

## Financial Management

The Financial Management review focused on the consistent, accurate and effective management of the district's many resources to overcome the current fiscal crisis, eliminate deficit spending, and reinstate the district's required state reserve for economic uncertainty.

The district's current and future fiscal status is unstable. Senate Bill 1190 provided a \$60 million loan to the district. \$50 million was drawn down by the district on June 23, 2004, two days after SB 1190 was signed into law. The size of the emergency appropriation for Vallejo was predicated on the district making significant and substantial changes in the expenditure side of the budget beginning immediately with state administration. To date, the cash management strategy of the district has not been sufficient to leverage the emergency appropriation while the budget recovery steps are put in place. Although state funding for the 2004-05 year is based on previous year's average daily attendance (ADA), the district is experiencing declining enrollment with more than 1,500 fewer students this year than last. Language in employee bargaining agreements grants salary increases even though the district is in fiscal crisis. The district's previous administrators entered into costly contracts for technology and legal services that the district may not be able to renegotiate or terminate.

Senate Bill 1190 also provided authorization to the district to sell district property to use to repay the emergency loan. The district is considering this, and other possible resources, as it works to develop its fiscal recovery plan. A review of all district property and assets is being conducted.

Staff in top management positions are new to the district, and many of the top positions are filled by consultants rather than permanent staff. Many staff members are not fully familiar with or understand the events leading up to the District's present condition. Building staff competence and capacity is critical, requiring strong staff development programs.

The district lacks formal written policies and procedures to direct district operations. Systems and controls to ensure accurate, accountable and understandable data are not in place. Staff appears to understand that more structure is needed, and welcome the changes anticipated through the assessment and improvement plan process.

The fiscal areas affected by the lack of formal policies, procedures, systems and controls include:

- Budget development and monitoring
- Attendance accounting
- Collective bargaining implications
- Categorical programs
- Controls on cash and accounting

### ***County Office Oversight***

The Solano County Office of Education (SCOE) worked with the Vallejo City USD throughout the 2003-04 fiscal year to assist the district in managing its finances. In August 2003, the Solano COE notified Vallejo City USD that the county was unable to approve the district's 2003-04 budget and suggested a work plan for a revised budget to be submitted by September 8, 2003. The county provided an analysis of their areas of concern. On September 15, 2003, the SCOE sent a budget disapproval letter to the district and requested a revised budget.

On October 8, 2003, the SCOE disapproved the district's submitted revised budget and appointed School Services of California as the Fiscal Advisor to the district. In December 2003, the district governing board approved their First Interim Report as qualified. The Fiscal Advisor, SSC, recommended a negative First Interim Report, and the SCOE certified the district's First Interim Report as negative. Joint meetings between the district, the SCOE, the Fiscal Advisor SSC, and the district auditors began in January 2004. On February 18, 2004, the SCOE imposed a 2003-04 budget upon the district based on the line item budget developed by the joint committee. The Fiscal Advisor had stay and rescind power over any expenditures not in alignment with this revised budget. The Vallejo City USD, the SCOE, and the Fiscal Advisor created a plan to address impending cash shortages during 2003-04 which included a request for a \$60 million state loan.

The district's chief business officer resigned from his position at the end of January 2004. On March 25, 2004, the district governing board placed the superintendent on administrative leave.

### ***Communications***

The governing board indicated that they believed they were asking the appropriate fiscal questions of the district administration and receiving the appropriate answers in response to their fiscal questions and concerns. They learned later that important financial information and specific issues concerning the district's negative fiscal position were not shared with them. Specifically, it was reported to the review team that the letter sent to the district administration and board in October by the SCOE, was not transmitted to the governing board. By the time the board became aware of all the fiscal information, there was no recourse but to ask the State of California for a loan in order to maintain a positive cash balance to meet the district's current obligations. Along with the loan, a state administrator was assigned to administer the district and the governing board became advisory in nature.

Under the prior administration, communication on the budget shared at the board level was not complete. In addition, there was no sharing of budget information into or out of the business office to ensure that budget expectations were understood and followed. There has been little or no budget and fiscal training for district staff, and no beginning of the school year informational meeting to outline policies, procedures, responsibilities and expectations for business functions. Written communication from the budget department is rare, and when information is provided, it is often late and/or confusing.

### ***Budget Development***

The district does not have a set procedure, either verbal or written, that outlines steps occurring during budget development, what is to be included in the budget and/or what is to occur in budget maintenance during the fiscal year. The approved budget has been basically a rollover version from past years with new budget cuts and some additions based on updated data. The board's goals, priorities and strategic plan do not appear with the adopted budget narrative, making it difficult for stakeholders to understand the connection between the two.

The prior administration did not accurately project revenues and expenditures. Enrollment numbers were overstated in the proposed 2003-04 budget, as an ADA to enrollment percentage of 94% was used for estimating the revenue limit funding amounts. Data comparing this ratio over the past five years reflects a consistent percentage from 90% to 91.6%, not the 94% figure used to build the budget.

The district office does not generate monthly budget and expenditure reports for each site and department. The sites and departments are not held responsible for managing or monitoring their own budgets.

### ***Internal Controls***

Internal control is the series of processes that are implemented in organizations with sound business practices to provide reasonable assurance that the accounting and financial operations are effective, efficient and reliable. The internal control structure includes the policies and procedures implemented and followed by the district staff, the accounting and other information systems being used, the work environment, and the attitude and culture of those who work in the district, especially the administration, management, and the board of trustees.

A school district with strong effective internal controls will have staff who understand and support board policies and maintain a high level of integrity in the accuracy and reliability of their work.

The District currently does not have strong internal control practices or policies in place. There is a lack of internal control understanding by staff. Data is unreliable and not available to make timely, accurate decisions. Department and site personnel do not receive the level of service needed to adequately support the educational programs district wide.

Board policies do not properly address the misuse of funds and fraud prevention. Internal accounting controls and separation of duties are weak. The controls that are in place are not always followed or enforced. There is no process in place for employees to report wrongdoing.

### ***Collective Bargaining***

The disclosure of the district's collective bargaining agreements at regular governing board meetings in the past have lacked detailed information regarding the agreement's impact to the current operating budget, total cost including statutory benefits, and the impact on a multiyear basis. Any

district with a qualified or negative certification under Education Code 42131 needs to allow the county office of education at least six working days to review and comment on any proposed collective bargaining agreement prior to ratification. The recent passage of AB 2756, has increased the number of days for COE review from six to ten. In 2002-03, the district paid out over \$1.8 million in contractually obligated salary increases equating to 1.84% for all employees without proper notification to the COE.

The district has not developed parameters and guidelines for collective bargaining that ensure that the collective bargaining agreements are not an impediment to the financial solvency of the district. Approximately 90% of the district's proposed 2004-05 budget will be expended for contractually obligated salaries and benefits. A similar trend and ratio of expenditures for salaries and benefits have occurred in 2002-03 and 2003-04.

## **1.1 Internal Control Environment**

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### **Professional Standard**

Integrity and ethical behavior is the product of the district's ethical and behavioral standards, how they are communicated, and how they are reinforced in practice. All management-level personnel exhibit high integrity and ethical values in carrying out their responsibilities and directing the work of others. [SAS-55, SAS-78]

### **Sources and Documentation**

1. Board policies and administrative regulations
2. Prior year independent audit reports
3. Interviews with district office and school site employees

### **Findings**

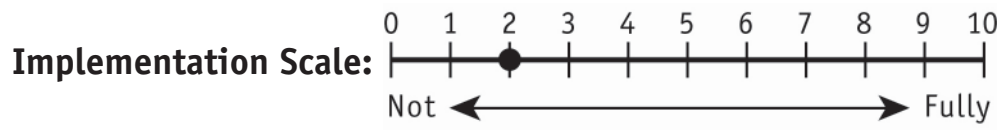
1. It was reported that the prior administration did not practice appropriate ethical and behavioral standards.
2. Appropriate ethical and behavioral standards were not communicated to employees.
3. Employee trust and morale are low.
4. Disciplinary action for inappropriate behavior was not uniformly enforced.
5. Board policies do not adequately address integrity or behavioral expectations of the staff.
6. New administrators are beginning to set proper examples and standards of behavior for all employees to follow. Employees should be encouraged to adapt to the changes, accept more responsibility, and become more efficient in their daily work activities.

### **Recommendations and Improvement Plan**

1. Clear, concise board policies to address integrity and ethical behavioral expectations for employees to follow should be developed and approved.
2. Administrators should be required to set the example of high integrity and ethical behavior in all activities.
3. New policies and expectations should be communicated to employees and ways found to improve morale and rebuild trust at all levels.
4. New lines of communication with employees should be established to encourage teamwork and more effective and efficient work procedures.
5. Employees should be held accountable for appropriate behavior at all times.
6. Employee discipline should be enforced in a fair and consistent manner.

## Standard Implemented: Partially

November 1, 2004 Rating: 2



## **1.2 Internal Control Environment**

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### **Professional Standard**

The district has an audit committee to: (1) help prevent internal controls from being overridden by management, (2) help ensure ongoing state and federal compliance, (3) provide assurance to management that the internal control system is sound, and (4) help identify and correct inefficient processes. [SAS-55, SAS-78]

### **Sources and Documentation**

1. Board policies and administrative regulations
2. Prior year independent audit reports
3. Interviews with district office administrators and business office employees

### **Findings**

1. The district does not have an audit committee.
2. Desk procedure manuals do not exist for most business office functions.
3. Internal accounting controls are not adequate or enforced in many areas of the business operations.
4. Proper segregation of duties is not universally practiced throughout the district.
5. There is no specific person assigned to oversight of the accounting procedures for categorical programs to ensure compliance.
6. High employee turnover at the district and school site level has created the need for more training and employee supervision than is currently in place.
7. Some employees have been assigned job duties for which they did not apply, test for, or are not qualified or properly trained to perform.
8. The district has an internal auditor but that person is not functioning in that capacity at this time.
9. Expectations as to proper internal accounting controls are not expressed to employees.

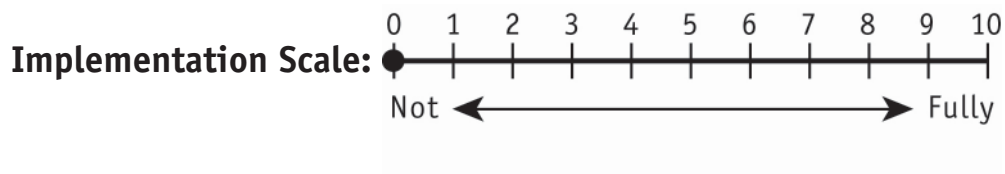
### **Recommendations and Improvement Plan**

1. An audit committee should be created to oversee the activities recommended in the professional standard described above.
2. Adequate internal accounting procedures need to be implemented and necessary changes made to segregate job duties and properly protect the assets of the district.
3. Desk procedures manuals for each business office function should be developed.

4. Firm employment guidelines should be established to ensure that only qualified employees are hired or assigned to accounting and/or business positions.
5. Proper employee training for all employees should be provided.
6. A qualified employee should be hired or assigned to oversee the categorical program accounting function to ensure compliance.
7. The district should require the internal auditor to perform the appropriate duties for that position.
8. Appropriate internal control expectations should be communicated to employees throughout the organization and all employees held accountable for adhering to proper procedures.

