

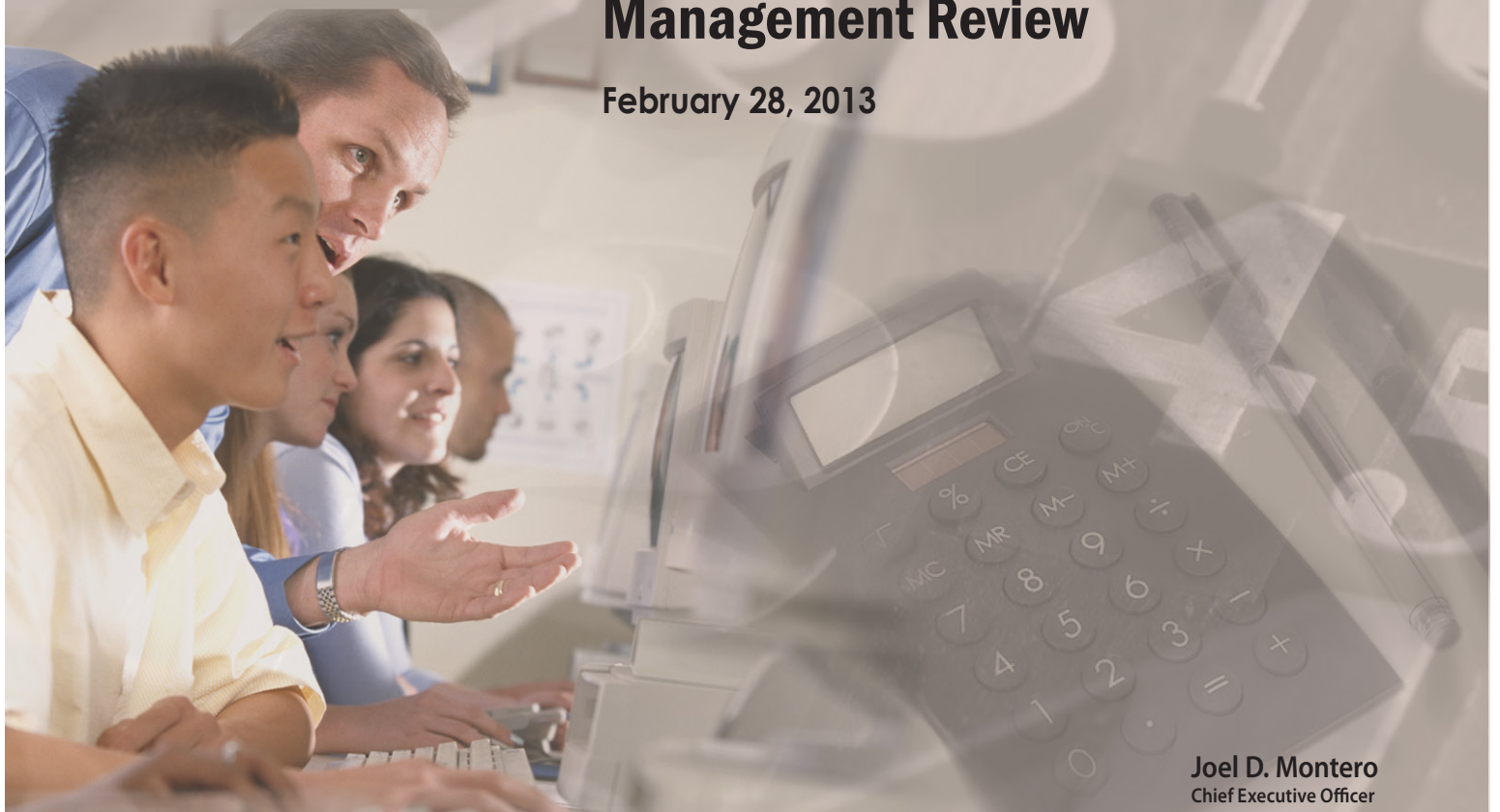


CSIS California School Information Services

Perris Elementary School District

Management Review

February 28, 2013



Joel D. Montero
Chief Executive Officer





CSIS California School Information Services

February 28, 2013

Vincent J. Ponce, Superintendent
Perris Elementary School District
143 East 1st Street
Perris, CA 92570

Dear Superintendent Ponce,

In August 2012, the Perris Elementary School District and the Fiscal Crisis and Management Assistance Team (FCMAT) entered into an agreement for management assistance. Specifically, the agreement states that FCMAT will perform the following:

1. The Perris Elementary School District is requesting that the FCMAT Team conduct an organizational and staffing review that will be limited to the district's central office for business operations. The review will include classified and management level employees that perform business related functions.
2. The Team will provide comparative staffing data for four to six elementary school districts of similar size and structure and provide recommendations to improve the efficiency and reduce costs in the district's business office. The district business office and department level comparison may include comparable elementary school districts located in the geographical region and comparable districts utilized in the collective bargaining process by the Perris Elementary School District.
3. The Team will review job descriptions for all business department positions, interview staff and make recommendations for staffing improvements. All recommendations will include estimated values for any proposed position reductions or enhancements to the organizational structure.
4. The Team will evaluate the current work flow of the business department that will include but not be limited to the accounting and financial reporting requirements, payroll, accounts payable, and other related business functions performed by the department and provide recommendations for improved efficiency, if any.
5. The Team will review warehouse procedures, inventory control, cycle counting methodologies, software applications, if any and provide recommendations for improved efficiency, if any.

FCMAT

Joel D. Montero, Chief Executive Officer

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

6. The Team will review the long range plan for facilities including the facilities master plan and provide recommendations regarding organizational efficiencies and staffing.

The attached final report contains the study team's findings and recommendations. FCMAT appreciates the opportunity to serve the Perris Elementary School District and extends thanks to its staff for their cooperation and assistance during this review.

Sincerely,

A handwritten signature in black ink, appearing to read 'Joel D. Montero', with a stylized flourish at the end.

Joel D. Montero
Chief Executive Officer

Table of Contents

About FCMAT	iii
Introduction	1
Background	1
Study Guidelines	1
Study Team	2
Executive Summary	3
Findings and Recommendations	7
Organizational Structure and Staffing	7
Business Office Processes and Procedures	17
Facilities	39
Warehouse	45
Appendices	49

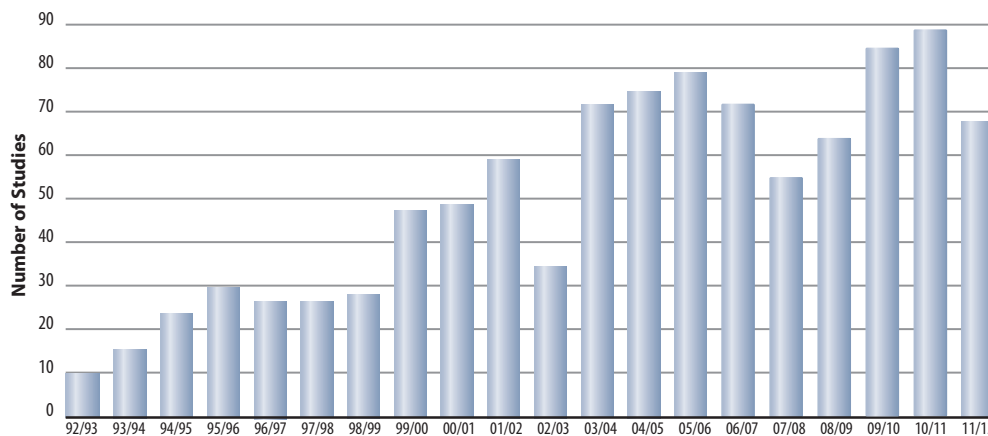
About FCMAT

FCMAT's primary mission is to assist California's local K-14 educational agencies to identify, prevent, and resolve financial and data management challenges. FCMAT provides fiscal and data management assistance, professional development training, product development and other related school business and data services. FCMAT's fiscal and management assistance services are used not just to help avert fiscal crisis, but to promote sound financial practices and efficient operations. FCMAT's data management services are used to help local educational agencies (LEAs) meet state reporting responsibilities, improve data quality, and share information.

FCMAT may be requested to provide fiscal crisis or management assistance by a school district, charter school, community college, county office of education, the state Superintendent of Public Instruction, or the Legislature.

When a request or assignment is received, FCMAT assembles a study team that works closely with the local education agency to define the scope of work, conduct on-site fieldwork and provide a written report with findings and recommendations to help resolve issues, overcome challenges and plan for the future.

Studies by Fiscal Year



FCMAT also develops and provides numerous publications, software tools, workshops and professional development opportunities to help local educational agencies operate more effectively and fulfill their fiscal oversight and data management responsibilities. The California School Information Services (CSIS) arm of FCMAT assists the California Department of Education with the implementation of the California Longitudinal Pupil Achievement Data System (CALPADS) and also maintains DataGate, the FCMAT/CSIS software LEAs use for CSIS services. FCMAT was created by Assembly Bill 1200 in 1992 to assist LEAs to meet and sustain their financial obligations. Assembly Bill 107 in 1997 charged FCMAT with responsibility for CSIS and its statewide data management work. Assembly Bill 1115 in 1999 codified CSIS' mission.

AB 1200 is also a statewide plan for county office of education and school districts to work together locally to improve fiscal procedures and accountability standards. Assembly Bill 2756 (2004) provides specific responsibilities to FCMAT with regard to districts that have received emergency state loans.

In January 2006, SB 430 (charter schools) and AB 1366 (community colleges) became law and expanded FCMAT's services to those types of LEAs.

Since 1992, FCMAT has been engaged to perform nearly 850 reviews for LEAs, including school districts, county offices of education, charter schools and community colleges. The Kern County Superintendent of Schools is the administrative agent for FCMAT. The team is led by 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.

Introduction

Background

Located in Riverside County, the Perris Elementary School District has a five-member elected governing board and serves approximately 5,843 students in seven kindergarten-through-sixth-grade elementary schools and one kindergarten-through-eighth grade conversion charter school that began operation in August 2011.

Approximately 49% of the district's students are English learners and 91% are eligible for free or reduced-price meals. According to the 2012 Adequate Yearly Progress (AYP) Report, the district did not meet all of the criteria for AYP and was identified for year three program improvement (PI) status in 2012-13. Schools and local educational agencies that do not meet AYP criteria for two consecutive years are identified for PI under the federal Elementary and Secondary Education Act (ESEA). The ESEA requires all states to implement statewide accountability systems based on state standards in English-language arts and mathematics, annual testing for students, and annual statewide progress objectives with the goal that all students achieve proficiency by 2013-14. Schools and districts that fail to make AYP toward proficiency goals are subject to improvement and corrective action measures.

Study Guidelines

In August 2012, the Perris Elementary School District and the Fiscal Crisis and Management Assistance Team (FCMAT) entered into an agreement for management assistance. Specifically, the agreement states that FCMAT will perform the following:

1. The Perris Elementary School District is requesting that the FCMAT Team conduct an organizational and staffing review that will be limited to the district's central office for business operations. The review will include classified and management level employees that perform business related functions.
2. The Team will provide comparative staffing data for four to six elementary school districts of similar size and structure and provide recommendations to improve the efficiency and reduce costs in the district's business office. The district business office and department level comparison may include comparable elementary school districts located in the geographical region and comparable districts utilized in the collective bargaining process by the Perris Elementary School District.
3. The Team will review job descriptions for all business department positions, interview staff and make recommendations for staffing improvements. All recommendations will include estimated values for any proposed position reductions or enhancements to the organizational structure.
4. The Team will evaluate the current work flow of the business department that will include but not be limited to the accounting and financial reporting requirements, payroll, accounts payable, and other related business functions

performed by the department and provide recommendations for improved efficiency, if any.

5. The Team will review warehouse procedures, inventory control, cycle counting methodologies, software applications, if any and provide recommendations for improved efficiency, if any.
6. The Team will review the long range plan for facilities including the facilities master plan and provide recommendations regarding organizational efficiencies and staffing.

FCMAT visited the district on November 8 and 9, 2012 to conduct interviews, collect data, and observe the warehouse facility. This report is the result of those activities and is divided into the following sections:

- I. Executive Summary
- II. Organizational Structure and Staffing
- III. Business Office Processes and Procedures
- IV. Facilities
- V. Warehouse
- VI. Appendices

Study Team

The study team was composed of the following members:

Diane Branham
FCMAT Chief Management Analyst
Bakersfield, CA

Terry Ruscoe
FCMAT Consultant
Merced, CA

John Lotze
FCMAT Technical Writer
Bakersfield, CA

Jennifer Noga*
District Fiscal Analyst
Kern County Superintendent of Schools
Bakersfield, CA

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

Executive Summary

Funding for education has been severely reduced and cash deferrals have increased since 2008-09 because of the state and federal budget crises. To address the state's ongoing budget deficit, state lawmakers have used numerous strategies to help balance the budget, including reducing expenditures, adding new taxes, borrowing money and using one-time federal stimulus funds. Passage of Proposition 30 in November 2012 helped stabilize education funding for fiscal year 2012-13 by increasing state tax revenues, thereby avoiding additional mid-year budget reductions.

During these unprecedented fiscal times, school districts have been forced to make substantial reductions to programs and staff; prior industry standards and best practices regarding staffing levels have often been abandoned out of necessity. Although staffing comparisons provide valuable information, they may be a somewhat less reliable tool than they were in the past in determining the number of staff needed to provide the desired level of customer service. However, the district should be staffed according to basic theories of organizational structure and standards used in other school agencies of similar size and type, including the generally accepted theories of span of control, chain of command, and line and staff authority.

A review of comparison districts and interviews with the staff indicate that the district may be slightly overstaffed in its business office. The district should consider decreasing support staff by one full-time equivalent (FTE) position, possibly through attrition. To obtain a clearer understanding of the amount of time required for the tasks assigned to each business office position and ensure that tasks are equitably distributed, the district should assign each business office staff member to complete a time analysis of the duties they perform each day for one month. The review of comparison districts also indicates that the district is understaffed in its maintenance and operations department and should consider increasing its director of facilities position to full-time.

The district's job descriptions for business office positions need to be updated, and descriptions for some of the positions need to be developed and approved by the governing board. The descriptions should reflect the appropriate supervisor, include the date the job description was approved and/or revised by the board, and comply with the Americans with Disabilities Act (ADA).

