanent employee of the SUPERINTENDENT OF SCHOOLS, and shall agree to all terms and conditions established for the issuance of a SUPERINTENDENT OF SCHOOLS Purchasing Card.
2. Every cardholder shall sign their card in the presence of a designated SUPERINTENDENT OF SCHOOLS 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 on any purchase with a vendor.
4. The Purchasing 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 SUPERINTENDENT OF SCHOOLS.
  - c. The cardholder allows the card to be used by another individual, except as specifically authorized by Section 12.
  - 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 necessary to record a purchase appropriately.
  - k. The cardholder does not adhere to Purchasing Card policies and procedures.
  - l. The Purchasing card is the property of the bank, and it may at any time revoke card privileges under the provisions of its policies and procedures.
  - m. **Spending in excess of ANNUAL LIMITS or in unauthorized accounts.**
5. Each Purchasing 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 budget balances are available prior to incurring charges.

6. The cardholder is personally responsible for guaranteeing that all charges are for appropriate SUPERINTENDENT OF SCHOOLS expenses, that purchases are within budget limits, and that the purchase does not violate any other law, regulation, or policy of the Board of Education. Neither the bank *nor* the SUPERINTENDENT OF SCHOOLS assume responsibility for non-SUPERINTENDENT OF SCHOOLS purchases. The cardholder shall be liable to the SUPERINTENDENT OF SCHOOLS and to the bank for any non-SUPERINTENDENT OF SCHOOLS purchase.
  
7. The cardholder shall immediately notify Budget/Purchasing Services director if the Purchasing Card is lost, stolen, or in the possession of an unauthorized person. A written follow-up, including pertinent information on the cause of the Purchasing 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 Purchasing Card. These include, but are not limited to, the following:
  - \* Keep the card in view after you give it to a clerk. Get it back promptly after they have imprinted it.
  - \* Avoid signing a blank receipt. Draw a line through blank spaces above the total when you sign.
  - \* Destroy all carbons and voided (when a mistake was made) receipts. If the clerk has to keep a voided receipt for the store's accounting system, be sure to get a copy.
  - \* Save all Purchasing Card receipts. Upon receiving your monthly accounting report check your receipts and payments against the statement.
  - \* Immediately report in writing any questionable charges on the "Question Item Report" to the Business Systems Coordinator/Accountant.
  - \* Never lend your card to anyone.
  - \* Never leave your card, receipts, or carbons where anyone can pick them up.
  - \* Never put a card number on a postcard or on the outside of an envelope.
  - \* Never give your card number over the phone unless you are dealing with a company you are sure 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 Purchasing Card shall be processed as follows:
  - \* When the statements are transmitted or otherwise received by the SUPERINTENDENT OF SCHOOLS, the charges against each card shall be charged to that card's designated budget account.
  - \* Statements shall be forwarded to a designated administrator for each Program for review and local processing.
  - \* The designated administrator shall arrange for managers to confirm each and every purchase as to amount and purpose. 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, 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 Purchasing Cards. In many cases, designated support staff will use cards issued to directors and administrators to book reservations and process authorized purchases.
13. Purchasing Card use must be restricted to the following areas:  
Under \$400 only:
  - a. All purchases under \$400, total transaction amount, **that cannot be made from an Epsilon vendor.**The \$400 limitation does not apply to:
  - b. Travel costs, including registration, airfare, lodging, parking fees and fuel (for KCSOS vehicles). *Note:* meals may not be purchased.
  - c. Car rental fees with prior written approval by Division Administrator.
  - d. Subscriptions.
  - e. Workshop meals (catered and group), with proper documentation and itemization.
  - f. **Sole source** suppliers who do not accept KCSOS purchase orders. **(Provide written explanation with the monthly statement.)** **Sole source** supplier is one whose product is unique and is not available from any other supplier. For example, parts and technical support for Product X is only available at Company XYZ, Inc., which does not accept purchase orders.
  - g. Items needed on an immediate basis (i.e., safety and health, urgent need for student materials, etc.). **(Provide written explanation with the monthly statement.)**
14. Card restrictions. Cards may not be used for the following:
  - a. Items that may be purchased through Epsilon.
  - b. Transactions over \$400 except as specifically authorized in Section 13.
  - c. Meal purchases.
  - d. Personal purchases.
  - e. Equipment purchases. (In most cases, these are items \$500 or over, which last more than one year. Call if clarification is desired.)
  - f. Cell accounts, phones, pagers or communication equipment.
  - g. KCSOS provided products and services (i.e., printing and production services provided by the office).
  - h. Institutional memberships.
  - i. Computer software or hardware.

I, [REDACTED] have read the SUPERINTENDENT OF SCHOOLS Purchasing Card Policy and Procedures and agree to abide by them upon acceptance of a Purchasing Card issued to me, and that revocation of card authorization will have no effect on obligations outstanding as of the date of revocation.