**Standard Implemented: Not Implemented**

November 1, 2004 Rating: 0





## **1.3 Internal Control Environment**

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### **Professional Standard**

The attitude of the Governing Board and key administrators has a significant effect on an organization's internal control. An appropriate attitude balances the programmatic and staff needs with fiscal realities in a manner that is neither too optimistic nor too pessimistic. [SAS-55, SAS-78]

### **Sources and Documentation**

1. Board policies and administrative regulations
2. Prior year independent audit reports
3. Interviews with district office and school site employees

### **Findings**

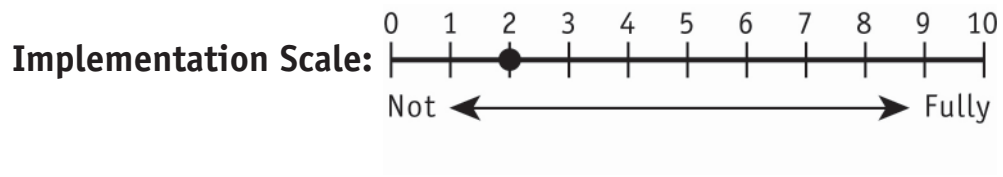
1. The prior administration did not always practice appropriate behavioral standards or properly manage the financial activities of the district.
2. Accurate financial information was not provided to the board of trustees and community.
3. The Governing Board did not adequately monitor the finances of the district.
4. The new administration is keeping the Governing Board and the public better informed through regularly scheduled meetings. Employees at all levels must be informed of the new behavioral standards and be expected to follow good business practices.

### **Recommendations and Improvement Plan**

1. Board policies should be developed that clearly establish acceptable standards of behavior for board members, administrators, and employees.
2. Appropriate standards and expectations should be discussed at board meetings.
3. All board policies and standards of behavior should be enforced.
4. Expected standards of behavior should be communicated to employees and all employees should be held accountable for adhering to those standards.
5. Highly qualified administrators and managers should be hired.

## Standard Implemented: Partially

November 1, 2004 Rating: 2



## **1.4 Internal Control Environment**

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### **Professional Standard**

The organizational structure clearly identifies key areas of authority and responsibility. Reporting lines are clearly identified and logical within each area. [SAS-55, SAS-78]

### **Sources and Documentation**

1. Board policies and administrative regulations
2. Prior year independent audit reports
3. Interviews with district office and school site employees
4. Evaluation of work procedures and supervisory responsibilities

### **Findings**

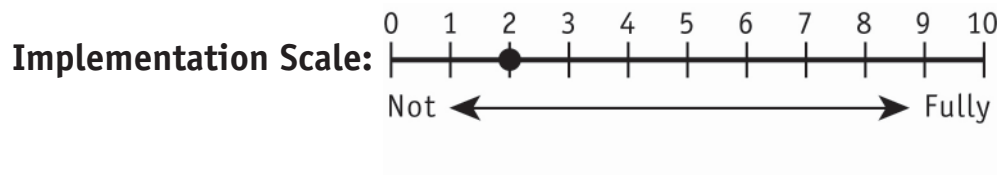
1. The organizational lines of authority and supervision are blurred.
2. Some business operational areas, such as payroll and warehousing, do not have adequate supervision.
3. Some supervisors function as clerical staff, perform duties that are not within their job description, or are ineffective in their capacity as a supervisor.
4. Accounting employees often ask one long-term employee for assistance, even though that person has been given a different job assignment.
5. Interim directors and new managers are attempting to make positive changes. Employees need to be kept informed about performance expectations and changes to their work procedures.

### **Recommendations and Improvement Plan**

1. An organizational structure within the business division that clearly delineates the responsibilities of managers, supervisors and employees should be developed. Job descriptions should be realigned as necessary.
2. Supervisors should be held accountable for performing their job duties effectively and efficiently.
3. Only highly qualified managers and staff should be recruited to fill vacancies.
4. Changes in work procedures and performance expectations should be clearly communicated to all employees.
5. The district should work closely with bargaining units to implement changes in organizational structure and work procedures.

## Standard Implemented: Partially

November 1, 2004 Rating: 2



## **1.5 Internal Control Environment**

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### **Professional Standard**

Management has the ability to evaluate job requirements and match the requirements to the employee's skills. [SAS-55, SAS-78]

### **Sources and Documentation**

1. Board policies and administrative regulations
2. Interviews with district office and school site employees
3. Evaluation of work procedures
4. Job descriptions

### **Findings**

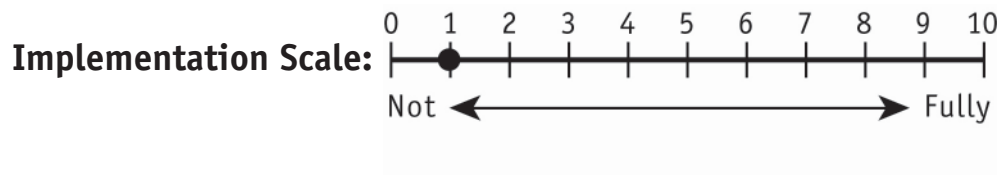
1. Employee job descriptions for business office assignments are not up to date.
2. Employee tasks have changed over time and job descriptions have not been revised to reflect new responsibilities.
3. Many employees have been assigned new jobs without applying, testing or competitively qualifying for the position.
4. Some employees are not working within the job descriptions for their positions.

### **Recommendations and Improvement Plan**

1. Job descriptions should be updated regularly, especially when positions become vacant.
2. Managers and administrators should be required to review and revise job descriptions within their areas of responsibility on a regular basis.
3. A schedule should be created to review and update all classified job descriptions in the business office as soon as possible.
4. The district should work closely with bargaining units to facilitate the implementation of new job descriptions.
5. Firm employment guidelines should be established to ensure that only qualified employees are hired or assigned to accounting and business positions.
6. Proper employee training should be provided for all employees.
7. Employees should be required to perform the duties in their job descriptions.

## Standard Implemented: Partially

November 1, 2004 Rating: 1



## **1.6 Internal Control Environment**

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### **Professional Standard**

The district has procedures for recruiting capable financial management and staff and hiring competent people. [SAS-55, SAS-78]

### **Sources and Documentation**

1. Board policies and administrative regulations
2. Interviews with business office and human resources managers

### **Findings**

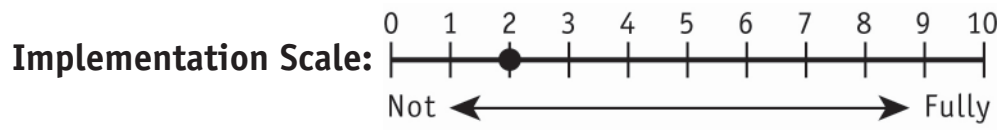
1. Staff members reported that during the past administration, favoritism and nepotism may have occurred in district hiring practices.
2. The district has experienced high turnover at the management level, both in certified and classified positions.
3. Good hiring practices are not followed consistently.
4. Many employees have been assigned jobs without applying, testing or competitively qualifying for the position.
5. Some employees are not working within the job descriptions for their positions.
6. New administrators are working to improve hiring practices, but vacancies are not always filled quickly.
7. Until all positions are filled with highly qualified personnel, employees will continue to feel overworked and stressed, and improved procedures will not be implemented in a timely manner.

### **Recommendations and Improvement Plan**

1. Uniform hiring standards should be established and enforced.
2. Management and other vacancies should be widely advertised in appropriate venues.
3. Only highly qualified employees at all levels should be recruited.
4. The hiring of new employees should be speeded up by streamlining and implementing efficient procedures.
5. Methods should be prepared to select the most qualified candidates through paper screening, testing, and interviews.
6. References for all new employees should be verified.

## Standard Implemented: Partially

November 1, 2004 Rating: 2





## **1.7 Internal Control Environment**

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### **Professional Standard**

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

### **Sources and Documentation**

1. Board policies and administrative regulations
2. Interviews with district office and school site employees

### **Findings**

1. Managers and supervisors are not held accountable for evaluating employees on an annual basis.
2. If standard evaluation forms are available, they are not used regularly.
3. Employees have not been evaluated annually. Some employees have not been evaluated for several years.
4. Processes are not in place or are not followed to ensure that employee evaluations are prepared regularly.
5. Evaluation criteria may be outdated and not appropriate for the current job functions. Measurable goals and objectives are not in place for all positions.
6. Employees do not know the standards by which they will be evaluated.
7. The Human Resources department is working toward better evaluation practices and to ensure that employee performance evaluations are prepared regularly.

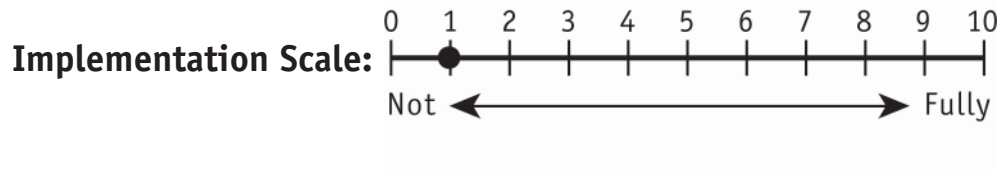
### **Recommendations and Improvement Plan**

1. Standard procedures and forms for employee performance evaluations must be developed, implemented, and used by all managers and supervisors.
2. Employee performance evaluations must be conducted at least annually.
3. Appropriate and measurable goals, objectives, and evaluation criteria for all positions must be developed.
4. The district should work closely with bargaining units to implement new evaluation standards.
5. Managers and supervisors should be held accountable for evaluating all employees under their supervision in a timely manner.

- Managers and supervisors should be fully trained to properly evaluate employees. Training should include following district procedures, proper use of district evaluation forms, bargaining unit restraints, and discipline/performance improvement procedures.

**Standard Implemented: Partially**

November 1, 2004 Rating: 1



## **1.8 Internal Control Environment**

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### **Professional Standard**

The responsibility for reliable financial reporting resides first and foremost at the district level. Top management sets the tone and establishes the environment. Therefore, appropriate measures are implemented to discourage and detect fraud (SAS 82; Treadway Commission).

### **Sources and Documentation**

1. Board policies and administrative regulations
2. Prior year independent audit reports
3. Interviews with district office employees
4. Evaluation of work procedures

### **Findings**

1. Board policies do not properly address fraud prevention and conflict of interest.
2. It was reported that the prior administration did not provide accurate financial information to the Governing Board.
3. Employees do not know of ways to report concerns or problems that they notice during routine daily activities.
4. Employees indicated that they feared retaliation if they reported concerns.
5. Not all employees are following Generally Accepted Accounting Principles (GAAP) due to lack of knowledge and training.
6. A new county data processing system has been installed with many enhanced accounting controls in place. Employees expressed concern that they have not received proper training to use the new county computer system effectively.
7. Internal accounting controls have not been fully implemented or enforced in the district office to protect against inappropriate behavior.
8. New administrators are making improvements in the overall internal accounting control process. Changes and revised expectations should be regularly communicated to employees.