The majority of the district's board policies and administrative regulations relating to business and noninstructional operations have not been revised since 1980. As a result, many are not in compliance with current laws or aligned with district practices, and some essential policies and regulations have not been adopted. The district should consider using a service such as the California School Boards Association's GAMUT policy subscription service to review and update its current policies and regulations, develop new ones as needed, and implement a plan to keep them current.

Little or no cross-training occurs for some of the business office's key functions, including tasks in purchasing, student attendance accounting, Medi-Cal reimbursement and risk management. These tasks are essential to operations, and the district should develop and implement a plan to ensure that for every position there is at least one other employee who can temporarily perform its key duties. Desk manuals that include step-by-step procedures for each job duty should also be developed to help provide for internal controls and a better understanding of each position's responsibilities.

A sound internal control structure requires job duties to be segregated to properly protect the district's assets. No single employee should 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. The district's internal control weaknesses include the following:

- Human resources staff enter information into employee payroll screens.
- The accounts payable and payroll staff have custody of warrants after they are processed by the county office.
- Bank accounts require only one signature.
- The same employee collects cash and checks, prepares bank deposits, transfers funds from the clearing account, and reconciles the monthly bank statement.
- One employee prepares invoices and helps collect cash and checks.

The district's chief business official (CBO) and accounting coordinator have primary responsibility for budget development; however, it is best business practice to include site and department managers in the process. This would help create a sense of shared ownership and responsibility, a deeper understanding of budgetary issues, and possibly fewer budget transfers during the year.

The Galaxy financial software system is used for budgeting, accounting and payroll functions. To provide for a more efficient process, the district should investigate using more detailed account codes for tracking revenues and expenditures in Galaxy rather than using separate spreadsheets. In addition, payroll and employee absence information is input in both Galaxy and FileMaker Pro. The district should discontinue using FileMaker Pro for duplicate entry of information because it is an inefficient, time-consuming process that increases the possibility of error.

The district's business and human resources offices send personnel action notices back and forth multiple times for completion. The district should ensure that each office completes the personnel action notice (PAN) in succession. The district lacks a standard monthly cut-off date for processing all payroll transactions. A cutoff date should be implemented to increase efficiency and reduce the chance of error.

The purchase requisition and order process could be streamlined by requiring either the accounting coordinator or CBO to approve purchase requisitions electronically, and requiring the other to sign the PO, rather than requiring the CBO to perform both functions.

Although the district has a full-time accounting specialist whose duties include some purchasing functions, the position is not involved in the bidding process and is not familiar with all of the codes and regulations regarding purchasing functions. The job description for the position should define its purchasing authority and responsibilities, and the district should ensure that the assigned employee fully understands procurement requirements and provide the professional development training needed for all purchasing functions. Bid documents should also be regularly reviewed by the business office and legal counsel to ensure that they adhere to current bidding requirements and regulations and meet the needs of the district.

The district lacks board policies and administrative regulations regarding travel allowances. These should be developed and implemented. The district should consider reducing the number of individuals who hold district credit cards to strengthen internal controls and reduce exposure to unauthorized expenditures. A more comprehensive credit card user agreement should be developed, and all users should be required to sign it before a district credit card is issued. The district

should also enforce the procedure requiring that a purchase requisition be completed and district office approval obtained before using a district credit card, and continue to closely monitor credit card use to ensure conformity to the user agreement and to confirm that all charges are for district-approved purposes.

The district does not store all property and liability insurance and contractor information documents in the business office. All such original documents should be stored in the business office to help protect the district from potential liability and provide for a more efficient system. The district also lacks a central database for tracking employee safety training that can be updated by authorized personnel. The district should immediately develop and maintain such a system and assign one employee to monitor it regularly.

The district lacks a facilities master plan. It should complete such a plan as soon as possible and update it as necessary, taking into account its goals, objectives and long-term enrollment projections. The district's five-year deferred maintenance plan should also be updated by the director of facilities to coincide with the facilities master plan and should clearly record the district's current facility inventory.

The Uniform Public Construction Cost Accounting Act (UPCCAA) provides for an alternative bidding process with a higher bid threshold than that provided by the Public Contract Code (PCC). The district should consider adopting the UPCCAA method to allow more latitude in the bidding process. However, it is a best business practice to solicit informal bids for any work over a specified dollar amount, for example \$5,000.

The district's warehouse facilities lack organization and a complete inventory. The district should organize its warehouse and inventory all equipment and supplies stored there on a regular schedule. The distribution of cleaning chemicals and supplies should also be monitored to determine the amount of inventory needed in the warehouse, if any. The district stores original paper documents in its warehouse, and smoke and fire detection and prevention systems are lacking in these areas. The district should consider using an electronic document repository and scanning the original documents kept in its warehouse for safekeeping. The district should also install smoke detection and fire prevention systems in the facility that houses original documents.

Board policies, administrative regulations and procedures regarding the disposal of district surplus property are lacking or not up to date. These should be updated and/or developed to ensure they comply with legal requirements. The date of governing board approval should be included on the district's final disposition of equipment form, and all surplus items should be discarded in accordance with applicable laws and regulations.

Findings and Recommendations

Organizational Structure and Staffing

A school district's organizational structure should establish the framework for leadership and the delegation of specific duties and responsibilities. As a district's enrollment increases or declines, the organizational structure should adapt as necessary to the changes. A district should be staffed according to generally accepted theories of organizational structure and the standards used in other school agencies of similar size and type. The most common theories of organizational structure are span of control, chain of command, and line and staff authority. As discussed later in this report, the district's organizational chart does not include the correct title for some positions and does not provide a clear line of authority for one of the account clerk II positions.

Span of Control

Span of control refers to the number of subordinates reporting directly to a supervisor. Although there is no agreed-upon ideal number of subordinates for span of control, it is generally agreed that the span can be larger at lower levels of an organization than at higher levels because subordinates at the lower levels typically perform more routine duties and therefore can be more efficiently supervised.

Chain of Command

Chain of command refers to the flow of authority in an organization and is characterized by two significant principles: unity of command suggests that a subordinate is only accountable to one supervisor, thus eliminating the potential for an employee to receive conflicting direction and instruction from a variety of supervisors; and the scalar principle suggests that authority and responsibility should flow in a direct vertical line from top management to the lowest level. The result is a hierarchical division of labor.

Line and Staff Authority

Line authority is the relationship between supervisors and subordinates. It refers to the direct line in the chain of command. For example, at the district the chief business official (CBO) has direct line authority over the accounting coordinator, and the accounting coordinator has direct line authority over the fiscal services staff. Staff authority, on the other hand, is advisory. Staff personnel do not have the authority to make and implement decisions, but act in support of line personnel. The organizational structure of local educational agencies contains both line and staff authority.

The purpose of any organizational structure is to help district management make key decisions to facilitate student learning while balancing financial resources. The organizational design should outline the management process and its specific links to the formal system of communication, authority and responsibility necessary to achieve a district's goals and objectives.

Business Services Department Staffing

The district's business services department is overseen by the chief business official (CBO), who has served in this position since October 2012 and has several years of business office experience at neighboring school districts and the Riverside County Office of Education. The department's organizational chart shows that the following positions report directly to the CBO: confidential

secretary I, director of nutrition services, accounting coordinator, director of facilities/principal, and safety and risk coordinator.

The nutrition services department provides breakfast, lunch and after-school snacks to the district's students. The district operates under Provision 2 of the National School Lunch and School Breakfast programs, which means that all students are eligible to receive school meals free of charge.

The facilities department provides maintenance, custodial and grounds services to all of the district's sites, and oversees construction projects and the outside services contractor that provides pupil transportation for the district. The department also includes a warehouse facility, which is discussed later in this report.

The business office provides budget, accounting, financial reporting, payroll, Medi-Cal reimbursement, and risk management services for the district and the charter school it has authorized, and includes the following positions:

Confidential Fiscal Services Secretary

This position reports to the CBO. The secretary's duties include providing clerical support to the CBO; preparing board agenda items and summary budget reports with charts and graphs; maintaining check-out logs and reconciling monthly statements for credit cards; processing E-rate claims and accounts receivable transactions; opening and distributing department mail; and maintaining conference attendance logs. This position also provides some clerical support to the director of facilities.

The job description for this position is outdated and has a title that does not match the title of Confidential Secretary I as identified on the organizational chart. The job description also indicates that the position reports to the director of fiscal services, which no longer exists, and lacks a governing board approval date.

Accounting Coordinator

This position reports to the CBO. The coordinator's duties include preparing and monitoring the district budget; preparing local, state and federal financial reports; reviewing and approving purchase requisitions; reviewing bank reconciliations; coordinating with the district's external auditor; providing training for district staff; participating in county office and district meetings; and supervising and evaluating the business office staff. The position supervises one accounting specialist, one payroll program specialist, one payroll technician, one account clerk II, one attendance specialist, and one Medi-Cal reimbursement account clerk II. The department's organizational chart also indicates that this position shares supervision of one nutrition services (account clerk II) position with the director of nutrition services.

The job description for this position indicates that it reports to the assistant superintendent, business services; however, this is not the correct title for the district's CBO. The job description does not include a governing board approval date.

Accounting Specialist (Confidential)

This position reports to the accounting coordinator and its duties include researching vendors and pricing for purchases; converting requisitions to purchase orders; preparing inventory forms for equipment purchases; entering new vendor information in the district's financial system; 1099 and annual sales tax reporting; and invoicing. This position also serves as backup to the confidential secretary for accounts receivable functions and to the account clerk II for accounts payable functions.

The accounting specialist position is classified as confidential. However, based on the information provided, this position does not meet the criteria for a confidential position contained in Government Code Section 3513(f), which states:

“Confidential employee” means any employee who is required to develop or present management positions with respect to employer-employee relations or whose duties normally require access to confidential information contributing significantly to the development of management positions.

A job description was requested but was not provided for this position.

Payroll Program Specialist and Payroll Technician (Confidential)

These two positions report to the accounting coordinator. Their duties include preparing and processing payroll; processing voluntary and involuntary employee deductions; reporting payroll taxes; and tracking employee absences. Although payroll processing duties are assigned to two staff members with different job classifications, there is not a clear distinction of the difference in the positions.

These two positions are classified as confidential. However, based on the information provided, neither position meets the criteria for a confidential position contained in Government Code Section 3513(f).

The job description for the payroll program specialist indicates that the position reports to the director of fiscal services, which no longer exists, and the job description lacks a governing board approval date. A job description for the payroll technician position was requested but was not provided.

Account Clerk II

The business office's account clerk II position reports to the accounting coordinator, and its duties include processing accounts payable transactions; reconciling monthly bank statements for the district's clearing and revolving cash accounts; preparing the utility usage and cost spreadsheet; and reconciling revenue received from the county office.

The nutrition services department also includes an account clerk II position. However, the department's organizational chart indicates that the position reports to two supervisors: the accounting coordinator and the director of nutrition services. Although the employee in this position is located at the district office, all assigned duties involve budgeting and accounting functions for nutrition services, including preparing state and federal reimbursement claims; processing accounts payable transactions; processing deposits; reconciling the monthly bank statement; developing and monitoring the nutrition services budget; compiling inventory reports; and processing journal entries for catering services. Having a position report to more than one supervisor is inefficient, violates the principle of chain of command, and may cause confusion. In addition, having the account clerk II for nutrition services at the district office makes it difficult for the director of nutrition services to efficiently oversee the department's daily business operations.

The job description for the account clerk II position was adopted by the governing board on July 12, 1990 but has not been updated since.

Attendance Specialist

This position reports to the accounting coordinator, and its duties include maintaining and reporting California Longitudinal Pupil Achievement Data System (CALPADS) information; preparing first principal apportionment (P-1), second principal apportionment (P-2) and annual

student attendance reports; preparing state reports for the K-3 Class Size Reduction and Quality Education Investment Act programs; training school staff in student attendance accounting; and daily monitoring of student attendance in Zangle, the district's student information system.

The job description for this position is outdated and does not include a governing board approval date. CALPADS was developed to enable California to meet federal reporting requirements in the No Child Left Behind Act of 2001. Part of the attendance specialist's daily duties deal with CALPADS, but the position's job description does not include these responsibilities.

Medi-Cal Reimbursement Account Clerk II

This part-time (.50 full-time equivalent) position reports to the accounting coordinator, and its duties include supporting coordination of the district's two Medi-Cal reimbursement programs: Medi-Cal Administrative Activities (MAA), and Local Educational Agency Medi-Cal Billing Option (LEA); working with outside agencies to provide services for students; helping participants accurately complete and submit required documentation; communicating with school site staff, the district nurse and health aides to ensure all students' needs are met; and providing claim and/or billing information to the district's outside service provider. According to the MAA Program Performance Report prepared by Paradigm, the district's outsider service provider, the revenue generated for the third and fourth quarters of fiscal year 2009-10 was above the average for programs with like characteristics. In addition, the revenue generated for the first and second quarters of fiscal year 2010-11 was \$74,000 greater than the same quarters in 2009-10.

The job description for this position includes a title that does not match the title of MAA/LEA Coordinator given to it on the department's organizational chart. The job description also indicates that the position reports to the assistant superintendent of business services, and it lacks a governing board approval date.

Risk and Safety Coordinator (Confidential)

This position reports directly to the CBO, and its duties include administering the district's employee health and welfare benefits program, including employee orientation, open enrollment, input of data in the financial software system and reconciliation of vendor invoices; evaluating and processing workers' compensation claims; processing property and liability and student injury claims; maintaining the district's compliance plans; and coordinating and maintaining records for some employee training programs.

This position is classified as confidential, and the job description indicates that the position works with the district's negotiating team to provide information and analysis regarding the cost and impact of benefit changes. However, based on the information provided regarding the position's current duties, a determination will need to be made regarding whether the position still meets the criteria for a confidential position contained in Government Code Section 3513(f).

The job description for this position includes a title that does not match the title of Safety & Risk Coordinator on the department's organizational chart. This job description also indicates that the position reports to the assistant superintendent, business services position, which is not the correct title for the district's CBO.

Several job descriptions for business office positions need to be updated or developed, as indicated above. In addition, some documents did not include minimum weight lifting and repetitive duty requirements necessary for compliance with the Americans with Disabilities Act (ADA). Some of the business office job descriptions either did not list essential job functions or included "other duties as assigned" as an essential job function. As they are currently written, the district could not use some of its job descriptions as evidence of essential duties in accommodation

cases, nor should it use these job descriptions when making employment decisions related to an applicant's ability to perform duties listed as essential. Reviewing and revising job descriptions to ensure that duties are correctly identified as essential will help protect the district from disability discrimination claims from applicants or employees who may be eligible for reasonable accommodations under the ADA.