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

Authorized Single Transaction Amount: \$1000

Authorized Monthly Amount: \$3000



**Travel and Conference Expense Claim**

*Batch 222*

**Notes:** The employee shall have prior approval from the Superintendent or the Program Director. Obtain this approval by completing **Section A**. Attach copy of conference information (if available). Complete **Section B** upon return from the travel/conference. Attach copy of conference information.

**SECTION A.** Name [Redacted] Date 2-26-07

Name of Conference [Redacted]

Date(s) 2-19-07-2-21 Location Monterey

Means of Travel: Private Car  County Car \_\_\_\_\_ Public Transportation \_\_\_\_\_

Anticipated Cost of Conference \$ \_\_\_\_\_ Substitute: Yes \_\_\_\_\_ No

Budget Account # \_\_\_\_\_ Advance Requested \$ \_\_\_\_\_

Attendance to the above conference is APPROVED/DISAPPROVED. If approved, transportation is authorized as indicated above.

\_\_\_\_\_  
Superintendent or Director Date

**SECTION B. CLAIM FOR ACTUAL EXPENSE** (attach copy of conference information)

Time and Date of Departure: \_\_\_\_\_ A.M. 12:00 (P.M.) 2-18-07 Date

Return: \_\_\_\_\_ A.M. 5:00 (P.M.) 2-21-07 Date

Registration Fees: (Receipt Required) \_\_\_\_\_ \$ \_\_\_\_\_

Means of Travel: Public Transportation \_\_\_\_\_ \$ \_\_\_\_\_

Parking..... APPX-GCOE \_\_\_\_\_ \$ \_\_\_\_\_

Tolls..... \$ 4.00 *Bridge*

Private Car  Miles 530  445 *hrs* \$ 235.85 *25705*

\*Meals and Lodging: # Days 3 Lodging (Receipt Required)..... \$ 772.77 ✓

# Days 0 Breakfast Up to \$ 9.00..... \$ 0

# Days 3 Lunch Up to \$12.00 *per day*..... \$ 36.00 *24.00 ✓*

# Days 3 Dinner Up to \$20.00 *per day*..... \$ 60.00 *57.00*

Incidentals Up to \$5.00..... \$ 5.00 *0*

Total Claim \$ 1,101.62

Less Advance — \$ \_\_\_\_\_

NET CLAIM \$ 1,101.62

1110.82

- \*Itemized Receipts are required if:
- A. Means of Travel/Incidentals exceeding the per diem amount.
  - B. Meals exceed the per diem amount (excluding alcohol beverages).
  - C. Registration & Lodging required.

I certify that the above claim is true and accurate account of expenditures for the period indicated.

Claimant [Redacted] Date 2-26-07

Approved for Payment: [Signature] Date 3-1-07

Budget Account # 01-0000-0-8600-2100-5200-000-320 Date 55700  
*Rev. 12/09/05*  
MAR 01 2007

## TRAVEL AND CONFERENCE EXPENSE CLAIM GUIDELINES

### Section A: Advance Request

Complete in full.

Will not be processed without an authorized signature.

Include a copy of the conference information.

Request for advances should not be made more than 14 days (two weeks) in advance of the conference or travel need.

Advances are logged into a spreadsheet and will be noted when cleared. Log will be routed on a monthly basis to individuals and/or supervisor if outstanding advances.

### Section B. Claim for Actual Expense

Complete in full as appropriate based on the travel/conference being claimed.

Departure and return time and date are necessary in order to calculate the number of per diem meals. Cannot reconcile without this information.

Means of Travel: public transportation/parking/tolls allow for a per diem amount provided in BP 3350 Travel Expenses, Board Policy. If the costs are greater than the allowed per diem amount, receipts must be provided.

Mileage reimbursement is based on miles multiplied by the current IRS rate.

Meals: If meals reimbursement is greater than the per diem, and includes other individuals, provide an itemized receipt and a list of individual(s) and purpose.

Attach a copy of the conference information/agenda. No meal reimbursement will be allowed when meals are provided at the workshop or meeting.

Additional information for those receiving an advance:

Attach a copy of the warrant you received for the advance.

Advances must be cleared within one week upon return of conference/travel. Advances that are outstanding will be routed to the individual and/or supervisor for either a refund or to be cleared.

Advances that result in a net claim of zero, still must be turned in listing actual and/or per diem expenditures. The reconciled Travel and Conference Claim Form will be attached to the original advance payment request substantiating the original claim.

Travel and conference expense claims where the advance less expenditures results in a net claim of a credit (you owe back to GCOE), will have all appropriate information and/or back up. However, attach the claim and refund to a deposit transmittal abating the amount advanced in excess to the original string where advance was paid.