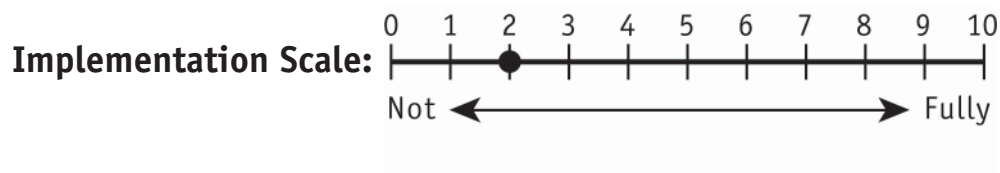
### **Recommendations and Improvement Plan**

1. Board policies should be developed and/or revised to properly address conflict of interest and accountability, strengthen internal accounting controls, set performance standards, and prevent misuse of funds and fraud.
2. Only highly qualified new administrators with integrity and high ethical standards should be hired.

3. A reliable system should be devised to encourage employees to report abuses or fraud.
4. The new county data processing accounting system should continue to be used.
5. All employees should be properly trained to use the new county computer system correctly.
6. All employees should follow proper procedures.
7. Adequate training should be provided so that employees know, understand, and follow Generally Accepted Accounting Principles (GAAP).

**Standard Implemented: Partially**

November 1, 2004 Rating: 2



## **2.1 Inter- and Intra-Departmental Communications**

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### **Professional Standard**

The business and operational departments communicate regularly with internal staff and all user departments on their responsibilities for accounting procedures and internal controls. The communications are written whenever possible; particularly when they (1) affect many staff or user groups; (2) are issues of high importance; or, (3) reflect a change in procedures. Procedures manuals are necessary to the communication of responsibilities. The departments also are responsive to user department needs, thus encouraging a free exchange of information between the two (excluding items of a confidential nature).

### **Sources and Documentation**

1. Interviews with site administration and classified staff responsible for business-related functions
2. Interviews with district office staff responsible for business-related functions
3. Available procedure manuals for business-related functions
4. Available memos and letters from the business department to other departments and school sites regarding business-related matters

### **Findings**

1. With the exception of a new purchasing and associated student body (ASB) manual, updated procedure manuals or similar resources regarding business-related functions are not available to business users to outline policies, procedures, responsibilities and expectations related to business functions.
2. Desk references do not exist on specific business-related desks.
3. A Business Services Division Procedures Manual was located at one of the school sites, but it was dated 1990 with no updates since that year.
4. When phone calls are made to the business department regarding questions or even asking for clarification, it is often difficult to know who to call to get a correct response.
5. For many years, there has not been any type of in-service training prior to the beginning of the new school year to outline policies, procedures, responsibilities and expectations related to business functions. When this in-service session was offered, updates to the previous year's Procedures Manual were handed out and explained.
6. Written communication from the business department is rare, and the information provided is often late and/or confusing. For example, a chart of accounts was distributed when the Standardized Account Code Structure (SACS) was put into place, but there was no training or detailed materials explaining what all of the SACS conversion and codes meant. Consequently, many budget administrators do not understand the new report/account code formats and don't really have an avenue to ask detailed questions.

7. In-service training/workshops are rarely provided to business system users. When they do occur, such as in summer 2004 on the new attendance system (Aeries), there is too much information given in too little time, causing frustration and requiring extra time to perform duties because not enough information is shared.
8. Financial system reports are not sent out on a set schedule, but have appeared at sites and departments in an infrequent, unexpected manner. When they do appear, there is no type of cover sheet with questions, requests and/or explanations.
9. There are quarterly District Leadership Meetings where information is shared. There are also monthly principals' meetings for all like schools (all elementary, all middle or all high) to receive updates and share information. There used to be periodic office manager/clerical and other specific type meetings for similar purposes, but these have not occurred for some time.

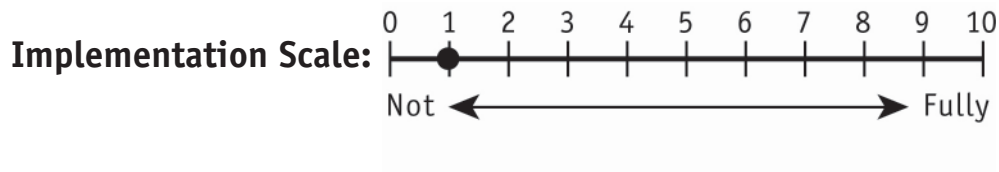
### **Recommendations and Improvement Plan**

1. The district should develop procedure manuals for all business and business-related functions. Manuals should explain in detail the processes and procedures that are expected and/or necessary to comply with rules, regulations and board and district policies and procedures. This manual should be updated at least annually.
2. Procedure manuals covering business and business-related functions would also function as a training tool for staff, help to ensure the accurate and appropriate discharge of job duties, and provide some level of continuity in the case of staff turnover.
3. The Business Services Division Procedures Manual, apparently last revised in 1990, should be updated and distributed to business operations customers.
4. Organizational charts need to be updated and kept up to date so that sites and departments know who to contact when they have questions at any given time.
5. The district should formalize the process for communicating changes in policies and procedures related to business and business related services by offering in-service training prior to the new school year beginning. At this in-service, updates to the previous years' Procedures Manual would be handed out and explained. This would help ensure that staff at sites and in other departments understand and properly implement the changes.
6. The business department should issue timely communications regarding changes in processes and/or procedures. Explanations should be clearly written. Contact information should be provided with each communication so employees know who to contact should they have questions.
7. In-service training/workshops should occur annually to update business systems users and to issue reminders on important policies and procedures. Training also needs to occur in a timely manner when systems change, with enough time allotted to ensure training is adequate and the new system is successfully implemented.

8. Financial system reports need to be sent to sites and departments on a set schedule, such as monthly. A response should be required, whether there are revisions to be made or not, to ensure the report is actually received and reviewed.
9. District leadership meetings and principals' meetings should continue. Time should be set aside so that periodic financial and other information can be shared with managers of support departments, principals and program managers on business and business-related functions. Periodic office manager/clerical and other specific classified type meetings should also occur for information sharing and updates on policy/procedure changes. Open and ongoing communication is integral to creating an environment of cooperation and trust.

**Standard Implemented: Partially**

November 1, 2004 Rating: 1



## **2.2 Inter- and Intra-Departmental Communications**

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### **Professional Standard**

The financial departments communicate regularly with the Governing Board and community on the status of district finances and the financial impact of proposed expenditure decisions. The communications are written whenever possible, particularly when they affect many community members, are issues of high importance to the district and board, or reflect a change in policy.

### **Sources and Documentation**

1. Governing Board Meeting agendas and official minutes for 2002-03 and 2003-04
2. Interviews with various staff members
3. Budget Advisory Committee minutes
4. Interviews with board members

### **Findings**

1. The adopted budget, interim reports and unaudited actuals have been brought to the board in compliance with statutory deadlines. In the few instances that there have been delays, the county office has been notified and has given its approval.
2. The statutory reports, such as interim, adopted and unaudited actuals are brought to the board in the statutory format (SACS). Some board members feel this format is too confusing.
3. Additional business-related items are brought to the board, such as developer fee studies, audit contracts, claim rejections, average daily attendance (ADA) and enrollment reports, and various other items. It does not appear that business items were given any particular priority. In addition, the amount of information contained in board agendas and minutes was minimal.
4. Many budget PowerPoint presentations have been brought to the board. Much of the information comes from School Services of California's workshops, but additional information specific to the district was added by the district's CBO.
5. A Budget Advisory Committee (BAC) is in place and meets routinely. The committee includes members of the community, employee unions, board members and district administrators. Information provided to the committee is prepared by the business staff.
6. Purchase orders and contracts over the amount of \$5,000 are brought to the Governing Board for approval, which is required by statute. Payroll expenditures are not brought to the board for approval.
7. Community meetings were held February 24, 2004, March 10, 2004 and March 24, 2004 to discuss the district's budget issues and to allow for questions from attendees.

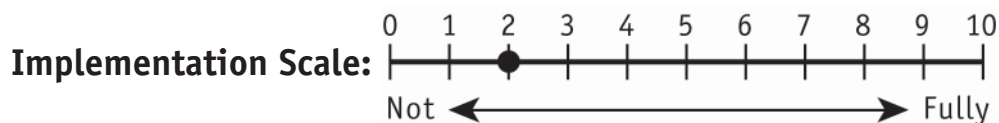


## Recommendations and Improvement Plan

1. Adopted budget, interim reports and unaudited actuals should always be brought to the board in compliance with statutory deadlines. Board members need training so they can more easily interpret the state-mandated reports.
2. Statutory reports must be approved by the board in the state SACS-compliant format, but additional, more understandable information should be part of the packet to the board and stakeholders. For example, User-Friendly Budget software that complements the required state budget reports is available at no cost through School Services of California.
3. When additional business related items are brought to the board, adequate information should accompany the reports to make them easily understood. In addition, business items should be given high priority in the agenda due to the district's financial issues.
4. The district should adopt policies and procedures that require budget and financial information to be presented monthly. These updates should include issues that will have an effect on district finances as well as routine budget reports on the status of the general fund, including categorical programs.
5. The Budget Advisory Committee (BAC) should discuss various methods of communicating so that financial issues can be shared and discussed with the community and staff. Many districts have a "Fingertip Facts" document that makes the district's financial status available in a user-friendly manner. The document is distributed throughout the district, community and media. Board meetings should include information identified and discussed at the BAC meetings so that the concerns and ideas of the committee can be heard by the whole board and others in attendance.
6. Payroll expenditures should be brought to the board for approval.
7. Community meetings should continue to be held to include the community in the process of financial recovery.

### Standard Implemented: Partially

November 1, 2004 Rating: 2



## **2.3 Inter- and Intra-Departmental Communications**

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### **Professional Standard**

The Governing Board is engaged in understanding globally the fiscal status of the district, both current and as projected. The board prioritizes district fiscal issues among the top discussion items.

### **Sources and Documentation**

1. Interviews with board members
2. Board minutes and agendas
3. Board policies

### **Findings**

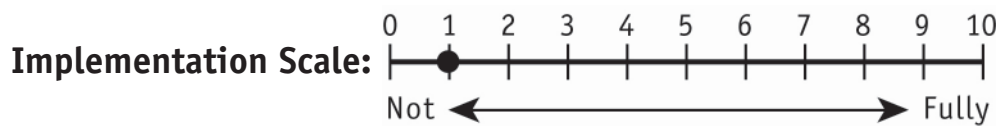
1. Board members have continuously asked specific fiscal and budget-related questions during board meetings. The answers given from administration sounded reasonable and provided the board reassurance regarding their concerns on finance issues.
2. It was later found that many of the reports and answers were not complete or correct and that specific information items had been produced outlining the true impact of the district's fiscal position, but those reports were not included in the board report until they were later discovered.
3. In December, 2003, the board was notified by district administration that the district had a deficit of approximately \$3 to \$5 million. There was documentation in October 2003 showing that the district had a deficit of about \$8 million, but that was not received by the board until January 2004.
4. In September 2003, when budgeted revenue limit estimates decreased significantly, it was explained by the CBO that enrollment had declined unexpectedly by 1,200 students. The board questioned the validity of that statement. Subsequently, the decrease in revenue was explained by staff as a financial system issue. This second explanation caused the board to be suspicious of the data that was being shared with them. Prior to this time, the board had not had major suspicions or concerns about the validity of the data.
5. The board was not consistently receiving Budget Advisory committee meeting minutes as requested.
6. All budget reports, including multiyear projections, were presented to the board in an understandable format. Until the 2003-04 fiscal year, the board had not questioned the administration on the reliability of the numbers, as all explanations of discrepancies had made sense.
7. Board meeting agendas are not organized by business items, human resource items, and/or curriculum items. Instead, it is categorized by recognition, community forum, reports, public hearings, board business information items, consent, action and personnel items.