Although the business office has a sufficient number of support staff, there are some internal control weaknesses, which will be discussed later in this report. Interviews indicated that the business office is perceived as effective in providing reliable information to the governing board, school sites and departments. Appreciation was repeatedly expressed for the annual training provided and for the Business Services Guide and the budget building tool developed by the business office.

Most business office employees have been with the district and in their current position for several years. However, assigning each staff member to complete a time analysis of the duties they perform each day for one month would help the district obtain a better understanding of the amount of time required for the tasks assigned to each position and ensure tasks are equitably distributed.

Recommendations

The district should:

1. Review and update job descriptions for business office positions to ensure that they are current, include the correct supervisor, include the date the job description was approved and/or revised by the governing board, and comply with the American with Disabilities Act.
2. Ensure that confidential employees are correctly classified in accordance with Government Code Section 3513(f).
3. Ensure that job descriptions are developed and approved by the governing board for all positions.
4. Review the job duties and job descriptions of each payroll position and determine if the two positions should be in the same classification.
5. Update the attendance specialist job description to include CALPADS duties.
6. Ensure that position titles on the district and department organizational charts match those on the job descriptions.
7. Provide each staff member with a copy of his or her current job description, and establish a policy to provide each employee with a copy of their job description when they change positions or if their job description has been modified.
8. Ensure that the account clerk II for nutrition services reports to one supervisor. If the position's supervisor is the director of nutrition services, consider locating the employee in the nutrition services facility rather than at the district office.

9. Have each business office staff member complete a daily time analysis of their duties for one month.

Staffing Comparison

Data for a comparison of business services department staffing was obtained from five California elementary school districts with student enrollments similar to that of Perris Elementary School District. The comparison districts surveyed were Hollister, Hanford, El Centro, Fallbrook Union and National.

Although comparative information is useful, it should not be considered the only measure of appropriate staffing levels. School districts are complex and vary widely in demographics and resources. Careful evaluation is recommended because generalizations can be misleading if significant circumstances are not taken into account. FCMAT's review considered the following factors when choosing the comparison districts:

- Grade levels (elementary districts)
- Enrollment
- Revenue limit districts, rather than basic aid

The following table includes comparative data from 2010-11, which is the most current data available. Data include student enrollment, staffing and general fund expenditures of the comparison districts as indicated on the California Department of Education's DataQuest and Education Data Partnership (Ed-Data) websites. Department staffing information was obtained directly from the comparison districts.

Business Services Department Staffing Comparison

District	Perris	Hollister	Hanford	El Centro	Fallbrook	National
Enrollment*	5,590	5,572	5,686	5,828	5,860	5,988
Total Employees*	510	489	613	530	601	591
General Fund Expenditures**	\$41,389,588	\$39,666,619	\$42,724,288	\$41,725,075	\$44,802,364	\$47,612,215
Chief Business Official (CBO)	Chief Business Official	Director, Fiscal Services	Assistant Superintendent	Assistant Superintendent	Associate Superintendent	Assistant Superintendent
Business Office Support Staff	Confidential Secretary I Accounting Coordinator Accounting Specialist Payroll Program Specialist Payroll Technician Account Clerk II Attendance Specialist MAA/LEA Coord (.50) Safety & Risk Coord	Accountant Payroll Specialist Accounts Payable Specialist	Admin Secretary (.50) Fiscal Services Specialist Account Technician II (2.0) Account Technician III (2.0) Account Technician IV	Confidential Secretary Fiscal Services Supervisor Payroll Clerk (2.0) Accounts Payable Clerk	Admin Assistant Director of Accounting Purchasing Agent Payroll Technician (2.0) Account Clerk III Accounting Technician	Admin Assistant Fiscal Accounting Accounting Technician Payroll Specialist (2.0)
Total Business Office Staff	9.50 FTE	4.0 FTE	7.5 FTE	6.0 FTE	8.0 FTE	6.0 FTE
CBO Also Oversees	Maint/Operations/Transp Nutrition Services	Transportation Technology	Nutrition Services	Maint/Operations/Transp Nutrition Services	Maint/Operations/Transp Nutrition Services Technology	Maint/Operations Nutrition Services
Warehouse	Yes	Yes	Yes	Yes	No	Yes
Warehouse Staff	Warehouse Person	Warehouse/Delivery Driver	Warehouse Supervisor Delivery Driver	Clerk (.50) Delivery/Record Retention (3.0)	Not applicable	Purchasing Supervisor Clerk Delivery Driver Buyer/Storekeeper (2.0)

*Source: 2010-11 CDE DataQuest (total employees includes full-time and part-time staff)

**Source: 2010-11 Ed-Data

Notes:

Hollister – A director who reports to the superintendent oversees food service, maintenance and operations and warehouse. Transportation services are provided by an outside vendor. Food service accounting transactions and health and welfare benefit functions are performed by business; student attendance accounting is performed by technology; workers' compensation functions are performed by human resources; MAA/LEA duties are performed by an administrator on special assignment with an outside service provider.

Hanford – A director who reports to the superintendent oversees maintenance and operations, transportation, and the warehouse. Transportation services are provided by the district. Food service accounting transactions are performed by food services, except requisitions, which are processed by business. Health and welfare vendor invoice reconciliations are performed by business; health and welfare enrollment and workers' compensation functions are performed by human resources. Student attendance accounting is completed by child/welfare and attendance. MAA/LEA duties are performed by the special services department with outside service providers.

El Centro – A director who reports to the CBO oversees food service and the warehouse. Transportation services are provided by the district. Student attendance, risk management, workers' compensation, and health and welfare vendor invoice reconciliation functions are completed by business. Health and welfare enrollment and CALPADS functions are completed by human resources. Food service accounting transactions are processed by food services. MAA/LEA duties are completed by special education with an outside service provider. Purchasing functions are performed by warehouse staff, who process requisitions and purchase orders manually. District enrollment includes two charter schools with a total of 505 students, for which accounting services are not provided.

Fallbrook – Transportation services are provided by the district. Risk management, workers' compensation and health/welfare enrollment functions are completed by human resources. Student attendance and health and welfare vendor invoice reconciliation functions are completed by business. CALPADS functions are completed by technology. Food service accounting transactions are processed by food service and sent to business for final processing. MAA/LEA duties are completed by special education with an outside service provider. The district receives federal impact aid for two schools.

National – A director of business support services who reports to the CBO oversees purchasing, warehouse and food services. The district provides its own transportation services, which are overseen by human resources. All health and welfare benefit, workers' compensation, property and liability, food service accounting, and student attendance and CALPADS functions are completed by business. MAA/LEA duties are completed by special education with an outside service provider. Purchasing functions are performed by warehouse staff. The district's enrollment includes one charter school with 226 students, for which the business department provides accounting services.

The comparison above indicates that the district has more business office support staff than the five comparison districts. However, the district's CBO oversees the maintenance and operations department as well as transportation services, while the CBOs in three of the comparison districts do not oversee all of the same functions. The district's business office also completes some functions that some of the other business offices do not, such as student attendance and CALPADS, purchasing, MAA/LEA, and all risk management duties. In addition, the district's student enrollment increased to 5,843 during 2012-13. When these factors are taken into account, the district's business office may be overstaffed by approximately one full-time equivalent (FTE) position compared to the surveyed districts. However, the district should consider variables such as the staff time that will be needed for duties related to future building projects; and any other duties that the business office staff may be responsible for, such as filling in for the receptionist as needed, prior to determining if the number of staff should be reduced. Based on the district's position control information, the annual estimated salary savings for reducing one support staff position would be \$43,000 to \$61,000, not including statutory and health and welfare benefits.

Four of the districts surveyed have a full-time director or manager and one or more supervisory employees who oversee the maintenance and operations department. The benefits of and need for a full-time employee in the district's director of facilities position will be discussed in further detail later in this report.

Recommendations

The district should:

1. Consider reducing its business office support staffing by one FTE position, possibly through attrition.
2. Consider revising the job descriptions of the business office staff to accommodate any duties required should the district reduce its staffing.

Business Office Processes and Procedures

FCMAT has developed an extensive list of financial management standards for public school agencies. These standards address the departments' general functions such as policies and procedures; internal controls; budget development, monitoring and reporting; multiyear financial projections; accounting, purchasing and warehousing; collective bargaining; management information systems; and fiscal controls. It would benefit the district to review all the standards to ensure it is meeting them and to help develop best practices for its financial operations. The standards can be viewed on pages 20-30 of the downloadable document at <http://wwwstatic.kern.org/gems/fcmat/FCMATStandards2009.pdf>

The district's business office has developed an extensive Business Services Guide as a resource for its sites, program administrators and clerical staff. The guide outlines some procedures and provides forms needed in the areas of accounting, budget, cash, chart of accounts, MAA, nutrition services, payroll, safety and risk management, and student attendance. This guide is updated annually, and annual training is provided districtwide in each listed area. Interviews indicated that both the staff who present the material and the various staff who use the guide appreciate this resource and refer to it often.

Board Policies

Board policies and administrative regulations are based on laws contained in numerous codes including the Education Code, Government Code, and Public Contract Code, as well as federal regulations, case law and individual district practice. Policies and regulations are a key component of internal control in a school district: they are the basis for the guidelines and directives by which a district and its personnel operate. Because laws and regulations are revised frequently, it is important to ensure that board policies are updated and revised as changes occur.

The majority of the district's board policies and administrative regulations for business and noninstructional operations have not been revised since 1980. As a result, many are not in compliance with current law and district practice. For example, the district does not have a board policy or administrative regulation regarding travel expenses. In addition, two different copies of Board Policy 3540, Transportation, were provided to FCMAT, one of which has a governing board adoption date of November 9, 2006 and the other May 8, 1997. The district would benefit from using a service such as the California School Boards Association's (CSBA's) GAMUT policy subscription service to help it review and update its policies and regulations, develop new ones as needed, and develop a plan to keep them current.

Recommendations

The district should:

1. Review FCMAT's list of standards for financial management functions and ensure that it is meeting them.
2. Continue to update its Business Services Guide and provide annual training to school site and department staff.
3. Develop and update board policies and administrative regulations for business and noninstructional operations immediately, and implement a plan to keep them current.

Internal Controls

Internal controls are the foundation of sound financial management and allow districts to fulfill their educational mission while helping to ensure efficient operations, reliable financial information and legal compliance. Internal controls also help protect the district from material weaknesses, serious errors and fraud.

All educational agencies should establish internal control procedures to do the following:

- Prevent internal controls from being overridden by management
- Ensure ongoing state and federal compliance
- Provide assurance to management that the internal control system is sound
- Help identify and correct inefficient processes
- Ensure that employees are aware of the proper internal control expectations

To help build an effective internal control structure, a district should apply the following basic concepts and procedures to its transactions and reporting processes:

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 of checks and balances include payroll, purchasing, accounts payable and cash receipts.

Segregation of duties

Adequate internal accounting procedures should be implemented and necessary changes made to segregate job duties and properly protect the district's assets. No single employee should 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.

Staff cross-training

More than one employee should be able to perform a job. All staff members should be required to use accrued vacation time while another staff member performs the related duties. Inadequate cross-training is often a problem even in the largest central business offices.

Use of pre-numbered documents

Checks, sales and cash receipts, purchase orders, receiving reports and tickets should be preprinted by an outside printer. Physical controls should be maintained over the check stock, cash receipt books and tickets. It is not sufficient simply to use pre-numbered documents. A log of the documents and numbers should be maintained and reconciliation performed periodically.

Asset security

Cash should be deposited daily, computer equipment should be secured, and access to supplies/stores, food stock, tools and gasoline should be restricted to designated employees.

Timely reconciliations

Bank statements and account balances should be reconciled monthly by a person who was not involved in the original transaction and recording process. For example, the district office employee who reconciles the revolving checking account should not also maintain the check stock.

Comprehensive annual budget

The annual budget should include sufficient detail for revenues and expenditures (by school site, department and resource) to identify variances and determine whether financial goals were achieved. Material variances in revenues and expenditures should be investigated promptly and thoroughly.

Inventory records

Inventory records should be maintained that identify items and quantities purchased and surplus/sold. Periodic physical inventory should be taken and reconciled with inventory records. Typical inventoried items include computer equipment, warehouse supplies, food service commodities, maintenance and transportation parts and student store goods.

Segregation of duties, limiting access to cash, management review and approval, and reconciliations are known as hard internal controls. Soft internal controls include management tone, performance evaluations, training programs, and maintaining established policies, procedures and standards of conduct. The district lacks some of these elements, including current board policies and administrative regulations as discussed above.

Although several district employees have experience with and knowledge of other position's job duties and areas of responsibility in the business office, little or no cross-training occurs for some of the department's key functions, including some tasks in purchasing, student attendance accounting, Medi-Cal reimbursement and risk management. These tasks are essential to the district's operations, and the lack of cross-training could place the district at risk. The district needs to emphasize cross-training so that for every position there is at least one additional employee who can temporarily perform its duties in case of an employee absence or position vacancy, thus ensuring that essential functions continue without interruption.

The business office lacks desk manuals that include step-by-step procedures for each job duty. Desk manuals are important to ensure proper internal controls and provide a better understanding of each employee's responsibilities.

Recommendations

The district should:

1. Implement effective internal control processes and cross-train employees in all key areas of responsibility.
2. Develop individual desk manuals for each position in the business office and ensure that each employee includes in his or her manual the step-by-step procedures for all assigned duties.

Budget Development and Monitoring

The district adopts its annual budget within the statutory timelines established by California Education Code Section 42127, which requires that on or before July 1, the governing board hold a public hearing on the budget to be adopted for the subsequent fiscal year. No later than five days after the adoption, or by July 1, whichever occurs first, the governing board is required to file that budget with the county office of education. The budget should reflect the district's goals and objectives that are developed annually and approved by the board. School district budgets are not static: the revenues, expenses and estimated ending balance of each fund can change because of items such as the state budget, changes in personnel, and negotiated settlements of employee bargaining agreements.

Budget development is a detailed process that begins in January, or earlier, of the preceding fiscal year. During budget development, position control is revised and updated, revenues are estimated, and a district prioritizes its goals and ensures that expenditures reflect these goals. Effective budget development includes developing a budget calendar so that each staff member is aware of deadlines and meets them. Although the district annually adopts a chronological budget calendar, interviews indicated that site administrators and department managers do not participate in budget development until after the start of the new fiscal year.