## Recommendations and Improvement Plan

1. The Governing Board should utilize the Budget Advisory Committee to assist in the process of budget and audit review.
2. To increase communication with the community, a “Fingertip Facts” document should be produced. This would be a user-friendly version of the district budget. It should be made available to the public at board meetings and school sites. Summary information about the budget should be dispensed with school communications.
3. The Budget Advisory Committee should be used to encourage broader community participation in the budget process, to obtain community input into the budget and to assist in monitoring financial issues in detail. This would provide additional review, consideration and oversight for fiscal matters. Although the BAC has been in existence, it has not had this type of oversight.
4. Detailed information should accompany budget reports explaining the funding that exists and how long that funding will be available to the district. This will allow the board to make expenditure decisions in a more informed and accountable manner.
5. The board needs to consistently receive Budget Advisory Committee meeting minutes to assist the board with its fiduciary duties.
6. The budget office needs to provide multiyear projection information even more frequently than at interim reporting periods while the district’s fiscal health is being restored. This will help the board understand the impact of all fiscal decisions that it makes and the overall effect on the budget in future years. The multiyear projections should be explained in more detail so that the board will more easily comprehend and trust the data.
7. The board meeting agenda should place business and business-related functions toward the beginning of the agenda so that board members are not rushed to make important decisions in these areas.

## Standard Implemented: Partially

November 1, 2004 Rating: 1



## **2.4 Inter- and Intra-Departmental Communications**

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### **Professional Standard**

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

### **Sources and Documentation**

1. Board policies

### **Findings**

1. The board has various approved board policies, but none of them specifically address the employee and management responsibility to report illegal acts.
2. There is a board policy addressing management of district assets and accounts that discusses audits and quality control reviews, and also addresses internal controls. Another board policy addresses fiscal accountability, adopting fiscal policies and overseeing the district's financial condition. But there are no established policies or procedures regarding potential illegal acts or how to report illegal acts, suspected or known.
3. The district has an internal audit function, but it is not currently being implemented or staffed in a manner that would pinpoint fraud or illegal acts.
4. The district does not have an anonymous fraud hotline that employees can use to report suspected fraud.

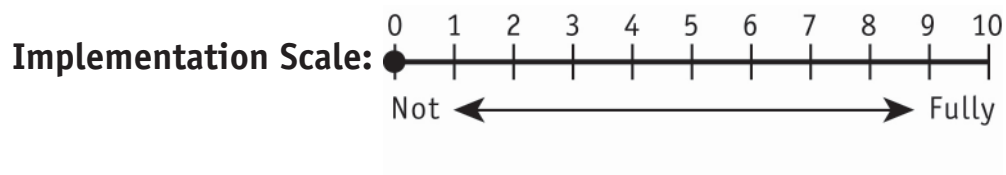
### **Recommendations and Improvement Plan**

1. The Governing Board should adopt a policy specifically addressing fraud and stating that the board will have zero tolerance for employee theft or fraud. The policy should also facilitate the development of controls that will aid in the detection and prevention of fraud, impropriety or irregularity within the district. The policy should address the actions that will be taken when fraud is disclosed, including termination, criminal prosecution, and restitution.
2. The board's intent should be to promote consistent organizational behavior by providing guidelines and assigning responsibility for the development of controls and conduct of investigation.
3. An awareness program with specific procedures should be implemented to inform staff about the common types of fraud and theft, red flags for potential misuse, employee responsibilities to deter and prevent fraud and theft, and process and procedures for reporting suspected fraud through an anonymous fraud hotline or other mechanism.

- The district's designated internal audit employee should function as a true internal auditor. The position should provide an ongoing review of district operations and assist in deterring and detecting fraud and theft. This position should have the primary responsibility for investigating reported instances of fraud and theft.

**Standard Implemented: Not Implemented**

November 1, 2004 Rating: 0



## **2.5 Inter- and Intra-Departmental Communications**

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### **Professional Standard**

Documents developed by the fiscal division for distribution to the Governing Board, finance committees, staff and community are easily understood. Those who receive documents developed by the fiscal division do not have to wade through complex, lengthy computer printouts.

### **Sources and Documentation**

1. Board meeting agendas and minutes
2. Interviews with board members

### **Findings**

1. Various Power Point presentations were brought to board meetings reflecting current budget information and overall assumptions for specific budgets.
2. Board members felt the information shared with them clearly reflected the district's financial status. It was later found that many of the reports and verbal information were not complete or correct and that specific documents had been produced outlining the true impact of the district's fiscal position, but those reports were not given to the board.
3. The statutory reports, such as interim, adopted and unaudited actuals are brought to the board in the statutory format (SACS). Some board members feel this format is too confusing.
4. Additional business related items are brought to the board, such as developer fee studies, audit contracts, claim rejections, average daily attendance (ADA) and enrollment reports, and various other items. It does not appear that business items are given any particular priority. In addition, the amount of information contained in board agendas and minutes is minimal.
5. All budget reports, including multiyear projections, were presented to the board in an understandable format. Until the 2003-04 fiscal year, the board had not questioned the administration on the reliability of the numbers, as all explanations of discrepancies had made sense.

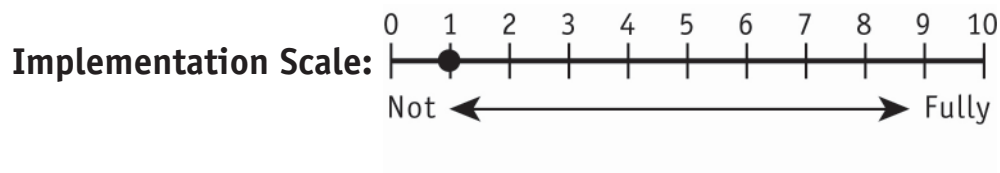
### **Recommendations and Improvement Plan**

1. Statutory reports must be approved by the board in the state SACS-compliant format. However, additional, more understandable information should be part of the packet for the board and other stakeholders. The User-Friendly Budget software mentioned in Standard 2.2 can help facilitate this process.
2. When additional business-related items are brought to the board, adequate explanatory information should accompany the reports. In addition, business items should be given priority in the agenda due to the district's financial issues.

3. The district should adopt policies and procedures that require budget and financial information to be presented monthly. These updates should include issues that will have an effect on district finances as well as routine budget reports on the status of the general fund, including categorical programs.
4. Detailed information should accompany budget reports explaining the funding that exists and how long that funding will be available to the district. This will allow the board to make expenditure decisions in a more informed and accountable manner.
5. The budget office needs to provide multiyear projection information even more frequently than at interim reporting periods while the district's fiscal health is being restored. This will help the board understand the impact of all fiscal decisions that it makes and the overall effect on the budget in future years. The multiyear projections should be explained in more detail so that the board will more easily comprehend and trust the data.

**Standard Implemented: Partially**

November 1, 2004 Rating: 1



## **3.1 Staff Professional Development**

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### **Professional Standard**

The district has developed and uses a professional development plan for training business staff. The plan includes the input of business office supervisors and managers, and, at a minimum, identifies appropriate programs office-wide. At best, each individual staff and management employee has a plan designed to meet their individual professional development needs.

### **Sources and Documentation**

1. Interviews with staff
2. Purchase orders specifically for workshop attendance
3. Board goals

### **Findings**

1. There is a board goal reflecting a commitment to ensure staff development and support for district leaders to carry out the goal of fiscal solvency, but there did not appear to be a plan for achieving that goal.
2. The district does not have a professional development plan in place for employees, including business or business support staff.
3. There have been allowances for specific business staff to attend training, including:
  - CalPERS: October 2001, 2 employees; October 2002, 3 employees; October 2003, 4 employees
  - CalSTRS: March 2002, 3 employees
  - CASBO trainings in various areas including GASB 34, Leadership for First-Level Supervisors, Budget Basics, Payroll Concepts, Short Term Independent Study, Pupil Attendance, Standardized Account Code Structure, Year-end Closing, Accounts Payable, Legal Aspects of Student Body Organizations and Independent Study.
4. Staff members are not always aware of potential training opportunities that may benefit their job performance.
5. Identification of individual staff training needs is not done.
6. The district does not place notices in the personnel files of employees who participate in staff development.

### **Recommendations and Improvement Plan**

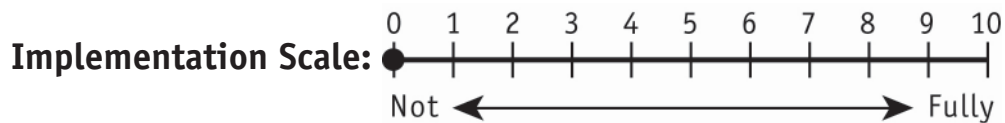
1. An annual staff development plan should be prepared for each department. The contents of the plan should be based on a needs assessment and should include both routine update training and specialized training.



2. Each employee should have an individual development plan that is consistent with the department's plan, the employee's job duties, and current skill and knowledge levels. The evaluation of employee training needs can be done as part of the annual performance appraisal.
3. Staff development can be conducted through a variety of methods, including in-house training, one-on-one mentoring and training, and outside workshops and conferences.
4. Specific training should occur for payroll functions to ensure that applicable rules and information are understood, such as those related to CalPERS and CalSTRS.
5. Employee evaluations should be done annually and should include the employee developed individual training plan, as well as the supervisor's identified training needs. Training plans should be correlated to the training catalog and employee evaluation. Subsequent evaluations should address the completion of identified training needs and document updated plans.
6. The district should establish a practice to place notices in the personnel files of employees who complete staff development as listed in the professional development plan. These employees also should be recognized with some type of award or certificate.
7. The district should increase efforts to notify classified staff members about specific in-service training.

**Standard Implemented: Not Implemented**

November 1, 2004 Rating: 0



## **3.2 Staff Professional Development**

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### **Professional Standard**

The district develops and uses a professional development plan for the in-service training of school site/department staff by business staff on relevant business procedures and internal controls. The plan includes the input of the business office and the school sites/departments and is updated annually.

### **Sources and Documentation**

1. Interviews with staff at the district office and specific school sites
2. Business Services binder dated 1990

### **Findings**

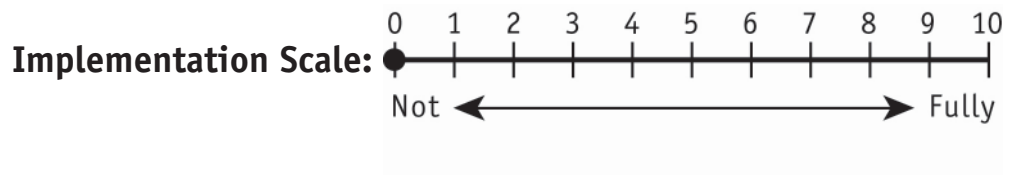
1. A professional development plan is not in place for annual school site/department staff on relevant business procedures and internal controls, such as attendance accounting or ASB procedures.
2. Training is done on an informal, as-needed basis. Often an inadequate amount of time is allotted, such as when conversions to new systems are done.
3. In the past, in-service training was offered each August on business and related functions. Both new information and reminders of prior information were shared in this setting. A binder from 1990 was found, which may indicate the last time this training was offered.