The district's budget calendar contains general descriptions of some budget tasks and cites the months in which certain tasks are to occur. The district needs a more detailed calendar that includes specific functions, such as staffing projections, position control update and purchasing cut-off dates; the staff member responsible, such as the CBO or accounting coordinator; and the specific due date for each task. Site and department managers need to be included in budget development, and the calendar should include the date that the budget worksheet and/or allocation forms will be distributed to the sites and departments as well as the date they are due back to the business office.

The district's CBO and accounting coordinator have primary responsibility for budget development, including developing site and departments budgets. Although having one or two staff members develop the budget may speed the process, it is best business practice to include site and department managers. The district's site and department managers have expressed a desire to have more input in the process. Providing for this would help create a sense of shared ownership and responsibility, a deeper understanding of budget issues, and may result in fewer budget transfers during the year.

The business office would need to prepare additional budget development materials and could expand its Business Services Guide to include these materials and present them to site and department personnel during the annual training. The materials provided should include a budget allocation form that includes estimated revenue amounts to be allocated for each applicable funding source, shows ongoing expenditures such as staffing and indirect costs, and indicates the funds available for the site or department to budget. These forms should be distributed to and completed by the sites and departments each spring during budget development. In addition to the budget allocation forms, the site and department managers should be given a position control report that includes a list of all employees charged to their respective budgets. The report should include each employee's name, position, hours per day, and the funding source for the position. Site and department managers should review the report for accuracy and immediately report any inconsistencies to the business office. This process helps to verify the position control database that affects the budget reports and employee compensation.

Interviews indicated that site and department staff have online, read-only access to the district's Galaxy financial system. However, one individual indicated that they are not able to review payroll accounts or print budget reports. Site and department managers review their budgets but do not always prepare budget transfer requests and provide the supporting documentation needed for the transfer, even though this process is outlined in the Business Services Guide. Instead, the business office staff sometimes perform this task. Including site and department managers in this process would help them better understand the budgets they develop, monitor available funds and provide for better internal controls.

Recommendations

The district should:

1. Implement a more detailed budget development calendar that includes specific functions, the staff member responsible for each task, and the due date for each specific function.
2. Include site administrators and department managers in developing their budgets each spring for the upcoming fiscal year.
3. Design budget materials and offer a workshop to site and department staff to provide the tools and knowledge needed for budget development.
4. Provide site administrators and department managers with position control reports that include all employees charged to their budgets, and ensure that they are reviewed for accuracy during the budget development process, and more frequently if needed.
5. Ensure that site administrators and department managers have online, read-only access to all the accounts they oversee as well as access to and the training needed to print budget reports.
6. Ensure that site and department managers prepare budget transfer requests as needed.

Position Control

One of the most important elements in budgeting for expenditures is accurately projecting employee salary and benefit costs. These costs are the largest part of any school district's budget, and average approximately 90% of the unrestricted general fund budget in California elementary school districts. The district's 2012-13 adopted budget report indicates that salaries and benefits account for 89.5% of its unrestricted general fund expenditure budget.

To be effective, a single position control system needs to be used and integrated with other financial modules such as budget and payroll. In addition, position control functions need to be separated to ensure proper internal controls. Proper controls will ensure that only board-authorized positions are entered into the system, that human resources hires employees only for authorized positions, and that the payroll department pays only employees hired for authorized positions. The proper separation of duties is essential to creating strong internal controls and a reliable position control system. The human resources department and business office are vital areas in which strong internal control systems must be implemented to initiate, approve and execute board-approved hiring decisions.

The following table provides a suggested distribution of labor between the human resources department and the business office to maintain a high level of internal controls:

Task	Responsibility
Approve or authorize position.	Governing Board
Input approved position into position control, with estimated salary/budget. Every position is given a unique number.	Business or Human Resources Department
Enter demographic data into the main demographic screen, including: Employee name Employee address Social Security number Credential Classification Salary schedule placement Annual review of employee assignments	Human Resources Department
Update employee benefits. Review and update employee work calendars. Update employee step and/or column placement.	Business or Human Resources Department
Annually review and update salary schedules.	Business or Human Resources Department
Account codes Budget development Budget projections Multiyear projections Salary projections	Business Department

The district's position control module is part of its Galaxy financial software system. When a person is hired for a position, human resources staff initiate a personnel action notice (PAN) and enter the employee's basic demographic data into Galaxy. The PAN is then transferred numerous times between human resources and payroll until all pertinent information is entered and verified. This process will be discussed further in the payroll section of this report.

It was unclear during interviews whether payroll staff have access to change demographic screens; however, interviews indicated that human resources staff have access to change payroll screens because they are responsible for entering W-2 information. Allowing any individual to access all the screens necessary to set up and pay an employee does not provide for separation of duties. When this occurs, a fictitious employee may be created and paid without the district's knowledge.

Providing the payroll staff with read-only access to the demographic data screens and the human resources staff with read-only access to the payroll screens would resolve this issue. In addition, not assigning human resources staff to enter payroll data such as W-2/W-4 information into the financial software system would further provide for proper internal controls and separation of duties.

The district's business office and human resources staff members have planned to meet monthly, but interviews indicated that the meetings occur sporadically. It would benefit the district to make monthly meetings between these departments a priority, particularly until the proper separation of duties is clearly outlined, concise written procedures with step-by-step instructions have been developed, and human resources and payroll staff have a clear understanding of their respective roles.

Recommendations

The district should:

1. Separate position control duties appropriately between human resources and the business office staff to provide for proper internal controls.
2. Provide human resources staff with read-only access to payroll screens and payroll staff with read-only access to employee demographic data screens.
3. Ensure that human resources staff do not enter payroll information into the financial software system.
4. Ensure that business office and human resources staff members meet monthly.

Payroll

Payroll processing duties are assigned to two district employees: a payroll program specialist and a payroll technician. The duties for each position are similar and include processing payroll, tracking employee attendance, State Teachers' Retirement System (STRS) and Public Employees' Retirement System (PERS) reporting, preparing payroll tax reports, and distributing payroll warrants. Duties and responsibilities are split by school site and department, with each position processing certificated and classified payroll for the assigned sites and departments. It would benefit the district to evaluate each position's workload and consider splitting the job functions alphabetically by employees' last names rather than by site and department. This will continue to provide for necessary cross-training opportunities while allowing for a more efficient workflow.

The payroll calendar in the Business Services Guide indicates that there is one payroll cycle per month, which is processed for payment on the last working day of each month. The calendar includes the monthly due dates for submitting substitute and extra duty time cards and time sheets to payroll. However, interviewees indicated that there is no date specific monthly cut-off for adding new employees or for changing current employee data in the payroll system. As a result, on-demand payrolls are processed monthly as needed. To increase efficiency and help reduce the possibility of errors, the district needs to establish and implement a standard monthly cut-off date for processing payroll transactions, such as the 18th of each month. It is best practice to notify employees when they are hired or when payroll changes are made that transactions occurring after the cut-off will be processed the following month. Exceptions to the cut-off date can be made for specific situations, such as when employees leave the district, to help prevent overpayments.

When an individual is hired for a position, the human resources staff initiates a PAN and enters the employee's basic demographic data into Galaxy. Interviewees indicated that the PAN is then sent to payroll where salary and full-time equivalent (FTE) information is entered on the form, and to the accounting coordinator for an account code. The PAN is then sent back to human resources so the information may be entered into Galaxy and then back to payroll to make any necessary payroll adjustments in Galaxy. This process is inefficient, confusing and time-consuming.

Ensuring that the PAN is completed by each office in succession and does not travel back and forth between offices would create a more streamlined process. For example, the PAN could be initiated in human resources and include demographic and salary information such as step and column, hours per day, days per year and applicable stipends. The human resources staff could enter employee demographic information into Galaxy and forward the PAN to the accounting coordinator for account code information. The PAN could then be sent to payroll for FTE calculations and entry of data on the Galaxy payroll screens. Once completed, a copy of the PAN could be forwarded to human resources and the original filed in the employee's payroll file.

The district has numerous salary schedules for classified employees that include monthly pay rates based on the number of annual work days. It would benefit the district to work with its classified bargaining unit to implement one salary schedule that includes the hourly rate for each classification. The hourly rate on the salary schedule would be multiplied by the work hours per day and then by the annual number of paid days to arrive at the annual salary. This would provide for more efficient salary schedule calculations and a simpler method of calculating the FTE to include on the PAN.

Although the district uses the Galaxy financial software system to process payroll, interviews indicated that payroll information is also entered into FileMaker Pro, a separate database application. This is inefficient and time-consuming, and the manual entry of data into multiple separate systems increases the risk of error.

The district's payroll warrants are processed by the Riverside County Office of Education. After warrants have been issued by the county office, they are returned to the district for distribution. The two payroll staff members match the warrants to the payroll roster and prepare them for delivery to sites and departments. This system presents an internal control weakness by allowing the payroll staff to have custody of the warrants after they have been issued by the county office. Proper internal controls and separation of duties would prevent the same person from initiating and distributing payroll warrants.

A blank sheet of paper is sent to the sites and departments with the payroll warrants; each employee is required to sign this paper when picking up their warrant. The signature sheet and any undistributed warrants are returned to the payroll staff, who send the remaining warrants to employees via the U.S. mail. It would be more efficient for the payroll staff to include with the warrants a pre-printed signature page that includes each site and department employee's name and a corresponding signature and date line, and for sites and departments to return this document to the district office with any remaining warrants. This would improve efficiency and internal controls by allowing staff to quickly ensure that the proper warrants are sent to each site and department and that those not signed for are returned to the district office for mailing.

The district's employee absence tracking process requires each employee to complete an absence request form that is sent to the employee's supervisor and the human resources department for review and approval. Copies of these forms are kept in the human resources department and are not forwarded to payroll staff. The payroll staff also prepare an Excel spreadsheet that includes each site and department employee's name and each calendar day of the payroll period, and send these timesheet forms to the sites and departments monthly. The site or department secretary enters employee absences on the timesheet, the employees initial it, and the supervisor signs and dates the form. Once completed, the timesheet is forwarded to the payroll staff for entry in Galaxy and FileMaker Pro.

Using monthly timesheets may help verify employee absences but requires additional clerical time to sort, compile, enter information and file documents. In addition, entering employee absences in two systems, Galaxy and FileMaker Pro, is unnecessary, duplicative and requires additional staff time.

Interviews indicated that the use of Aesop, the district's automated substitute placement system, is inconsistent. Some employees are required to enter their absences in Aesop and others are not. If the district required all employees to enter their absences in Aesop whether or not their position required a substitute, then each site and department could print a monthly report from the system, use it to verify employee absences, and forward the signed document to payroll.

Employee payroll files are not kept in the payroll office; rather, payroll documents and forms are sent to human resources to be filed with the employees' official personnel files. The district should create individual employee payroll files that include all payroll and benefit information separate from the employee's official personnel file to ensure that all information that affects an employee's pay is located in a place accessible to payroll staff and to help ensure that official personnel files are not accessed unnecessarily.

The accounting coordinator is responsible for supervising the payroll staff members. However, the payroll staff members are located in an isolated district office area away from their supervisor. To help provide the accounting coordinator and payroll staff with more direct contact, the district should consider relocating payroll to a more accessible location.

Recommendations

The district should:

1. Divide the payroll duties alphabetically by employees' last names rather than by site and department.
2. Establish and implement a standard monthly cut-off date for processing all payroll transactions.
3. Streamline the process for personnel action notices so that they pass from one office to the next rather than being sent back and forth multiple times between the human resources and business departments.
4. Consider working with its classified employee bargaining unit to implement one classified salary schedule that includes the hourly rates for all classifications.
5. Discontinue using FileMaker Pro for duplicate entry of payroll information.
6. Ensure that the staff member who processes a particular payroll warrant does not have access to the warrant when it is received from the county office.
7. Send with the payroll warrants a preprinted list of site and department employee names with a signature and date line for each, and require each employee to sign and date the form when picking up their warrant. Require the sites and departments to return the signed lists to the district office with any unissued payroll warrants.
8. Review the employee absence tracking process and determine whether the advantages outweigh the disadvantages of having payroll staff prepare and site and department staff complete monthly Excel timesheets that show each employee's absences.
9. Discontinue using FileMaker Pro for duplicate entry of employee absences.
10. Consider requiring all employees to enter their absences in Aesop, and having each site and department print a monthly report from the system to verify absences, have it signed by the site or department employees and supervisor, and send it to payroll.
11. Create payroll files for each employee and keep them in the payroll office.
12. Consider locating the payroll staff members closer to the accounting coordinator.

Purchasing

Government Code, Education Code, Public Contract Code and the California Code of Regulations provide parameters within which the district must conduct purchasing. District policies, regulations, procedures and guidelines should serve as additional controls to protect assets while meeting the district's various procurement needs at the lowest cost.

The district uses the electronic requisition process in its Galaxy financial software. Purchase requisitions are initiated by school site and department staff and proceed through several levels of authorizations and approvals, including the accounting coordinator and CBO. If there are insufficient funds to process the requisition, the accounting coordinator is notified and may complete a budget transfer or authorize the purchase requisition by overriding the hold in the system. When all necessary approvals are obtained, the requisition is sent to the accounting specialist, who verifies the account code, pricing, sales tax and shipping. Once the purchase requisition has been verified, the accounting specialist prints the purchase order (PO), which is then signed by the CBO. The accounting specialist distributes the original PO to accounts payable and copies to the vendor and site or department. The purchase requisition and order process could be streamlined by requiring either the accounting coordinator or the CBO to electronically approve the purchase requisition and requiring the other of these two individuals to sign the PO, rather than requiring the CBO to do both.

The PO is printed on plain paper and includes the critical elements required to effectively communicate an order to a supplier and initiate a legal contractual agreement. However, the PO does not include standard district terms and conditions. The district's PO form includes a "Note" field that provides an additional input area for instructions to vendors. This field could be used to instruct suppliers that the order is contingent upon the district's terms and conditions and direct them to these, which could be preprinted on the back of the PO or listed on the district's website. An example of terms and conditions is included as Appendix A of this report.

The district issues open purchase orders to particular vendors for a specified dollar amount annually, and typically includes the name of the authorized signers on the order. It would be more prudent to issue open purchase orders for a term of three months because of the possibility of employee turnover. This shorter term allows for frequent review of the employees who are authorized to sign for purchases to ensure that they are current, and more precise monitoring of site and department budgets to help identify any abnormalities promptly. To provide for proper internal controls, every open purchase order should list the names of all authorized signers.

Bidding

The California Public Contract Code (PCC) was established by the California Legislature as a guideline and authority for the procurement of products used by publicly-funded agencies. The purpose of the code is expressed in PCC sections 100-102 as follows:

100. The Legislature finds and declares that placing all public contract law in one code will make that law clearer and easier to find. Further, it is the intent of the Legislature in enacting this code to achieve the following objectives:

- (a) To clarify the law with respect to competitive bidding requirements.
- (b) To ensure full compliance with competitive bidding statutes as a means of protecting the public from misuse of public funds.

(c) To provide all qualified bidders with a fair opportunity to enter the bidding process, thereby stimulating competition in a manner conducive to sound fiscal practices.

(d) To eliminate favoritism, fraud, and corruption in the awarding of public contracts.

101. California public contract law should be efficient and the product of the best of modern practice and research.

102. To encourage competition for public contracts and to aid public officials in the efficient administration of public contracting, to the maximum extent possible, for similar work performed for similar agencies, California's public contract law should be uniform.

In addition to establishing a philosophy for conducting fair and ethical government business practices, different sections of the PCC discuss various public agencies. Most California K-12 public school districts, including Perris Elementary, are discussed in PCC sections 20110–20118.4. Following are some of the sections that all employees involved in the procurement process need to be mindful of and that are most relevant to the scope of work included in this study:

Section 20111. (a) The governing board of any school district, in accordance with any requirement established by that governing board pursuant to subdivision (a) of Section 2000, shall let any contracts involving an expenditure of more than fifty thousand dollars (\$50,000) for any of the following:

- (1) The purchase of equipment, materials, or supplies to be furnished, sold, or leased to the district.
- (2) Services, except construction services.
- (3) Repairs, including maintenance as defined in Section 20115, that are not a public project as defined in subdivision (c) of Section 22002.

The contract shall be let to the lowest responsible bidder who shall give security as the board requires, or else reject all bids.

(b) The governing board shall let any contract for a public project, as defined in subdivision (c) of Section 22002, involving an expenditure of fifteen thousand dollars (\$15,000) or more, to the lowest responsible bidder who shall give security as the board requires, or else reject all bids...

(c) This section applies to all equipment, materials, or supplies, whether patented or otherwise, and to contracts awarded pursuant to subdivision (a) of Section 2000. This section shall not apply to professional services or advice, insurance services, or any other purchase or service otherwise exempt from this section, or to any work done by day labor or by force account pursuant to Section 20114.

(d) Commencing January 1, 1997, the Superintendent of Public Instruction shall annually adjust the dollar amounts specified in subdivision (a) to reflect the percentage change in the annual average value of the Implicit Price Deflator for State and Local Government Purchases of Goods and Services for the United States, as published by the United States Department of Commerce for the 12-month period ending in the prior fiscal year. The annual adjustments shall be rounded to the nearest one hundred dollars (\$100).

At the time of FCMAT's fieldwork, the public bid threshold was \$81,000 for items addressed by PCC Section 20111(a). As of January 1, 2013, the public bid threshold was increased to \$83,400. However, PCC Section 20111(b) has maintained a construction bid threshold of \$15,000 since its inception. The \$15,000 threshold applies to all projects defined in PCC Section 22002(c) unless the district adopts the California Uniform Public Construction Cost Accounting Act, which allows greater flexibility. This method will be discussed in more detail in the facilities section of this report.

The PCC also states the following regarding bids:

Section 20112. For the purpose of securing bids the governing board of a school district shall publish at least once a week for two weeks in some newspaper of general circulation published in the district, or if there is no such paper, then in some newspaper of general circulation, circulated in the county, and may post on the district's Web site or through an electronic portal, a notice calling for bids, stating the work to be done or materials or supplies to be furnished and the time when and the place and the Web site where bids will be opened. Whether or not bids are opened exactly at the time fixed in the public notice for opening bids, a bid shall not be received after that time. The governing board of the district may accept a bid that was submitted either electronically or on paper.

Section 20116. It shall be unlawful to split or separate into smaller work orders or projects any work, project, service, or purchase for the purpose of evading the provisions of this article requiring contracting after competitive bidding.....

Section 20118. Notwithstanding Sections 20111 and 20112, the governing board of any school district, without advertising for bids, if the board has determined it to be in the best interests of the district, may authorize by contract, lease, requisition, or purchase order, any public corporation or agency, including any county, city, town, or district, to lease data-processing equipment, purchase materials, supplies, equipment, automotive vehicles, tractors, and other personal property for the district in the manner in which the public corporation or agency is authorized by law to make the leases or purchases from a vendor. Upon receipt of the personal property, if the property complies with the specifications set forth in the contract, lease, requisition, or purchase order, the school district may draw a warrant in favor of the public corporation or agency for the amount of the approved invoice, including the reasonable costs to the public corporation or agency for furnishing the services incidental to the lease or purchase of the personal property, or the school district may make payment directly to the vendor. Alternatively, if there is an existing contract between a public corporation or agency and a vendor for the lease or purchase of the personal property, a school district may authorize the lease or purchase of personal property directly from the vendor by contract, lease, requisition, or purchase order and make payment to the vendor under the same terms that are available to the public corporation or agency under the contract.

Using the method described in PCC Section 20118 is commonly referred to as piggybacking.

Education Code Section 17596 states the following regarding the maximum duration of district contracts:

Continuing contracts for work to be done, services to be performed, or for apparatus or equipment to be furnished, sold, built, installed, or repaired for the district, or

for materials or supplies to be furnished or sold to the district may be made with an accepted vendor as follows: for work or services, or for apparatus or equipment, not to exceed five years; for materials or supplies, not to exceed three years.

The codes cited above establish a dollar limit before a public bid is required; require open advertising and transparency prior to and during a public bid; discourage a public agency from attempting to avoid the established process through creative contracting and/or bid splitting; establish a mechanism to use the legitimate bidding work of other public agencies by piggy-backing; and establish the maximum duration of contracts for services and supplies.

There are some exceptions to the above public bid requirements, including the following:

Professional Services – Government Code Section 53060 gives districts the authority to contract with professionals in certain fields without going to bid. These fields include financial, economic, accounting, engineering, legal or administrative matters, if such persons are specially trained, experienced and competent to perform the services required. In addition, a 1955 court case, *Cobb v. Pasadena City Board of Education* 134 Cal App. 2d 93, makes it clear that architects also come within the scope of Government Code Section 53060. However, if State School Facility Program funds are being used for design professionals, Education Code Section 17070.50 requires that districts certify that such services were obtained by means of a competitive process consistent with the requirements of Government Code Section 4525 and following.

Cafeteria Services – Education Code Section 38083 allows a district to purchase perishable foodstuffs and seasonal commodities needed to operate cafeterias in accordance with the rules and regulations adopted by its governing board (notwithstanding any provisions of the Education Code in conflict with such rules and regulations). Public Contract Code Section 3410 requires school districts to give preference to foods grown and processed in the United States when there is a choice and it is economically feasible to do so.

Technology – Public Contract Code Section 20118.1 allows an alternative selection process for technology items. The district may choose any one of the three lowest responsible bidders for the procurement and/or maintenance of electronic data-processing systems and supporting software for purchases greater than the bid limit. PCC Section 20118.2 further allows districts to award a technology bid based on criteria other than lowest price, taking into consideration factors such as vendor financing, performance reliability, standardization, life-cycle costs, delivery timetables, support logistics, the broadest possible range of competing products and materials available, fitness of purchase, manufacturer's warranties, and similar factors. At the time of this study these codes applied to both standard and Education Rate (E-Rate) purchases of technology items and services; however, to ensure maximum E-Rate funding, technology bids should be thoroughly reviewed before they are issued.

Single or Sole Source – A sole source designation indicates that there is only one provider of a particular good or service. PCC Section 3400 provides the requirements for sole source procurement, which are discussed in greater detail in the facilities section of this report. In general, the code allows sole source procurement if the awarding authority or its designee makes and describes in the invitation for bid or request for proposal a finding that a particular material, product, thing, or service is designated by specific brand or trade name for any of the purposes listed in PCC Section 3400.

Emergency Situations – PCC Section 1102 defines an emergency as a sudden, unexpected occurrence that poses a clear and imminent danger, requiring immediate action to prevent or mitigate the loss or impairment of life, health, property, or essential public services. PCC Section

20113 provides an exception to bidding requirements in an emergency situation when repairs, alterations, work or improvement is necessary to continue classes or avoid danger to life or property at a public school facility. This exception requires unanimous approval by the district's governing board and approval from the county superintendent of schools.

The district's bidding and procurement processes for material acquisition and public works (construction) projects are lacking in continuity and are not consistent with the bid limits set by the PCC. For example, in 2011-12 eight POs were issued to C & A Floorcoverings, Inc. totaling \$238,338.65, and in 2012-13 one PO was issued to CSS/Rancho Janitorial Supplies for \$122,000.

The district's Board Policy 3311, Bids, and Administrative Regulation 3311, Regulations Relative to the Bidding Activity, have not been revised since April 1980. These documents do not reflect current bidding regulations or the bid thresholds provided in the PCC. Adopting and implementing up-to-date policies, regulations and procedures will help ensure that the district is in compliance with the PCC, align it with the best purchasing practices of California public agencies, and provide for greater efficiencies and economies of scale through the sharing of limited public resources.

Best business practices include setting price quote thresholds for items that are not required to be publicly bid in order to ensure that the district receives the best price through competitive purchasing. For example, some districts require three or more verbal or written quotes for purchases of \$5,000 or more. Although there is no designated standard for minimum thresholds for procuring price quotes, a district's competitive procurement policy should be based on the objective of getting the lowest overall cost using the least amount of staff time. The lowest overall cost, unlike the lowest price, will take into account factors such as delivery speed and cost, vendor discounts, service during and after the sale, and other qualitative criteria. Failure to develop and implement written purchasing policies and procedures results in inconsistent practices, confuses staff, and hinders a district's ability to participate in group bidding (e.g. piggyback bids) that may save significant time and money.

Although the district has a full-time accounting specialist whose duties include some purchasing functions, interviews indicated that this position is not involved in the bidding process and is not familiar with all of the purchasing codes cited above. When assigning purchasing functions to an employee, both the purchasing authority and responsibilities should be clearly defined in the job description. The district's Administrative Regulation 3310, Purchasing Procedures, needs to be reviewed and updated when developing the job description; this administrative regulation outlines the roles and responsibilities of the district's purchasing agent but has not been revised since April, 1980. The skills necessary to perform purchasing functions may be obtained in a number of ways but should culminate in a thorough understanding of product sourcing, negotiations, bidding and procurement law. The California Association of Public Procurement Officials, Inc., California Association of School Business Officials, Institute for Supply Management, and many colleges are excellent sources for this training. Interviews indicated that the director of facilities is responsible for preparing bid documents, but they are not routinely reviewed by the business office and legal counsel. Bid documents need to be reviewed by both of these entities to ensure they include current rules and regulations and meet the district's needs.

Travel Expenses

The district's board policies and administrative regulations for business and noninstructional operations do not include policies and regulations for travel allowances other than mileage

reimbursement. A memorandum dated November 25, 1997 includes per diem rates for meal reimbursements; however, employees interviewed indicated that it is not followed because it is outdated. Receipts are required for meals, but maximum per-meal or per diem amounts are not used. To help ensure that its assets are used appropriately, the district needs to develop and implement board policies and administrative regulations regarding travel allowances.

In an effort to save staff time and provide a more efficient process, some local educational agencies establish a per diem meal allowance rather than requiring employees traveling on school business to submit receipts. Internal Revenue Service (IRS) revenue ruling 2006-56, dated November 13, 2006, requires organizations to track and record employee per diem meal reimbursements. Per diem reimbursements that are higher than the federal rates must be included as gross wages on the employee's W-2 form. In addition, per diem rates cannot be used for non-overnight travel. IRS Publication 1542 sets federal per diem rates and provides further information regarding their use.

The district's Business Services Guide includes detailed instructions and forms for employees who wish to attend a conference, training or workshop. The district's request for conference attendance and/or substitute form serves as an authorization and includes estimated costs. Many districts implement cost-saving procedures such as establishing departure and arrival times to qualify for pre- or post-conference hotel accommodations and meals; requiring two employees of the same gender to share a room if overnight accommodations are necessary; excluding meal allowances for events at which food is included in the registration fee; and sharing automobile transportation if several people attend the same event. When developing policies and regulations, it would benefit the district to implement such cost-saving measures. Printing conference attendance policies and procedures on the back of the request for conference attendance form would also help employees comply with the policies and complete the form accurately.

Many hotels offer a state government rate to employees of local educational agencies when they travel for school business. Because the savings from this discounted rate can be substantial, the district would benefit from instructing its employees to inquire about and obtain this rate when available.

The fiscal services secretary maintains a separate spreadsheet that tracks all conference attendance requests by employee. However, the purpose for and use of this information was not provided. This process should be reviewed and a determination made regarding the necessity for the information. If the information is needed, staff should investigate using more detailed account codes in the Galaxy system for tracking purposes and eliminate the use of manual spreadsheets.

Credit Cards

Credit cards are typically used to enable districts to purchase from vendors who may not accept purchase orders or to expedite purchases such as registration fees for a conference. Credit card purchases should be accompanied by a purchase order and should receive prior approval. The district has issued eight Visa credit cards: one to each governing board member, one to the superintendent, and two that are kept at the district office and checked out as needed by authorized users. Although credit cards provide flexibility in making purchases, they have been misused in some local educational agencies. Credit card use must be closely monitored to ensure conformity to policies and procedures.

The district has developed Board Policy and Administrative Regulation 3314.3, District Credit Card Usage; however, neither document indicates a governing board approval date. Policy 3314.3 states, "Credit cards shall only be used for business-approved purposes," and includes a card-

holder agreement that is to be signed by each cardholder. Employees interviewed also indicated that a purchase requisition and district office approvals are required for all charges; however, this procedure is not consistently followed. Therefore, a more comprehensive user agreement that requires those using a district credit card to follow the purchase requisition procedures before making purchases, and that is signed by each user, would be beneficial. Reducing the number of individuals who hold cards would also help increase internal controls and reduce the risk of unauthorized expenditures.