### **Recommendations and Improvement Plan**

1. The Assistant Superintendent should develop an annual staff development plan for both business and non-business personnel regarding internal control procedures that need to be followed. The program should include all business and operational functions for sites and departments, as well as changes that have been made within the last year, including conversions to new software and/or systems.
2. An annual staff development plan should be developed to update departments and sites on changes in business procedures and the application of routine internal control processes. The areas covered should include purchasing, attendance, ASB procedures, changes in policies and/or procedures, and changes in law/statute. The annually updated binder of business and business related functions would be explained and distributed at this training.
3. Each staff training session on business and operations should be established for a specific audience, with mandatory or optional attendance as dictated by the subject matter. The district should ensure the topics covered pertain to the staff members invited to the training.

## Standard Implemented: Not Implemented

November 1, 2004 Rating: 0



## 4.1 Internal Audit

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### Professional Standard

The Governing Board has adopted policies establishing an internal audit function that reports directly to the Superintendent/State Administrator and the audit committee or Governing Board.

### Sources and Documentation

1. Interview with Internal Auditor
2. Interview with Interim Director of Fiscal Services
3. Job description
4. Board policy

### Findings

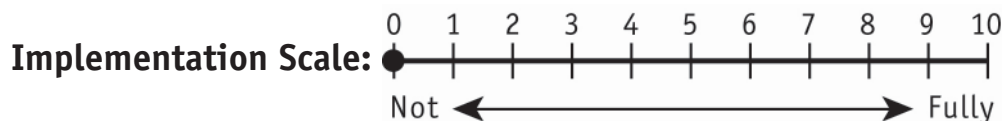
1. The Internal Auditor reports directly to the Director of Fiscal Services.
2. The functions of this position are unclear to the incumbent.
3. There is no audit committee.
4. No board policy was found.

### Recommendations and Improvement Plan

1. The Internal Auditor should report to the State Administrator and/or Superintendent and an audit committee.
2. The district should adopt policies requiring the establishment of an audit committee and internal audit function.
3. Duties of this position should be clarified in board policy.
4. The functions of the position should include: identifying inefficiencies in the system, updating policies and procedures and keeping the board/State Administrator updated on areas of risk.

### Standard Implemented: Not Implemented

November 1, 2004 Rating: 0



## 4.2 Internal Audit

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### Professional Standard

Internal audit functions are designed into the organizational structure of the district. These functions include periodic internal audits of areas at high risk for non-compliance with laws and regulations and/or at high risk for monetary loss.

### Sources and Documentation

1. Internal Auditor
2. Letters regarding overtime investigation
3. Letter regarding student body funds at a middle school
4. Board policy

### Findings

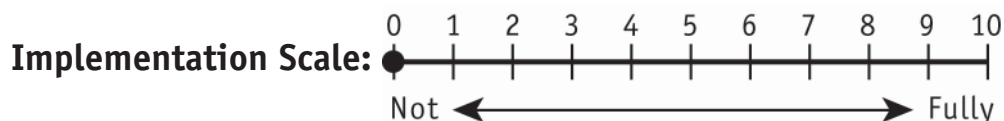
1. Reviews of overtime investigation and student body funds (numbers 2 and 3 above) were requested of, and not initiated by, the incumbent.
2. No requests were made for any area audits at the district office, such as Accounts Payable or Revolving Cash fund, or for other departments, such as Food Service. The incumbent does not clearly understand the job description, which includes periodic audits of these other areas.

### Recommendations and Improvement Plan

1. A calendar should be established so that audits are scheduled on a regular basis.
2. A comprehensive list of the types of audits to be done should be developed by the State Administrator, audit committee and Internal Auditor.
3. Establishment of the internal audit function should include, but not be limited to:
  - a. Providing internal auditing activity that supplies all levels of management with information to control the operations for which they are responsible.
  - b. Using the internal auditor as an independent appraiser who examines and evaluates district activities.
  - c. Assisting district personnel in performing their responsibilities by furnishing recommendations and information concerning the areas reviewed.
  - d. Authorizing full access to district records, physical property and personnel relevant to each area being audited.

### Standard Implemented: Not Implemented

November 1, 2004 Rating: 0



### 4.3 Internal Audit

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#### Professional Standard

Qualified staff members are assigned to conduct internal audits and are supervised by an independent body, such as an audit committee.

#### Sources and Documentation

1. Internal Auditor
2. Interim Director, Fiscal Services
3. Job description

#### Findings

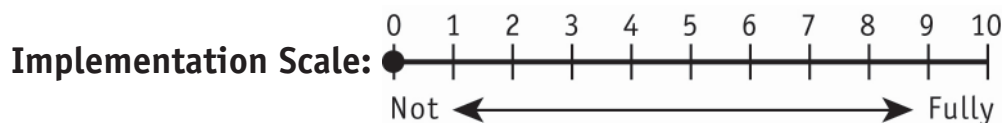
1. The incumbent has no previous experience as an internal auditor.
2. The incumbent does not understand what her functions should be and states she has not seen a job description.
3. The Interim Director of Fiscal Services believes the functions are clearly stated in the job description.
4. The job description seems clear on the duties and responsibilities for this position.
5. The incumbent reports directly to the Director of Fiscal Services.
6. This position was vacant for three years until January 2004. Currently, the position is responsible for more of the day-to-day operational duties than internal audit functions.

#### Recommendations and Improvement Plan

1. Continuation of this position requires the following:
  - a. Clear guidelines outlined in board policy.
  - b. Establishment of an audit committee.
  - c. Procedures and time lines developed by the Internal Auditor and audit committee.
  - d. The position reports directly to the State Administrator and audit committee.
  - e. Hiring of a trained internal auditor.

#### Standard Implemented: Not Implemented

November 1, 2004 Rating: 0



## 4.4 Internal Audit

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### Professional Standard

Internal audit findings are reported on a timely basis to the audit committee, Governing Board and administration, as appropriate. Management then takes timely action to follow up and resolve audit findings.

### Sources and Documentation

1. Internal Auditor
2. Job description

### Findings

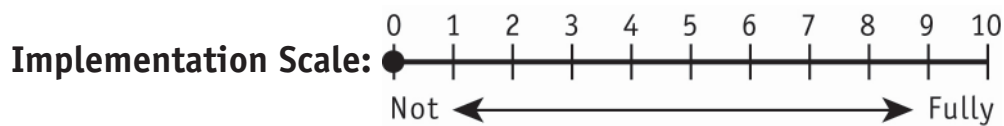
1. There have only been two audits in the past ten months.
2. One audit was reported directly to the Deputy Superintendent, with copies to the Director of Fiscal Services. The other was reported to the site principal, with copies to the Director of Fiscal Services.
3. Neither audit was reported to the board, superintendent or audit committee.
4. The district has no standardized process for requesting or reporting internal audits.

### Recommendations and Improvement Plan

1. Any internal audits, and the results, should be presented to the board/State Administrator and audit committee.
2. Any action taken by management should be in writing to all concerned parties, with copies to the board/State Administrator and audit committee.
3. The district should establish a process and procedure for requesting and reporting internal audits.

### Standard Implemented: Not Implemented

November 1, 2004 Rating: 0



## **5.1 Budget Development Process (Policy)**

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### **Professional Standard**

The budget development process requires a policy-oriented focus by the Governing Board to develop an expenditure plan that fulfills the district's goals and objectives. The Governing Board focuses on expenditure standards and formulas that meet the district goals. The Governing Board avoids specific line-item focus, but directs staff to design an entire expenditure plan focusing on student and district needs.

### **Sources and Documentation**

1. Interviews with two of the five board members
2. Board Policies 3000, 3400, and 3460
3. Board meeting minutes for 2003-04
4. Independent audit schedule of financial trends and analysis from audited actuals for fiscal years 1998-99 through 2002-03

### **Findings**

1. Board goal statement #2 reflects a commitment to fiscal solvency through sound business policies and practices that will be evidenced by a balanced budget and a higher reserve. While the board received verbal confirmation and financial reports identifying what might be considered a qualified budget status at best, the information was not accurate.
2. Board goal statement #4 reflects a commitment to ensure staff development and support for district leaders to carry out the goal of fiscal solvency. Participation in staff development activities did not ensure fiscal solvency.
3. Board policies defining the role of the board in budget approval and monitoring are based on CSBA standard policy language.
4. The district's general fund budget did not maintain the minimum reserve level in any of the fiscal years 1998-99 through 2003-04.

### **Recommendations and Improvement Plan**

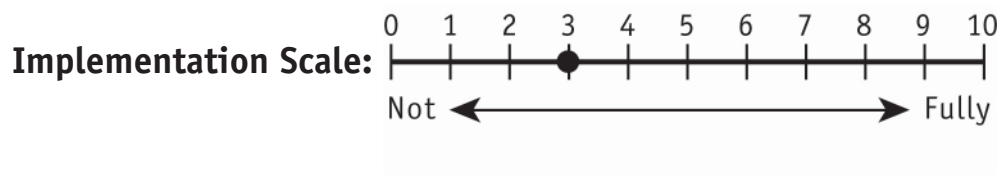
1. Board goals should include both long-term and incremental goals that reflect a commitment to a recovery plan and restoring fiscal solvency through revenue and expenditure adjustments.
2. Goals and objectives developed by both the board and the district administration should be reviewed to ensure a common districtwide commitment to fiscal recovery and fiscal solvency.
3. Administrative goals should incorporate expected levels of accountability in the performance of district administrators.



4. A section within the formal budget document should link the allocated expenditures by programs and/or departments to the district's stated strategic priorities and core values. This should help clarify the expenditure plan for the Governing Board and for interested community members.

**Standard Implemented: Partially**

November 1, 2004 Rating: 3



## **5.2 Budget Development Process (Policy)**

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### **Professional Standard**

The budget development process includes input from staff, administrators, board and community.

### **Sources and Documentation**

1. Budget Advisory Committee agendas and minutes
2. Board meeting calendar
3. Interviews with department managers/directors
4. Interviews with business office staff
5. Budget development calendar

### **Findings**

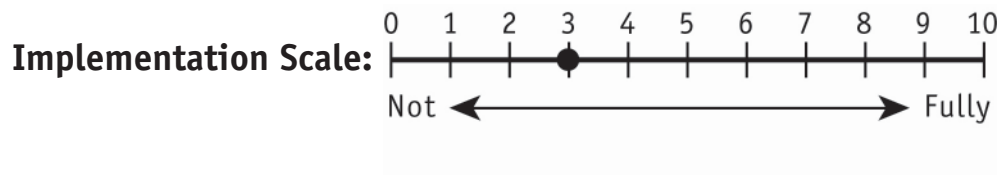
1. The Budget Advisory Committee (BAC) includes two board members, two business office administrators, two VEA and two CSEA representatives, two site principals, a Chamber of Commerce representative, a parent representative, and a recording secretary, reflecting a good cross section of district and community members.
2. The information provided to the committee is prepared by the business office and reviewed with the committee members.
3. Although the committee discussed proposed items for a recovery plan at the December 15, 2003 meeting, the items were not discussed with the board at the December 17, 2003 meeting.
4. The board meeting schedule includes study session meetings to review proposed budgets or budget reductions several times during the year.
5. The budget development calendar has not been followed.
6. Department managers/directors indicate that final budgets often do not reflect the current needs of their programs when the budgets have been independently completed by the business office.

### **Recommendations and Improvement Plan**

1. The board should consider adding a monthly BAC report to the board meeting agenda. The report should identify the concerns of all stakeholders rather than only providing the business office perspective.
2. The continued budget study sessions for the board and public will allow for overall participation in the development and implementation of a fiscal recovery plan to restore fiscal solvency.
3. Budget development within departments should follow the guidelines and time lines identified in the budget development calendar.

## Standard Implemented: Partially

November 1, 2004 Rating: 3



### 5.3 Budget Development Process (Policy)

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#### Professional Standard

Policies and regulations exist regarding budget development and monitoring.

#### Sources and Documentation

1. Board policies
2. Discussions with the business office staff
3. Budget documents
4. Discussions with department managers/directors

#### Findings

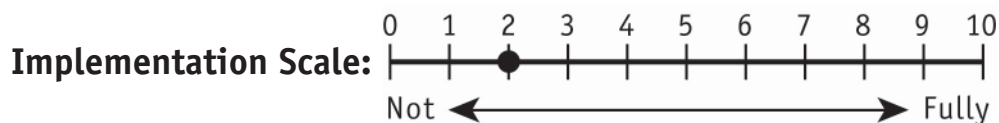
1. The budget development process is defined in the budget calendar.
2. The actual procedures for budget development did not follow the identified process.
3. Department managers interviewed did not have and were not aware of written policies regarding budget development and monitoring.
4. Although appropriate procedures are defined in district records, previous budget development processes have not been conducted in an interactive and collaborative manner. The 2004-05 fiscal year budget prepared by the Interim Chief Financial Officer did include interaction with department and program managers.

#### Recommendations and Improvement Plan

1. Effective immediately, budget development or budget revision activities should incorporate the processes identified in the budget calendar and board policies in an interactive manner.
2. The proposed development budget and interim report budget revisions should be jointly discussed by the Chief Financial Officer and the Director of Fiscal Services as a means of testing and validating the assumptions and variables used.

#### Standard Implemented: Partially

November 1, 2004 Rating: 2



## **5.4 Budget Development Process (Policy)**

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### **Professional Standard**

The district has a clear process to analyze resources and allocations to ensure that they are aligned with strategic planning objectives and that the budget reflects district priorities.

### **Sources and Documentation**

1. Discussion with business office staff
2. Discussion with two of the five board members
3. Budget planning calendar
4. Staffing and formula allocations
5. District annual audit reports

### **Findings**

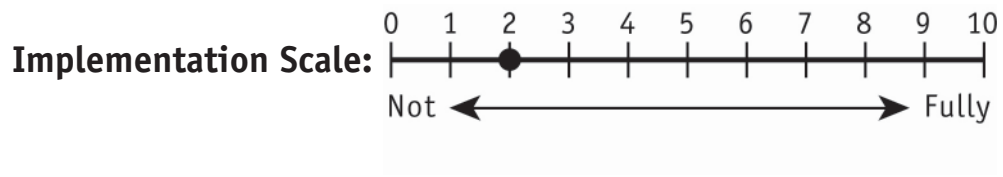
1. Both the board and the business office have found it difficult to pursue the goals of the board with revenue levels that have been reduced by state funding deficits, declining enrollment, and increased costs.
2. The actions of the board and district administration reflected attempts to reduce costs and meet state reserve requirements. However, expenditures have exceeded revenues, resulting in deficit spending, in four of the past six years.

### **Recommendations and Improvement Plan**

1. The process to accurately project student enrollment for use in revenue projections and staffing allocations must become an annual priority. If necessary, the district should work with a demographer to use statistical information and proven projection methods to obtain a reasonable estimate of student enrollment. Only then will the district budget be based on a sound projection of revenue amounts.
2. The goals and objectives of the district must be revised to include a commitment to restoring fiscal solvency, with budgets that address core functions and provide the required instructional programs.
3. The process to analyze resources and allocations should be conducted in each department as well as districtwide. Department managers can conduct a portion of the analysis. The results should be reviewed by at least two senior administrative employees to confirm the reasonableness of the variables and assumptions used.
4. In all cases, supporting documentation should be maintained for all revenue and expenditure allocations and subsequent revisions. An audit trail must exist.

## Standard Implemented: Partially

November 1, 2004 Rating: 2



## 5.5 Budget Development Process (Policy)

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### Professional Standard

The district has policies to facilitate development of a budget that is understandable, meaningful, reflective of district priorities, and balanced in terms of revenues and expenditures.

### Sources and Documentation

1. Budget calendar
2. Interviews with business office staff
3. Interviews with department managers/directors
4. Interviews with two of the five board members
5. Budget Advisory Committee agendas and minutes

### Findings

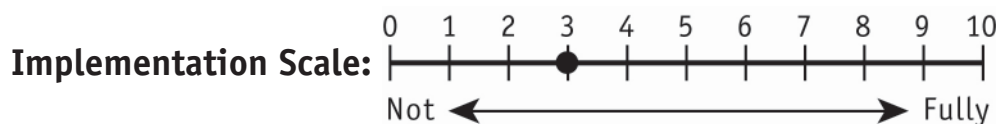
1. The district's policies are documented but not fully utilized or implemented in the budget development process.
2. The district has experienced deficit spending in four of the past six years.
3. Budgets were often developed in the business office without input from department or program managers.
4. The Child Nutrition and Transportation departments do internally prepare and monitor their budgets.

### Recommendations and Improvement Plan

1. Adherence to existing policies and time lines must be required to reinforce a global commitment by all stakeholders in all activities related to the district's budget and financial condition.
2. All department, program, and administrative staff must adhere to budget calendar guidelines and responsibilities to ensure participation, collaboration, and accountability during budget development and revision activities in order to maintain balanced budgets reflecting district priorities.

### Standard Implemented: Partially

November 1, 2004 Rating: 3



## **5.6 Budget Development Process (Policy)**

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### **Professional Standard**

Categorical funds are an integral part of the budget process and have been integrated into the entire budget development. The revenues and expenditures for categorical programs are reviewed and evaluated in the same manner as unrestricted General Fund revenues and expenditures. Categorical program development is integrated with the district's goals and used to respond to district student needs that cannot be met by unrestricted expenditures. The superintendent, superintendent's cabinet and fiscal office have established procedures to ensure that categorical funds are expended effectively to meet district goals. Carryover and unearned income of categorical programs are monitored and evaluated in the same manner as General Fund unrestricted expenditures.

### **Sources and Documentation**

1. Budget worksheets
2. Discussion with business office staff
3. Discussion with the Special Projects administrator
4. Annual audit reports

### **Findings**

1. School sites receive information on the available dollars by program and submit budget worksheets to identify the distribution of funds in expenditure categories after salary and benefit data is considered.
2. The use of site funds in categorical programs is appropriately determined by school site councils.
3. Many departments maintain internal spreadsheets to monitor actual expenditures because financial reports do not generally reflect real time data.
4. The majority of categorical programs adhere to the requirement to operate within grant or entitlement allocations.
5. Restricted general fund year-end balances reflect material carryover balances. This may have been due, in part, to an effort to support cash needs.

### **Recommendations and Improvement Plan**

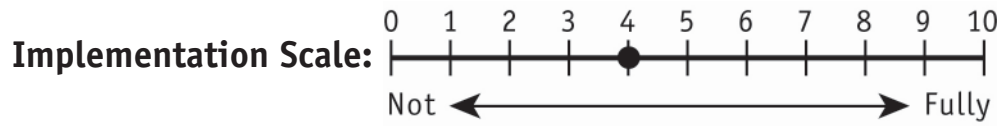
1. The business office should confirm that financial data recorded in the mainframe financial system is as up to date as possible and assist departments in addressing their concerns about timely reports. This may reduce the dependence on spreadsheets that is common to multiple departments within the district.
2. Journal entries or transfers initiated and posted by the business office should be provided to the departments with adequate communication regarding the need for the correcting entries.



- The use of available categorical funds should be maximized in accordance with program guidelines in order to provide qualifying students with the appropriate levels of supplies and instructional support needed to achieve success.

**Standard Implemented: Partially**

November 1, 2004 Rating: 4



## **5.7 Budget Development Process (Policy)**

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### **Professional Standard**

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

### **Sources and Documentation**

1. 2003-04 fiscal year Proposed Budget document
2. 2003-04 interim reports
3. 2000-01 through 2002-03 independent audit reports
4. Fiscal Advisor report dated December 17, 2003

### **Findings**

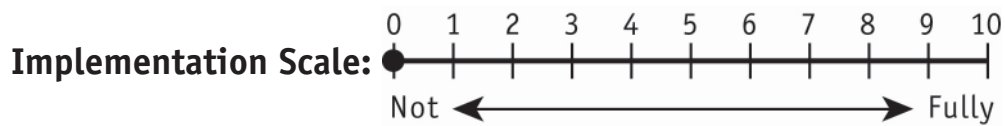
1. The projected general fund ending balance of \$6,583,938 for 2002-03 was overstated by nearly \$5 million when compared to the audited ending balance of \$1,594,996.
2. Recording of interfund payables and receivables was not reconciled to ensure that the projected fund balances of interactive funds included the correct entries.
3. In multiple cases, the 2003-04 adoption budgets for a number of funds other than the general fund were submitted with projected negative fund balances. If the general fund had to make contributions to these funds to ensure a positive ending balance, the impact would have been over \$6 million.
4. Both the initial 2003-04 board-adopted budget and the first revised 2003-04 budget were disapproved by the County Office of Education. A budget prepared in collaboration with the appointed fiscal advisor was approved by the county in December.
5. The Fiscal Recovery Steering Committee and the Fiscal Review Committee worked closely to revise the projected 2003-04 ending balance after a thorough review of projected revenues and expenditures.
6. The difference between the original 2003-04 projected ending balance of \$4,938,601 and the final adopted 2003-04 budget ending balance of -\$16,259,185 represents a difference of over \$21 million.
7. The review conducted by the Fiscal Advisor identified concerns at a level that should have dictated immediate concern and resolution, with a commitment to provide any needed outside assistance to fully identify the complete status of the district's fiscal solvency.

## Recommendations and Improvement Plan

1. The Director of Fiscal Services and the Chief Financial Officer should conduct thorough monitoring and trend analysis at each fiscal reporting period to correctly project ending fund balances. Draft fiscal reports should be provided to the County Office and Fiscal Advisor for validation prior to being presented to the board for approval in order to restore an acceptable level of confidence in the district's financial position.
2. During the period of time needed for fiscal recovery, the district should conduct a monthly analysis and projection of general fund balances. The result of this analysis should be compared to actual revenue and expenditure data in the subsequent month as an early warning process to detect budget variances.
3. The setup of accounts receivable entries should be supported with documentation verifying the ability of the district to receive accounts receivable funds within 90-120 days following June 30.
4. The district must develop and maintain each fund budget to the extent that no fund has a projected negative fund balance.

## Standard Implemented: Not Implemented

November 1, 2004 Rating: 0



## **5.8 Budget Development Process (Policy)**

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### **Professional Standard**

The district utilizes formulas for allocating funds to school sites and departments. This can include staffing ratios, supply allocations, etc. These formulas should be in line with the board's goals and directions, and should not be overridden.