Interviews indicated that district credit cards are used extensively to purchase meals and food for meetings. Information should be included in board policy and/or administrative regulations regarding whether this type of use is permitted, and if so, the circumstances that are required for a district credit card to be used for meals and food purchases.

Procurement cards, such as the CAL-Card issued through the state's Department of General Services, are capable of restricting purchases to limited commodities and vendors and may be set up to provide different restrictions for each user, thus they offer more control and less potential for misuse than traditional credit cards. Additional information regarding the CAL-Card Program is available at www.dgs.ca.gov/pd/home.aspx.

Recommendations

The district should:

1. Streamline the purchasing process by requiring either the accounting coordinator or the chief business official to approve the purchase requisition and requiring the other to sign the purchase order.
2. Add terms and conditions to its purchase order form by preprinting them on the back of each page and/or posting them on its website. Include a statement such as the following in the form's "Note" field: "This order is contingent on the terms and conditions printed on the reverse and posted on the district's website."
3. Limit open purchase orders to three months, and indicate this on the purchase order.
4. Ensure that every open purchase order includes the names of the employees authorized to make purchases using the order.
5. Provide staff with training and the authority to use piggyback purchasing when appropriate.
6. Review Public Contract Code sections 20118.1 and 20118.2 before issuing each technology bid to ensure maximum E-Rate funding.
7. Update its board policies and administrative regulations regarding purchasing and bidding procedures.
8. Develop and implement procedures for obtaining informal price quotes for purchases costing more than a specified amount, such as \$5,000.
9. Ensure that purchasing authority and responsibilities are clearly defined in the job description of the employee responsible for procurement.

10. Provide training to all staff members who participate in the procurement process to ensure they fully understand public agency procurement requirements and best business practices.
11. Ensure that the business office and the district's legal counsel routinely review bid documents.
12. Develop and implement board policies and administrative regulations regarding travel allowances.
13. Consider implementing a per diem meal allowance, and confer with its independent auditors to determine whether the proposed procedures comply with IRS regulations.
14. Implement cost-saving measures for travel and conferences.
15. Print conference attendance policies and procedures on the back of the conference attendance request form.
16. Instruct employees who travel for school business to obtain the state government rate for hotels when available.
17. Investigate the feasibility of using more detailed account codes in the Galaxy system to track expenses rather than using manual spreadsheets.
18. Update Board Policy and Administrative Regulation 3314.3 and include the governing board approval date on each document.
19. Develop a more comprehensive credit card user agreement for all users to sign before issuing a district credit card.
20. Enforce the requirement that a purchase requisition be completed and district office approval obtained before using a district credit card.
21. Continue to closely monitor credit card use to ensure conformity to policies and procedures and to confirm that all charges are for district-approved purposes.
22. Consider reducing the number of individuals who hold credit cards to strengthen internal controls and reduce exposure to unauthorized expenditures.
23. Include information in its board policy and/or administrative regulations regarding whether district credit cards may be used to purchase meals and food for meetings. If these purchases are permitted, include the circumstances required for a district credit card to be used.
24. Consider using procurement cards rather than credit cards.

Accounts Payable

The business office has one account clerk II, who is responsible for processing all accounts payable transactions except for nutrition services. The nutrition services department also has an account clerk II, whose duties include processing purchase requisitions and accounts payable transactions for the department.

The account clerk II employees organize and assemble the documents needed for accounts payable transactions including purchase orders, invoices, and receiver documents such as packing slips or signed copies of purchase orders. Once all documents are gathered, payment information is entered into the Galaxy system by invoice number. An order list approval (OLA) report is printed from Galaxy and balanced to the batch tape. This information is then provided to the CBO for review and approval. Once approved, the CBO signs the OLA and releases the batch for payment.

The county office processes and issues the district's warrants. After they are issued, the warrants are returned to the district and given to the accounting coordinator to verify that they were all received. The warrants are then given to the account clerk II employees for further processing and mailing. Effective internal controls and separation of duties would prevent the same person from initiating, processing and mailing transactions, and from posting the transactions in the accounting system. The district needs to review its warrant distribution process and make adjustments such as reassigning warrant processing for mail or distribution to an employee other than the account clerk II employees in the business office and nutrition services department.

Employees interviewed indicated that four or five accounts payable batches are processed weekly. The district could reduce processing time and increase efficiency by reducing the number of batches to one or two per week. An occasional exception could be made if an invoice requires immediate payment.

Bank Accounts

As provided by Education Code Section 42800, the district maintains a revolving cash fund from which it can make immediate payments. School districts most commonly use their revolving cash accounts when a payment must be made immediately and there is not enough time to process the payment through the normal accounts payable or payroll process.

The district also maintains two clearing accounts, one for general operations and one for nutrition services. These accounts are used to deposit funds that are collected locally, such as developer fees, retiree benefit payments and food sales. Funds are transferred routinely from each account to the county treasury.

Interviews indicated that the superintendent, CBO and assistant superintendent of educational services are authorized signers on the revolving and clearing accounts. However, only one signature is required to process transactions, including checks. It is a best business practice to require dual signatures on all bank account transactions to provide for proper internal controls and safeguard district assets.

Recommendations

The district should:

1. Ensure that the staff member who processes a particular accounts payable warrant does not have access to the warrant when it is received from the county office.

2. Consider reducing the number of accounts payable batches to one or two per week.
3. Require dual signatures on all bank account transactions.

Accounts Receivable

The confidential fiscal services secretary is responsible for collecting cash and checks, coding transactions to the appropriate accounts in the Galaxy system, and preparing bank deposits. Employees interviewed indicated that funds received from schools sites are delivered by district courier and have already been counted by two or three site employees. The fiscal services secretary enters check information on the deposit slip but does not enter the cash information because cash arrives in a sealed bank bag. It would be more efficient to ensure that the funds that are collected at school sites are counted by two site employees, assign site personnel to prepare the deposit slip and forward a copy with backup documentation to the business office, and assign the district courier to take the funds directly to the bank for deposit.

The account clerk II for nutrition services is responsible for collecting cash and checks, preparing bank deposits, transferring funds from the department's clearing account to the county treasury, and reconciling the monthly bank statement. A sound internal control structure requires job duties to be segregated to properly protect the district's assets. No single employee should handle a transaction from initiation to reconciliation, and no single employee should have custody of an asset (such as cash) and maintain the records of related transactions.

The district lacks complete procedures to provide appropriate segregation of duties for the receipt and recording of cash. One way to increase the segregation of duties would be to have one employee collect the funds, make a control list of all receipts and mark all checks received "for deposit only" to help prevent unauthorized endorsement of checks prior to deposit; and have another employee process and deposit funds to the bank. A different employee could also compare the deposit slips to the control list to ensure that all funds have been deposited. This type of separation of duties is needed for both the district office's and nutrition services department's accounts receivable duties. In addition, to provide proper internal controls for the nutrition services department, an employee not involved in the accounts receivable process should reconcile the department's monthly bank statement for the clearing account.

The accounting specialist is responsible for preparing invoices and for assisting the confidential fiscal services secretary with collection of cash and checks as needed. To provide proper internal controls, the employee who receives cash and checks should not also prepare invoices.

Recommendations

The district should:

1. Consider having the funds that are collected at school sites counted by two site employees, assigning site personnel to prepare the deposit slip and forward a copy to the business office with backup documentation, and assigning the district courier to take the funds directly to the bank for deposit.
2. Provide a system of checks and balances so that no single employee handles a transaction from initiation to reconciliation, or has custody of an asset and also maintains the records for the related transactions.
3. Assign an employee who is not involved in the nutrition services department's accounts receivable process to reconcile the monthly bank statement.
4. Ensure that the employee responsible for preparing invoices is not assigned to receive cash and checks.

Risk Management

Part of the responsibility of a risk management program is to protect the district from potential liabilities. The business office includes a risk and safety coordinator who is responsible for property and liability insurance and claims functions. However, the director of facilities/principal collects and files facility use and contractor insurance, bond, fingerprint and license documents. Keeping all original documents pertaining to property and liability insurance and contractor information in the business office would provide a more efficient system and ensure that all required documents are obtained and filed in one central location.

The district does not have a central database that tracks the required safety training and certifications for each employee. Employees interviewed indicated that the responsibility to provide required training is split between several entities, including risk management, human resources, district nurses, and school sites. This lack of centralized data and coordination between departments leaves the district vulnerable to unnecessary risk and should be corrected immediately.

Recommendations

The district should:

1. Ensure that all original documents pertaining to property and liability insurance and contractor information are kept in the business office.
2. Immediately develop and maintain a central database for tracking employee safety training, ensure that it can be updated by authorized personnel, and assign one employee to monitor it routinely.

Facilities

The district maintains 10 sites, including eight elementary schools, the district office, and the Rob Reiner Children and Families Development Center, which is the district's newest facility. Buildings on the sites vary in design, age and material makeup. Numerous modular buildings are used at various sites to house both students and supplies. Some of the older sites do not have final certification from the Division of the State Architect (DSA), but interviews indicated that the district is working with a consultant to obtain the certification.

The district has one bathroom remodel project in progress, and its list of summer 2013 projects include the following:

- Painting at various sites, including Palms, Good Hope, Park Avenue (doors and railings at a minimum), Rob Reiner (doors and railings), and the district office.
- Carpet and flooring replacements at various schools.

Plans for the longer term include building a new elementary school on the east side of town; acquiring additional land north of the Innovative Horizons Charter School and Good Hope for future expansion projects; combining Perris and Park Avenue elementary school sites in a manner that avoids endangering ongoing state funding; installing a sound wall at Innovative Horizons Charter School; and completing a five-year facilities master plan.

The director of facilities oversees the district's maintenance, operations and facilities (MOF) functions and its transportation services contract. The director of facilities is a part-time position, and the individual in this position also serves as school principal at Park Avenue Elementary School. The director of facilities spends one day per week at the MOF facility and four days per week at the school site. The MOF department also includes the following positions:

- One operations supervisor
- One maintenance specialist
- One maintenance worker II
- One maintenance irrigation worker I
- Four groundskeepers
- 25 custodians
- One custodian/groundskeeper/courier
- One warehouse person

The director of facilities directly oversees the operations supervisor, maintenance specialist and maintenance worker II.

Information obtained from the five comparison districts included in the organizational structure and staffing section of this report indicates that four of the districts surveyed have two or more full-time management or supervisory staff positions in the MOF department. The districts that provide their own transportation services also have a supervisor who oversees transportation. Based on the comparative data, the district needs to consider increasing its director of facilities position to full time. The district does not have a salary schedule that includes a classified director of facilities position. However, based on position control data for classified management staff, the estimated annual salary cost for increasing the position is \$90,000 to \$95,000, not including

statutory and health and welfare benefits. This estimate assumes that the site principal portion of the current position is also increased to full-time.

The district's extreme weather conditions can be problematic for its facilities, posing challenges to the two maintenance workers. These positions report to the director of facilities but have accrued considerable de facto authority, likely due to the growing demand for maintenance services and reporting to a director who serves part time. Employees interviewed indicated the MOF department's desire for additional maintenance staff to provide preventive and proactive maintenance at the sites rather than the current reactive approach. Although the scope of work in this study did not include an analysis of support staffing for the MOF department, the district could benefit from using staffing formulas developed by well-recognized organizations such as the California Association of School Business Officials to determine if its MOF staffing is sufficient.

The operations supervisor oversees the warehouse person, maintenance irrigation worker I, groundskeepers, and custodian/groundskeeper/courier, and helps the site principals oversee all the custodians. The operations supervisor's office is insufficient, consisting of a small space in the warehouse that is shared with the warehouse person. The documents maintained in this area appear disorganized, and some of the office equipment and furnishings are outdated. The office should be assessed for functionality and to ensure it provides the space and privacy supervisory staff need. In addition, more office space will be needed when new construction or modernization projects begin.

Some employee training documents are stored in the operations supervisor's office, including hazardous materials and Williams Act inspections; however, there is no documentation regarding completion of blood-borne pathogen training for custodians. Employees interviewed indicated that blood-borne pathogen training is provided by district nurses, but FCMAT was not able to determine where the training certification documents are kept.

Facilities Master Plan

Excepting salary and benefit costs, school facilities budgets are the largest financial commitment for local educational agencies, especially during an aggressive building campaign. According to a 2012 report by the University of California, Berkeley's Center for Cities & Schools, California's school facilities will need \$117 billion during the next decade, with close to half of this funding needed to replace or repair existing schools. The funding and staff required to properly carry out any major public works project is daunting but with proper planning can be completed efficiently and effectively. The district does not have a facilities master plan, but interviews indicated that a five-year facilities plan is being developed.

An effective and comprehensive facilities master plan will include on- and off-site infrastructure, enrollment and demographics, facility capacity, educational programs, zoning and community considerations, energy conservation planning, central plant and appliance considerations, and both budget and time management planning. The facilities master plan should be the product of all of the district's goals and facility needs. Goals should include mandated items, such as the State Board of Education Performance Goal that all students be educated in learning environments that are safe, drug-free, and conducive to learning; district goals, such as developing a K-8 dependent charter school that integrates visual and performing arts and technology; and negotiated goals, such as the certificated employee collective bargaining agreement's goal that the district will make every effort to provide necessary storage and secure materials and equipment for teachers who work at year-round schools. All such goals result in various facility support needs, including adequate MOF staffing. An effective facilities master plan will consider

all educational needs and build toward them. Entities such as the Collaborative for High Performance Schools can provide the director of facilities and district staff with useful studies and educational resources for the facilities master plan.

The district does not complete and update long-term student enrollment projections annually. Smaller school districts such as the Perris Elementary School District often do not have staff with extensive expertise in this specialized area, so the use of a qualified consultant is required. Enrollment information is vital to developing the facilities master plan because many facility projects, particularly new construction, are based on enrollment projections.

When developing the facilities master plan, the director of facilities will need to update the five-year deferred maintenance plan to coincide with the facilities master plan and clearly illustrate the district's current facility inventory. Drawings and specifications should provide key data such as square footage, equipment types and vintage, and emergency information such as gas valve locations. The five-year deferred maintenance plan should list all of the competing facility needs, which may then be prioritized by the district's executive cabinet prior to review and approval by the governing board.