### **Sources and Documentation**

1. Budget documents
2. Discussion with business office staff
3. Discussion with department managers/directors
4. Staffing allocation worksheet

### **Findings**

1. The district has formula-based allocations for discretionary supplies funding, based on site enrollment levels.
2. In 2003-04, departments were instructed to reduce budgets by 10 percent from the prior year level.
3. The Human Resources department prepares a two-year staffing comparison document to identify changes in classroom teacher and counselor staffing levels based on formulas.
4. School sites are able to use categorical dollars for additional staff when permitted by grant or entitlement funds.
5. A business office budget analyst monitors the unrestricted certificated staffing levels and rejects any requests that exceed approved staffing levels. Classified levels are normally maintained by a second position, which has been vacant for an extended period due to a medical leave. This responsibility is being covered by an accounting technician.

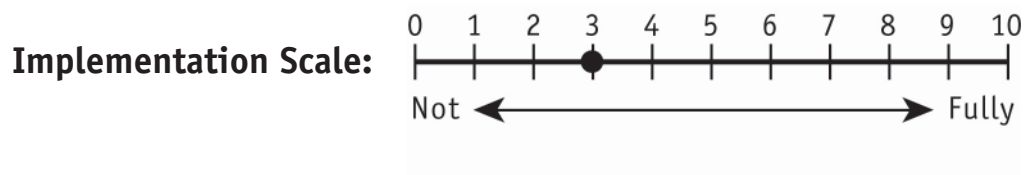
### **Recommendations and Improvement Plan**

1. The Budget Advisory Committee should review the formulas used for staffing and supply allocations and submit recommendations for changes to the board in order to meet the goal of fiscal solvency. Staffing allocations must conform to collective bargaining agreements.
2. Circumstances wherein formulas do not support required services and support levels must be considered on an individual basis for budgeting purposes.
3. Responsibility for monitoring classified staffing levels is a priority that must be adequately maintained until the employee on leave returns.

4. Reductions in program and department budgets should be determined following a thorough analysis instead of using across-the-board percentages for all departments. This recommendation alone supports the need for the budget development process to begin on time, in early spring.

**Standard Implemented: Partially**

November 1, 2004 Rating: 3



## **6.1 Budget Development Process (Technical)**

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### **Professional Standard**

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

### **Sources and Documentation**

1. Budget documents
2. Discussion with business office staff
3. Discussion with department managers/directors
4. 2003-04 and 2004-05 adoption budgets

### **Findings**

1. FCMAT was unable to locate supporting documentation used in the development of the 2003-04 fiscal year budget. General information from outside sources was contained in district files, but few specific worksheets or reports were available for review.
2. Enrollment numbers appear to be overstated. In the proposed 2003-04 budget, an ADA to enrollment percentage of 94% was used for estimating revenue limit funding amounts. Data comparing the ratio over the past five years reflects a consistent percentage ranging from 90% to 91.6%. Use of the 94% factor resulted in a material overstatement of revenue.
3. Revenue accruals were materially overstated in the 2002-03 year, resulting in an overstated beginning balance for the 2003-04 adoption budget.
4. While the district does use a position control system to identify and budget salary and benefit costs, the actual annual expenditures in this category exceeded budgeted amounts. This is largely related to year-end payments for stipends and extra duty assignments. During budget development, the projected cost of these assignments should be documented in budget expenditure detail lines.

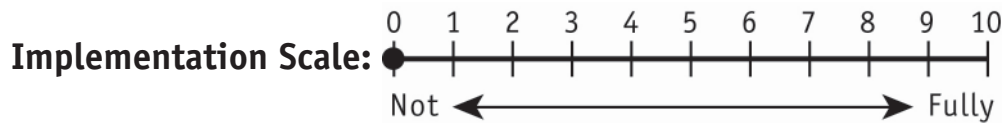
### **Recommendations and Improvement Plan**

1. The budget building process should be conducted by multiple parties in order to provide a cross check and test of the assumptions and variables used.
2. A series of budget binders or files with supporting worksheets and calculations should be maintained throughout the fiscal year.
3. Fiscal analysis should include a review of revenue and expenditure trends over a five-year period.

4. Enrollment projections should be prepared based on demographic trends and known variables. The district should consider using a professional demographer to prepare enrollment projections for at least a five-year period. The projections should be used for ADA calculations based on the district's actual ADA-to-enrollment ratios, assessing staffing and facilities needs, and preparing multiyear financial projections.
5. Revenue accruals and expenditure liabilities established during year-end closing should be based on amounts that will be realized or paid within 90-120 days of the beginning of the new fiscal year. The accruals and liabilities should be supported with documentation.
6. Budgeted salary and benefit costs must include all types of compensation, including regular employee, substitute, overtime, prep periods, extra duty, stipends, and staff development buyback costs.
7. When the rollover budget method is used, one-time revenue and expenditure amounts included in the prior year must be backed out of the current year allocations.
8. Grant and entitlement amounts should be budgeted at documented current funding levels for each budget year. Carryover amounts should be included as revenue and expenditure allocations in the budget only after actual amounts have been calculated during the closing of the prior year financial statements.

**Standard Implemented: Not Implemented**

November 1, 2004 Rating: 0



## 6.2 Budget Development Process (Technical)

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### Professional Standard

An adopted budget calendar exists that meets legal and management requirements. At a minimum, the calendar identifies statutory due dates and major budget development activities.

### Sources and Documentation

1. District budget calendar
2. California Department of Education Financial Reporting Calendar
3. Correspondence between the Solano County Office of Education and the district

### Findings

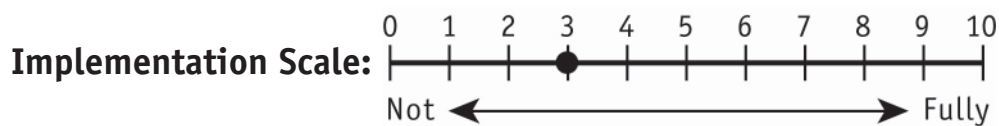
1. The district has an approved budget calendar, although in past years not all steps have been included in the budget development process.
2. The district meets the statutory deadlines, although the integrity of the data is questionable.
3. Letters from the county office did not indicate that financial reports were filed untimely.

### Recommendations and Improvement Plan

1. The business office must develop and provide accurate financial data utilizing the checkpoints in the adopted budget calendar and CDE financial reporting calendar time lines.
2. All staff involved in the budget development processes should be held accountable for producing timely and accurate and documented budget information and projections throughout the fiscal year.

### Standard Implemented: Partially

November 1, 2004 Rating: 3





## 6.3 Budget Development Process (Technical)

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### Professional Standard

Standardized budget worksheets are used in order to communicate budget requests, budget allocations, formulas applied and guidelines.

### Sources and Documentation

1. Budget worksheets
2. Discussion with business office staff
3. Budget transfer request form
4. Discussion with department managers/directors

### Findings

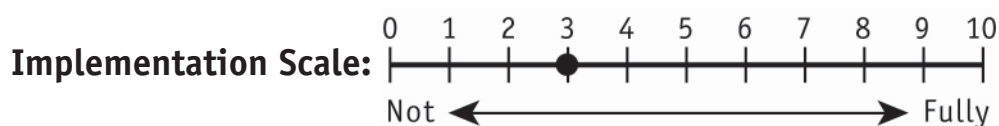
1. The district has a budget worksheet that is used by school sites to identify how discretionary or categorical dollars other than salary and benefits will be used.
2. Many departments use their own spreadsheet during budget development while others use the district worksheet.

### Recommendations and Improvement Plan

1. The budget worksheet should be provided to all departments in a timely manner early in the budget development process. The worksheet should include annual salary and benefit costs for all employees currently being charged to the department or school site.
2. Departments should notify the business office of any additions, changes, or deletions in staffing as soon as possible and request a revised salary and benefit cost document.
3. The budget worksheets should include cost/benefit analysis as well as identification of the issues and guidelines that will affect the availability of resources for the current year.

### Standard Implemented: Partially

November 1, 2004 Rating: 3



## 7.1 Budget Adoption, Reporting, and Audits

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### Professional Standard

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

### Sources and Documentation

1. Budget and interim reports
2. Board agendas and minutes
3. Discussion with two of the five board members
4. Discussion with business office staff
5. Correspondence between the Solano County Office of Education and the district

### Findings

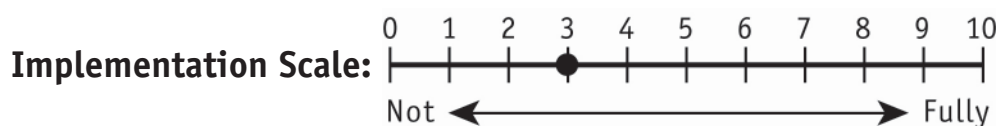
1. The district adopts the budget within the statutory time lines.
2. The district files the adopted budget with the county office by July 1.
3. The Solano County Office of Education disapproved both the district's adopted budget and revised adopted budget in the 2003-04 fiscal year.
4. Correspondence from the county office did not indicate that financial reports were filed untimely.

### Recommendations and Improvement Plan

1. The district must take steps to ensure that the budget adopted in accordance with the statutory time lines accurately reflects the anticipated revenue and expenditures allocations for the fiscal year.

### Standard Implemented: Partially

November 1, 2004 Rating: 3



## 7.2 Budget Adoption, Reporting, and Audits

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### Legal Standard

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

### Sources and Documentation

1. Board minutes and agendas

### Findings

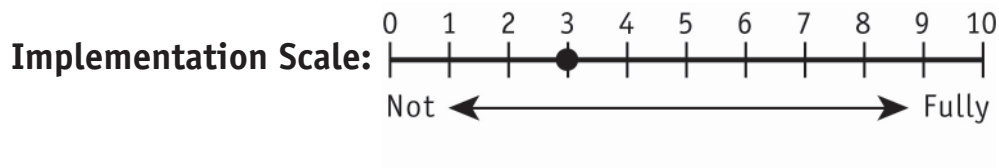
1. The district follows the financial reporting calendar in meeting statutory reporting guidelines.
2. The accuracy of the information provided has been poor.

### Recommendations and Improvement Plan

1. The processes and procedures used by the business office to meet reporting deadlines must include appropriate analysis and monitoring to support the validity of the data.

### Standard Implemented: Partially

November 1, 2004 Rating: 3



## 7.3 Budget Adoption, Reporting, and Audits

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### Professional Standard

The district has procedures that provide for the development and submission of a district budget and interim reports that adhere to criteria and standards and are approved by the county office of education.

### Sources and Documentation

1. Annual budget and interim report documents
2. Budget calendar
3. County office correspondence on interim reports

### Findings

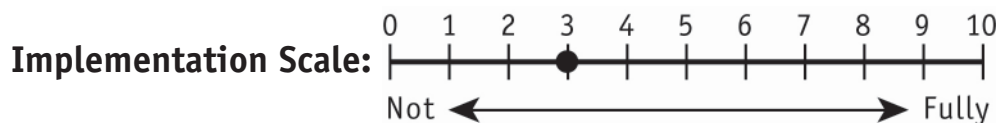
1. Although the reports were developed and submitted according to required time lines, the accuracy of the reports was poor.
2. Reports were discussed with the board at work sessions conducted during the year.
3. Reports were discussed with the Budget Advisory Committee.

### Recommendations and Improvement Plan

1. The procedures for development of the budget and interim reports must be revised to include sufficient time for a thorough analysis and validation of the revenue and expenditure allocations.
2. The integrity of the data represented in the reports must be reflected in supporting documentation in order for the criteria and standards review to be credible.
3. Although time lines may limit the available time needed to properly evaluate the overall budget picture prior to taking financial reports to the board for approval, the district fiscal advisor should review the reports prior to board approval and submittal to the county office.