Public Works Projects

A public project, also known as public works, is defined as follows in PCC Section 22002 beginning in subdivision (c):

- (1) Construction, reconstruction, erection, alteration, renovation, improvement, demolition, and repair work involving any publicly owned, leased, or operated facility.
- (2) Painting or repainting of any publicly owned, leased, or operated facility.
- (3) In the case of a publicly owned utility system, "public project" shall include only the construction, erection, improvement, or repair of dams, reservoirs, powerplants, and electrical transmission lines of 230,000 volts and higher.
- (d) "Public project" does not include maintenance work. For purposes of this section, "maintenance work" includes all of the following:
 - (1) Routine, recurring, and usual work for the preservation or protection of any publicly owned or publicly operated facility for its intended purposes.
 - (2) Minor repainting.
 - (3) Resurfacing of streets and highways at less than one inch.
 - (4) Landscape maintenance, including mowing, watering, trimming, pruning, planting, replacement of plants, and servicing of irrigation and sprinkler systems.
 - (5) Work performed to keep, operate, and maintain publicly owned water, power, or waste disposal systems, including, but not limited to, dams, reservoirs, powerplants, and electrical transmission lines of 230,000 volts and higher.
- (e) For purposes of this chapter, "facility" means any plant, building, structure, ground facility, utility system, subject to the limitation found in paragraph (3) of subdivision (c), real property, streets and highways, or other public work improvement.

As discussed previously, PCC Section 20111(b) sets the public works bid threshold at \$15,000; projects that exceed this amount must follow the public bid process. However, PCC Section 22000 and following provide for use of the Uniform Public Construction Cost Accounting Act

(UPCCAA), which includes a different bid process with a higher bid threshold. Any local public agency can voluntarily elect to participate in the UPCCAA process, including cities, counties, school districts, and community college districts. Several of the district's neighboring public agencies have adopted the UPCCAA, including the Riverside County Office of Education, Riverside Unified School District, Temecula Valley Unified School District, the City of Perris, and the City of Temecula. As of November 13, 2012, 824 California public agencies, including 273 school districts, had adopted the UPCCAA. The UPCCAA allows local agencies, including school districts, to perform public project work costing up to \$45,000 using their own workforce and allows them to award a contract for up to \$175,000 to outside contractors without formal bidding. However, it is a best business practice to solicit informal bids for any work over a specified dollar amount, for example \$5,000. Adoption of the UPCCAA would also allow the district to do the following:

- Disqualify contractors from the district's qualified contractors list required pursuant to PCC Section 22034(a).
- Use these increased purchase amounts for the purchase of materials as long as they are used on a public project subject to and defined by the policies and procedures manual dated December 2012, available at http://www.sco.ca.gov/ard_cuccac.html
- Withdraw from the act at any time by filing a resolution of this election with the State Controller's Office.

Every five years the California Uniform Construction Cost Accounting Commission reviews the informal bid limits for inflation and other factors to determine whether adjustments should be made. If an adjustment is made, the state controller notifies the affected public agencies. The adjustment may become effective before it appears as a formal change in the PCC. The most recent informal bid limits specified above were enacted on July 1, 2011.

Other Construction Issues

Defining standardized specifications for sole source contracting in a school's building and maintenance efforts often has significant positive effects. Standardizing specific items will reduce parts inventories and allow shorter learning curves for staff. Examples of items that could be standardized and specified during the bid process include locking hardware, types of paint, appliances, and heating, ventilation and air conditioning (HVAC) equipment.

As discussed previously, an exception to the public bid process is allowed for sole source items, which are goods or services that have only one provider. Sole source acquisitions must be justified in sufficient detail to explain the basis for suspending the usual public bid process, and a memorandum is required from the initiator that identifies the criteria used to justify the sole source status. Requirements for sole source procurement are provided in PCC Section 3400, which states in part:

- (b) No agency of the state, nor any political subdivision, municipal corporation, or district, nor any public officer or person charged with the letting of contracts for the construction, alteration, or repair of public works, shall draft or cause to be drafted specifications for bids, in connection with the construction, alteration, or repair of public works, (1) in a manner that limits the bidding, directly or indirectly, to any one specific concern, or (2) calling for a designated material, product, thing, or service by specific brand or trade name unless the specification is followed by the words "or equal" so that bidders may furnish any equal material, product, thing, or service. In applying

this section, the specifying agency shall, if aware of an equal product manufactured in this state, name that product in the specification. Specifications shall provide a period of time prior to or after, or prior to and after, the award of the contract for submission of data substantiating a request for a substitution of “an equal” item. If no time period is specified, data may be submitted any time within 35 days after the award of the contract.

(c) Subdivision (b) is not applicable if the awarding authority, or its designee, makes a finding that is described in the invitation for bids or request for proposals that a particular material, product, thing, or service is designated by specific brand or trade name for any of the following purposes:

- (1) In order that a field test or experiment may be made to determine the product’s suitability for future use.
- (2) In order to match other products in use on a particular public improvement either completed or in the course of completion.
- (3) In order to obtain a necessary item that is only available from one source.

Developing a list of district standards for submittal to and approval by the governing board will enable the district to require specific items without risk of the contractor making substitutions.

Although public agencies most often use the traditional bid/build project delivery method for construction projects, other methods such as design/build are available and allow for greater control over a district’s choice of contractors. This type of delivery model must be properly executed to avoid contractual problems. Before the district proceeds with large construction projects in the future, it should work with its legal counsel to determine the best project delivery method and develop all necessary bid documents.

Other construction considerations include prequalifying contractors, which can provide the district with a short list of highly qualified and cost-competitive contractors. The district will need to consult its legal counsel for the procedures and documents necessary prior to implementing a contractor prequalification program.

Recommendations

The district should:

1. Continue its efforts to obtain final DSA certification for all sites.
2. Consider making the director of facilities position full-time, requiring the education and skills necessary for the position.
3. Review the staffing formulas developed by well-recognized organizations to determine if its maintenance support staffing is sufficient.
4. Assess its warehouse office space for functionality to ensure that it provides the space and privacy needed by supervisory staff and supports the needs of future building projects.
5. Ensure that all custodians have blood-borne pathogen training, and keep proof of training at both the warehouse and in the risk and safety office.

6. File a copy of all MOF staff training records in the risk and safety office to ensure they are monitored and up to date.
7. Complete its facilities master plan.
8. Complete enrollment projections and update them annually.
9. Update its five-year deferred maintenance plan to coincide with the facilities master plan.
10. Strongly consider adopting the California Uniform Public Construction Cost Accounting Act for public works projects.
11. Develop a list of district standards for building and maintenance items for submittal to and approval by the governing board.
12. Work with its legal counsel to determine the best project delivery method and to develop and maintain its public bid and contract documents. If the district decides to contract out its program and project management functions, the district and its legal counsel should thoroughly review any documents used by the contracted firm prior to their use.
13. Consider implementing a program to prequalify contractors.

Warehouse

The district's bus barn was converted to an open bay warehouse with three floor-to-ceiling roll-up doors. The building is constructed of steel, is approximately 30 feet tall and has approximately 5,000 square feet of floor space. The operations supervisor and warehouse person are both located in the warehouse facility, and it is used as the central location for maintenance and operations staff and equipment. As discussed previously, the facility includes a small office area that is shared by both employees and lacks the space and privacy needed for supervisory staff.

The warehouse person position reports to the operations supervisor, and its duties include receiving, inspecting and processing supplies and equipment delivered to the warehouse; picking up from vendors and delivering to school sites any items needed immediately; providing clerical support to the operations supervisor; entering inventory information in the AssetMAXX software; and entering work order information in the SchoolDude software.

The ground around the warehouse consists of fine dirt and gravel, which promotes the migration of dust to the neighboring elementary school. During FCMAT's visit, the warehouse was disheveled and the only inventory was an excessive quantity of janitorial supplies, which are not actively monitored or inventoried. Employees interviewed indicated that janitorial supplies are drop-shipped by vendors to each school site as needed. Therefore it is not necessary to keep an extensive stock of janitorial supplies at the warehouse. In addition, most of these supplies can be used in households, which increases the possibility of theft or pilferage if not properly monitored and inventoried. Custodial suppliers will often help districts review and determine the quantity of supplies distributed and the quantity they need to keep in a district warehouse.

The warehouse stocks toilet paper and paper towels but no other standard items for schools or emergency supplies. Most of the staple products used by the district's schools and departments are ordered from local vendors using open purchase orders and are drop-shipped to the sites. As permitted by Education Code Section 38110, the district may also purchase standard school supplies and equipment through the county office.

Removing all unused items and cleaning the warehouse would allow the district to store emergency supplies, such as bottled water, for its school sites; stock a minimal number of items that may have unpredictable lead times, such as some chemical products; and provide a larger area that may be used for office space, current files that need to be readily accessed, meetings with contractors or employees, and employee training.

Four Quonset huts are located across from the warehouse and are used to store the following:

- Hut One - Surplus equipment and materials ready for reissue or disposal.

Board Policy 3270, Sale, Lease, Rental of District-Owned Real Property, states that the governing board must approve the recommended disposition of district property by unanimous vote and provides for the methods of disposal. The Business Services Guide also includes a final disposition of equipment form and instructions for completion prior to disposal of district property. However, employees indicated that these policies and procedures are not consistently followed. Governing board approval is not received prior to disposal of all surplus items. Some items (such as computers) have been given to local charities and others have occasionally been given to staff. Education Code sections 17545 and 17546 provide the required methods for disposal of surplus property as follows:

17545 (a) The governing board of any school district may sell for cash any personal property belonging to the district if the property is not required for school purposes, or if it should be disposed of for the purpose of replacement, or if it is unsatisfactory or not suitable for school use. There shall be no sale until notice has been given by posting in at least three public places in the district for not less than two weeks, or by publication for at least once a week for a period of not less than two weeks in a newspaper published in the district and having a general circulation there. If there is no such newspaper, then in a newspaper having a general circulation in the district; or if there is no newspaper, then in a newspaper having a general circulation in a county in which the district or any part thereof is situated. The board shall sell the property to the highest responsible bidder, or shall reject all bids.

(b) The governing board may choose to conduct any sale of personal property authorized under this section by means of a public auction conducted by employees of the district or other public agencies, or by contract with a private auction firm. The board may delegate to the district employee responsible for conducting the auction the authority to transfer the personal property to the highest responsible bidder upon completion of the auction and after payment has been received by the district.

17546 (a) If the governing board, by a unanimous vote of those members present, finds that the property, whether one or more items, does not exceed in value the sum of two thousand five hundred dollars (\$2,500), it may be sold at private sale without advertising, by any employee of the district empowered for that purpose by the board.

(b) Any item or items of property having previously been offered for sale pursuant to Section 17545, but for which no qualified bid was received, may be sold at private sale without advertising by any employee of the district empowered for that purpose by the board.

(c) If the board, by a unanimous vote of those members present, finds that the property is of insufficient value to defray the costs of arranging a sale, the property may be donated to a charitable organization deemed appropriate by the board, or it may be disposed of in the local public dump on order of any employee of the district empowered for that purpose by the board.

Additional disposal requirements are prescribed in Education Code sections 60510 through 60511 for instructional materials, and in the California Code of Regulations, Title 5, sections 3944 and 3946 for items purchased with federal and state categorical funds.

In no event should any district-owned property be gifted to an employee, and no district-owned property should be donated to any charity without first acquiring board approval pursuant to the above legal requirements. The district needs to update and/or develop and implement board policies, administrative regulations and procedures to ensure that property is disposed of in accordance with legal requirements.

- Hut Two - Commercial walk-in freezer and various food supplies for nutrition services.
- Hut Three - Student and facility records, including drawings of various district buildings and campuses.

Although the amount of combustible items in this building is extensive, it does not have smoke detection and fire prevention systems. Some of the documents stored in this building are masters and may be the only district copy. These include outside contractor documents such as proof of insurance and bond, fingerprint and licensing information, and as-built drawings of the district's facilities. This is of particular concern because site drawings and some of the other records may be impossible to replace. Scanning the original documents and storing a copy in an electronic document repository would help provide for their safekeeping. In addition, it is best practice to keep in the risk and safety office all original documents pertaining to property and liability issues and contractor information.

- Hut Four – Hardware and supplies used by the maintenance staff.

This building contains an extensive supply of uninventoried hardware and supplies. The number of plumbing supplies seems excessive unless they were donated or purchased at a significant volume discount. To avoid loss and excessive inventories resulting from duplicate purchases, these supplies should be monitored and inventoried regularly. This may be accomplished easily by inventorying all new purchases of supplies and allowing the old inventory to be exhausted first, using a first-in first-out depletion process.

Employees interviewed indicated that the warehouse has a single forklift that is not reliable and that needed repair at the time of FCMAT's fieldwork. One district employee is certified to use it. A newer and smaller forklift would be more dependable and easier to maneuver and store in the limited warehouse area. If a forklift is operated by district staff, they must be trained in its safe and efficient use. In addition, a copy of the required training certification should be kept at the warehouse and the original at the district's risk and safety office to ensure that certification is maintained and is up to date.

The district has recently provided the warehouse person with a workplace accommodation because the employee has permanent lifting restrictions. The operations supervisor was instructed to do all warehouse required lifting during the accommodation period. Some of the essential duties included in the warehouse person job description require loading and unloading delivery vehicles. The job description also includes the ability to "perform moderately heavy manual tasks" and "lift and carry heavy loads in a safe manner." The physical demands included in the job description indicate that the "persons performing services in this position classification will exert 50 to 75 pounds of force frequently to lift, carry, push, pull, or otherwise move objects." The federal Americans with Disabilities Act (ADA) requires that employers make reasonable accommodations for employees with disabilities unless doing so would cause undue hardship for the employer. Undue hardships include financial difficulty, accommodations that are unduly extensive or disruptive, or would fundamentally alter operations. When making an accommodation for the warehouse person, the district needs to consider whether it infringes on the operations supervisor's ability to perform his duties.

Recommendations

The district should:

1. Spray calcium chloride or spread asphalt concrete, slurry, or pea gravel in the warehouse lot to prevent dust from moving to the adjoining school site and storage facilities.
2. Organize and regularly inventory all equipment and supplies stored in the warehouse.
3. Monitor the distribution of janitorial chemicals and supplies to determine the amount of inventory, if any, that it needs to keep in the warehouse.
4. Update and/or develop and implement board policies, administrative regulations and procedures regarding the disposal of district property to ensure that all disposal complies with legal requirements.
5. Include the date of governing board approval on its final disposition of equipment form.
6. Inventory the items in hut one and make sure all current and future surplus inventories are disposed of pursuant to applicable laws and regulations.
7. Organize hut three and scan the original documents stored there in an electronic document repository.
8. Install smoke detection and fire prevention systems in hut three.
9. Regularly inventory and monitor the hardware and supplies in hut four.
10. Determine whether to replace, repair or discard its forklift. If the district keeps a forklift, train all warehouse personnel in its safe and efficient use, and ensure that the original training certification document is kept in its risk and safety office and a copy is kept at its warehouse.
11. Determine whether the workplace accommodation for the warehouse person is infringing on the operations supervisor's ability to perform his duties.

Appendices

Appendix A

Example Purchase Order Language

Appendix B

Study Agreement

Appendix A

Example Purchase Order Language

Example Purchase Order Language

Printed on the front of the purchase order:

This order is expressly limited to the terms and conditions on the reverse of this purchase order and at the DISTRICT'S website (include website address) in addition to any bid or quote requirements referenced herein. All terms and conditions submitted by the vendor are hereby rejected.

Printed on the back of the purchase order and/or listed on the district's website for vendor review:

TERMS AND CONDITIONS

1. **ACCEPTANCE:** Unless otherwise specified, this order is for the purchase of the item(s) and/or service(s) described on the front side hereof and is the DISTRICT's acceptance of the offer of the Vendor. Acknowledgment hereof by Vendor to DISTRICT shall constitute Vendor's acceptance of such order, including all of the terms and conditions herein set forth. In the absence of such acknowledgment, commencement of delivery of the item(s) and/or service(s) and acceptance of such deliveries by the DISTRICT shall constitute a firm contract on the terms and conditions hereof.
2. **ASSIGNMENT:** Vendor shall not assign this order or any interest herein, including any performance or any amount which may be due or may become due hereunder, without the DISTRICT's prior written consent.
3. **CHANGES:** This order may, by written order, be changed in regards the item(s) or service(s) to be furnished, quantities ordered, unit price, discount, delivery point or arrangements, terms, or any other matters affecting a valid offer. In the event such change causes an increase or decrease in the cost of performance hereunder, and equitable adjustment will be made for the cost thereof, subject to the approval of the Purchasing Agent, and written notice given therefor.
4. **DELAYS-DAMAGES: TIME IS OF THE ESSENCE ON THIS ORDER.** In the event the Vendor fails to perform such obligations under this Purchase Order within the time specified, if any, or a reasonable time after placement of the order, the Purchasing Agent, may by written notice, order the Vendor to cease further deliveries and may hold the Vendor liable for any damage caused the DISTRICT by reason of such delay. For breach or violation of this order, the DISTRICT shall have the right to terminate the order, either in whole or in part, and any loss or damage sustained by the DISTRICT in procuring on the open market any item(s) and/or service(s) which the Vendor agreed to supply shall be borne and paid for by the Vendor. The rights and remedies of the DISTRICT provided in this clause shall not be exclusive and are in addition to any other rights and remedies provided by law under the order. In the event the Vendor shall fail to make prompt delivery as specified of any item(s) and/or service(s), the same conditions as to the rights of the DISTRICT to purchase in the open market and to reimbursement set forth above shall apply, except when delivery is delayed by fire, strike, freight embargo, act of God or of the Government.
5. **DISPUTES:** All disputes concerning questions of fact which may arise under this order, and not disposed of by mutual consent, shall be decided by the Purchasing Agent.
6. **GENERAL:** All warranties shall be construed as conditions as well as warranties. No waiver of a breach or of any provision of this order shall constitute a waiver of any other breach or provision. No modification or change, or departure from, or waiver of the provisions of this order shall be valid or binding unless approved by the DISTRICT in writing.
7. **GOVERNING LAW:** In filling this order, Vendor shall comply with all Federal and Governmental regulations and orders, and shall be governed by and construed according to the laws of the State of California.
8. **LIABILITY:** The Vendor shall indemnify, defend, save, and hold harmless the DISTRICT, its officers, agents, and employees from any and all claims and losses occurring or resulting to any and all contractors, subcontractors, material, men, labors, or any other person, firm, or corporation furnishing or supplying work,

services, materials, or supplies in connection with the performance of this order, and from any and all claims occurring or resulting to any person, firm, or corporation who may be injured or damaged by the Vendor in the performance of this order.

9. PATENT INFRINGEMENT INDEMNITY: to the extent the item(s) are not manufactured in accordance with the DISTRICT's designs, Vendor shall defend, indemnify, and hold harmless DISTRICT, its successors, assigns, customers and users of its products from and against any claim, loss, damage or expense arising out of any infringement or claim of infringement of any Letters Patent, trade names, trademark, copyright or trade secrets by reason of the sale or use of any item(s) purchased hereunder. DISTRICT shall promptly notify Vendor of any such claim.

10. PAYMENTS: Payment shall be made upon submission of itemized invoices in triplicate, of the prices stipulated herein for supplies delivered and accepted or service(s) rendered and accepted, less deductions, if any, as herein provided. Payment on partial deliveries may be made whenever amounts due so warrant or when requested by the Vendor and approved by the Purchasing Agent.

11. RESPONSIBILITY: Unless otherwise specified, the Vendor shall be responsible for all items covered by this order until delivered at the designated delivery point. The Vendor shall bear all risks as to items rejected or requiring correction after notice of such rejection or correction is given.

12. RISK OF LOSS: Risk of loss or damage to the item(s) shall be on Vendor until said items have been delivered to and accepted by DISTRICT notwithstanding any other terms contained herein. All item(s) will be received by DISTRICT subject to its right of inspection and rejection. DISTRICT shall be allowed a reasonable period of time to inspect the items and to notify Vendor of any non-conformance with the terms and conditions of this order. DISTRICT may reject any item(s) which do not conform to the terms and conditions of this order. Item(s) so rejected may be returned to Vendor or held by DISTRICT at Vendor's risk and expense.

13. SAFETY ORDERS: All materials, equipment or labor covered by this order must conform to and meet all the required standards of OSHA and CAL OSHA, and with all Federal, State, and Local laws or ordinances.

14. SHIPMENT: All items are F.O.B. Destination unless otherwise specified. When authorized, freight to be prepaid. Shipment must be made within the time stated on order. Failing to comply with specified delivery time, the DISTRICT reserves the right to purchase elsewhere and charge Vendor with any loss incurred unless delay in making shipment is due to unforeseeable causes beyond the control, and without the fault or negligence of the Vendor.

15. TERMINATION: This order may be terminated in whole or in part, any time for its convenience, by written notice to the Vendor. Such termination shall be effective in the quantity, manner, and time specified in such notice and the DISTRICT shall be liable at the stipulated price only for such item(s) and/or service(s) as have been delivered and/or rendered and accepted. The DISTRICT shall not be liable for any excess costs arising out of such termination, and failure of the Vendor to cease delivery and/or work upon receipt of termination notice shall not occasion a claim for extra costs.

16. VARIATIONS-QUANTITIES: No variation or substitutions in the quality or quantity of any item called for by this order shall be acceptable except in pursuance of written change order so authorizing and no change in cost shall be valid unless so ordered.

17. WARRANTY-PRODUCT: The Vendor expressly warrants that the item(s) shall be merchantable within the meaning of Article 2-314(2) of the Uniform Commercial Code in effect on the date of this order. In addition to all warranties which may be prescribed by law, the item(s) shall conform to specifications, drawings, and other descriptions and shall be free from defects in materials and workmanship. Vendor also warrants that to the extent the item(s) are not manufactured pursuant to detailed designs furnished by the DISTRICT, that they will be free from defects in design. Such warranties, including warranties prescribed by law, shall run to DISTRICT, its successors, assigns, and customers, and to users of the items, for a period of one (1) year, after delivery, or such longer period as may be prescribed by law or by additional agreement.

Appendix B

Study Agreement

FCMAT

FISCAL CRISIS & MANAGEMENT
ASSISTANCE TEAM

CSIS California School Information Services

FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM STUDY AGREEMENT August 27, 2012

The FISCAL CRISIS AND MANAGEMENT ASSISTANCE TEAM (FCMAT), hereinafter referred to as the Team, and the Perris Elementary School District, hereinafter referred to as the District, mutually agree as follows:

1. **BASIS OF AGREEMENT**

The Team provides a variety of services to school districts and county offices of education upon request. The District has requested that the Team provide for the assignment of professionals to study specific aspects of the Perris Elementary School District operations. These professionals may include staff of the Team, County Offices of Education, the California State Department of Education, school districts, or private contractors. All work shall be performed in accordance with the terms and conditions of this Agreement.

In keeping with the provisions of AB1200, the County Superintendent will be notified of this agreement between the District and FCMAT and will receive a copy of the final report. The final report will be published on the FCMAT website.

2. **SCOPE OF THE WORK**

A. **Scope and Objectives of the Study**

The scope and objectives of this study are to:

1. The Perris Elementary School District is requesting that the FCMAT Team conduct an organizational and staffing review that will be limited to the district's central office for business operations. The review will include classified and management level employees that perform business related functions.

2. The Team will provide comparative staffing data for four to six elementary school districts of similar size and structure and provide recommendations to improve the efficiency and reduce costs in the district's business office. The district business office and department level comparison may include comparable elementary school districts located in the geographical region and comparable districts utilized in the collective bargaining process by the Perris Elementary School District.
3. The Team will review job descriptions for all business department positions, interview staff and make recommendations for staffing improvements. All recommendations will include estimated values for any proposed position reductions or enhancements to the organizational structure.
4. The Team will evaluate the current work flow of the business department that will include but not be limited to the accounting and financial reporting requirements, payroll, accounts payable, and other related business functions performed by the department and provide recommendations for improved efficiency, if any.
5. The Team will review warehouse procedures, inventory control, cycle counting methodologies, software applications, if any and provide recommendations for improved efficiency, if any.
6. The Team will review the long range plan for facilities including the facilities master plan and provide recommendations regarding organizational efficiencies and staffing.

B. Services and Products to be Provided

1. Orientation Meeting - The Team will conduct an orientation session at the District to brief District management and supervisory personnel on the procedures of the Team and on the purpose and schedule of the study.
2. On-site Review - The Team will conduct an on-site review at the District office and at school sites if necessary.
3. Exit Report - The Team will hold an exit meeting at the conclusion of the on-site review to inform the District of significant findings and recommendations to that point.

4. Exit Letter - The Team will issue an exit letter approximately 10 days after the exit meeting detailing significant findings and recommendations to date and memorializing the topics discussed in the exit meeting.
5. Draft Reports - Electronic copies of a preliminary draft report will be delivered to the District administration for review and comment.
6. Final Report - Electronic copies of the final study report will be delivered to the District administration following completion of the review. Written copies are available by contacting the FCMAT office.
7. Follow-Up Support – Six months after the completion of the study, FCMAT will return to the District, if requested, to confirm the District's progress in implementing the recommendations included in the report, at no cost. Status of the recommendations will be documented to the District in a FCMAT Management Letter.

3. **PROJECT PERSONNEL**

The study team will be supervised by Anthony L. Bridges, CFE, Deputy Executive Officer, Fiscal Crisis and Management Assistance Team, Kern County Superintendent of Schools Office. The study team may also include:

- | | |
|----------------------------|---|
| A. Diane Branham | <i>FCMAT Chief Management Analyst</i> |
| B. To Be Determined | <i>FCMAT Personnel Management Consultant</i> |

Other equally qualified consultants will be substituted in the event one of the above noted individuals is unable to participate in the study.

4. **PROJECT COSTS**

The cost for studies requested pursuant to E.C. 42127.8(d)(1) shall be:

- A. \$500.00 per day for each Team Member while on site, conducting fieldwork at other locations, preparing and presenting reports, or participating in meetings.
- B. All out-of-pocket expenses, including travel, meals, lodging, etc. The District will be invoiced at actual costs, with 50% of the estimated cost due following the completion of the on-site review and the remaining amount due upon acceptance of the final report by the District.

Based on the elements noted in section 2 A, the total cost of the study is estimated at \$9,500.

- C. Any change to the scope will affect the estimate of total cost.

Payments for FCMAT services are payable to Kern County Superintendent of Schools - Administrative Agent.

5. **RESPONSIBILITIES OF THE DISTRICT**

- A. The District will provide office and conference room space while on-site reviews are in progress.
- B. The District will provide the following (if requested):
 - 1. A map of the local area
 - 2. Existing policies, regulations and prior reports addressing the study request
 - 3. Current or proposed organizational charts
 - 4. Current and two (2) prior years' audit reports
 - 5. Any documents requested on a supplemental listing
 - 6. Any documents requested on the supplemental listing should be provided to FCMAT in electronic format. Documents that are only available in hard copy should be scanned by the district and sent to FCMAT in electronic format.
 - 7. All documents should be provided in advance of field work and any delay in the receipt of the requested documentation may affect the start date of the project.
- C. The District Administration will review a preliminary draft copy of the study. Any comments regarding the accuracy of the data presented in the report or the practicability of the recommendations will be reviewed with the Team prior to completion of the final report.

Pursuant to EC 45125.1(c), representatives of FCMAT will have limited contact with pupils. The District shall take appropriate steps to comply with EC 45125.1(c).

6. **PROJECT SCHEDULE**

The following schedule outlines the planned completion dates for key study milestones:

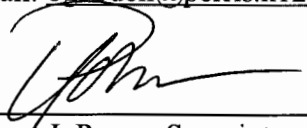
<i>Orientation:</i>	<i>to be determined</i>
<i>Staff Interviews:</i>	<i>to be determined</i>
<i>Exit Meeting:</i>	<i>to be determined</i>
<i>Preliminary Report Submitted:</i>	<i>to be determined</i>
<i>Final Report Submitted:</i>	<i>to be determined</i>
<i>Board Presentation:</i>	<i>to be determined, if requested</i>
<i>Follow-Up Support:</i>	<i>if requested</i>

7. CONTACT PERSON

Name of contact person: Barbara Goodell, Assistant Superintendent, Business

Telephone: (951) 657-3118 x24 FAX: (951) 940-5115


E-Mail: bgoodell@perris.k12.ca.us



Vincent J. Ponce, Superintendent
Perris Elementary School District

8/28/12

Date



Anthony L. Bridges, CFE
Deputy Executive Officer
Fiscal Crisis and Management Assistance Team

August 27, 2012

Date