### Standard Implemented: Partially

November 1, 2004 Rating: 3



## 7.4 Budget Adoption, Reporting, and Audits

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### Legal Standard

The district completes and files its interim budget reports within the statutory deadlines established by Education Code Section 42130, et seq.

### Sources and Documentation

1. Interim report documents
2. Annual independent audit reports
3. County office correspondence on interim reports

### Findings

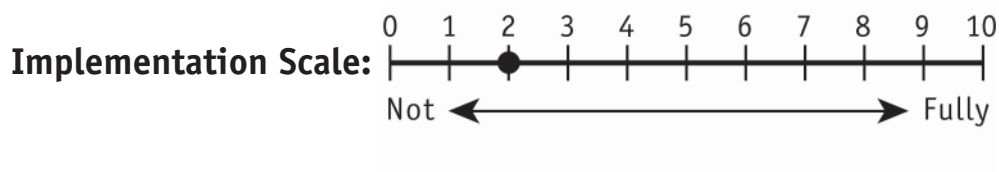
1. The district completes and files the required interim reports according to statutory time lines.
2. The integrity of the data has been poor.

### Recommendations and Improvement Plan

1. The completion and filing of interim reports must include adequate time to validate the revenue and expenditure projections for the fiscal year.
2. The business office should conduct a monthly analysis to ensure that revenue and expenditure allocations are tracking to budgeted amounts and revise projected balances, as needed.

### Standard Implemented: Partially

November 1, 2004 Rating: 2



## 7.5 Budget Adoption, Reporting and Audits

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### Professional Standard

The first and second interim reports show an accurate projection of the ending fund balance. Material differences are presented to the Governing Board with detailed explanations.

### Sources and Documentation

1. Interim report documents
2. Discussion with two of the five board members
3. Discussion with county office representatives who conducted a fiscal analysis
4. School Services of California fiscal analysis

### Findings

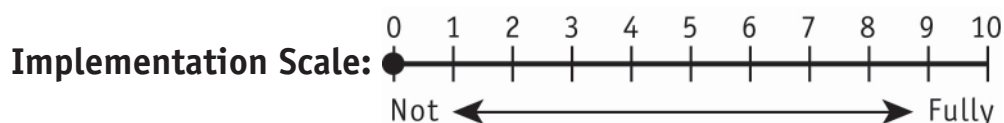
1. Financial projections are not supported with corresponding documentation or fiscal analysis information.
2. The district might have considered additional budget revisions during the 2002-03 and 2003-04 fiscal years if the projections of ending balance had been accurate.
3. The board asked questions and received answers that appeared to be reasonable. The board did not receive more detailed fiscal analysis information prepared by the county office that identified the actual fiscal distress of the district until well after the delivery date.

### Recommendations and Improvement Plan

1. The district should prepare and submit required financial reports to a fiscal advisor for review prior to presenting the information to the Governing Board for approval, while at the same time meeting statutory reporting time lines.
2. The budget should be reviewed regularly with the Budget Advisory Committee prior to presentation to the board. This review should include supporting documentation so that committee members have a high confidence level in the budgeted allocations and so assumptions can be validated.
3. The processes of the business office should be prioritized to conduct ongoing analysis and evaluation of available revenues and corresponding expenditures, rather than conducting these functions only at fiscal reporting periods.

### Standard Implemented: Not Implemented

November 1, 2004 Rating: 0



## **7.6 Budget Adoption, Reporting, and Audits**

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### **Professional Standard**

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

### **Sources and Documentation**

1. Independent audit reports for fiscal years 2000-01, 2001-02, and 2002-03

### **Findings**

1. As required in GASB 34, the annual independent audit for fiscal years 2001-02 and 2002-03 includes the Management Discussion and Analysis (MD&A).
2. The district has recorded the fixed asset valuation in the financial records.
3. The 2002-03 MD&A documents the dollar value of unrealized accounts receivable accruals, as well as a special education overpayment. The value of these adjustments created a net overstatement of approximately \$5 million, thus wiping out the unrestricted ending balance and reserve when reversed.
4. The MD&A comments on the tight staffing controls that were used during the 2002-03 fiscal year, maintaining that the budget was very closely monitored. Subsequent information contradicts this statement.
5. The MD&A discusses the level of deficit spending in the 2001-02 and 2002-03 years, even with what is described as careful monitoring. In 2001-02 and 2002-03, the district granted contractually required cost of living increases to all regular employees of 4.02% and 1.84% respectively, while noting that all sites still managed to keep within their respective allocations. This suggests that the deficit spending levels were intentional.
6. The MD&A discusses how enrollment projections missed the mark by 1,200 students, resulting in a material revenue loss. More realistic enrollment projections would have indicated a need for fewer certificated positions.

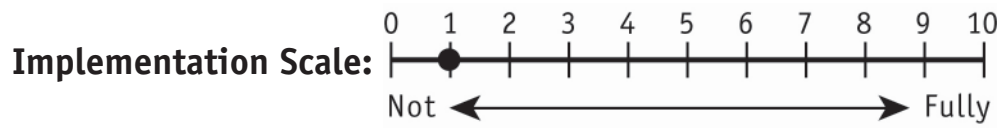
### **Recommendations and Improvement Plan**

1. The MD&A identifies the results of poor planning and bad decision making based on inaccurate information but places the blame on decreasing state funding levels. In the future, all budget and interim report data should be based on realistic and documented revenue information. All expenditure data should be based on documented calculations and staffing costs.

2. The district must ensure that fiscal analysis is a year-long process so that the information and depleted reserve levels are known well before the year is closed and audited.

**Standard Implemented: Partially**

November 1, 2004 Rating: 1





## 7.7 Budget Adoption, Reporting, and Audits

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### Legal Standard

The district has arranged for an annual audit (single audit) within the deadlines established by Education Code Section 41020.

### Sources and Documentation

1. Annual audit reports

### Findings

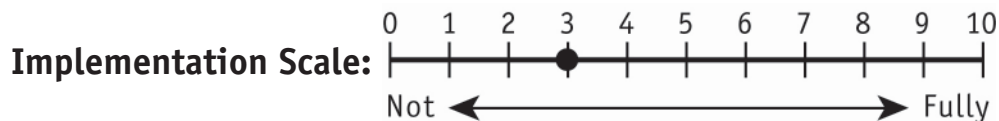
1. The district audit has been completed within the time lines established by Education Code Section 41020.
2. The district requested an extension of the delivery of the audit for the 2001-02 and 2002-03 fiscal years.

### Recommendations and Improvement Plan

1. The annual audit for fiscal years beginning with 2003-04 will be conducted by the State Controller's audit team in accordance with SB1190. The district may anticipate an extended period for completion of the audit report for 2003-04, as the Controller's team conducts an extensive evaluation of the district's financial data and reports.

### Standard Implemented: Partially

November 1, 2004 Rating: 3



## 7.8 Budget Adoption, Reporting, and Audits

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### Legal Standard

The district should include in its audit report, but not later than March 15, a corrective action for all findings disclosed as required by Education Code Section 41020.

### Sources and Documentation

1. Certification of Corrective Action regarding the resolution of the 2002-03 audit findings

### Findings

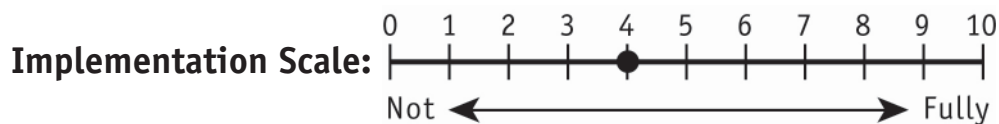
1. The district received a letter from the Department of Education requesting additional follow-up to clear up four audit findings.
2. The district indicated plans for improvement in the four areas and that the process would include the review of the fiscal advisor to ensure appropriate compliance.

### Recommendations and Improvement Plan

1. The district must take audit findings under serious consideration. Findings related to attendance accounting errors may result in ADA adjustments and the loss of revenue.
2. The district should respond to all requests for supporting documentation and information from the Controller's audit team in a timely manner and follow the audit recommendations and corrective action plans during the following year in order to restore fiscal credibility within the district.

### Standard Implemented: Partially

November 1, 2004 Rating: 4



## 7.9 Budget Adoption, Reporting, and Audits

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### Legal Standard

The district must file certain documents/reports with the state as follows:

- J-200 series (Education Code Section 42100)
- J-380 series - CDE procedures
- Interim financial reports (Education Code Section 42130)
- J-141 transportation report (Title V, Article 5, Section 15270)

### Sources and Documentation

1. Interviews with business office staff

### Findings

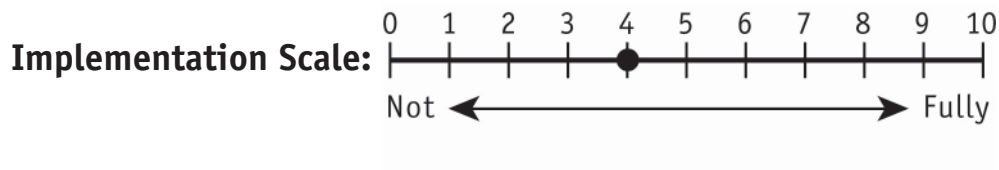
1. The district does file appropriate reports with the state.

### Recommendations and Improvement Plan

1. The district must ensure that the filing of the required reports is completed following thorough fiscal analysis and reconciliation.

### Standard Implemented: Partially

November 1, 2004 Rating: 4



## 7.10 Audit Review

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### Legal Standard

Education Code Section 41020(c) (d) (e) (g) establishes procedures for local agency audit obligations and standards. Pursuant to Education Code Section 41020(h), the district submits to the county superintendent of schools in the county that the district resides, the State Department of Education, and the State Controller's Office an audit report for the preceding fiscal year. This report must be submitted "no later than December 15."

### Sources and Documentation

1. Annual audit reports
2. Solano County Office letter to the State Controller's office requesting an extension on the 2001-02 annual audit report, dated December 3, 2002

### Findings

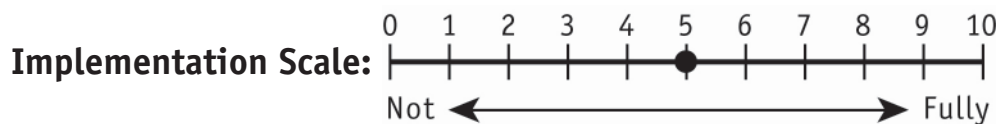
1. The district has submitted audit reports to the appropriate agencies each year.
2. The district followed the appropriate procedure to request an extension of the 2001-02 and 2002-03 annual audits.
3. Although the district requested an extension on the 2001-02 annual audit, the Independent Auditor's Report on Financial Statements included in the final audit is dated December 6, 2002. The 2002-03 audit report findings are dated January 27, 2004.
4. The 2003-04 audit is being conducted by the State Controller's audit team and may be completed after the statutory deadline, based on the need for additional testing and investigative procedures.

### Recommendations and Improvement Plan

1. The district should continue to submit the audits to the appropriate agencies.

### Standard Implemented: Partially

November 1, 2004 Rating: 5



## 8.1 Budget Monitoring

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### Professional Standard

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

### Sources and Documentation

1. District financial reports
2. Interviews with staff
3. Board minutes and agendas

### Findings

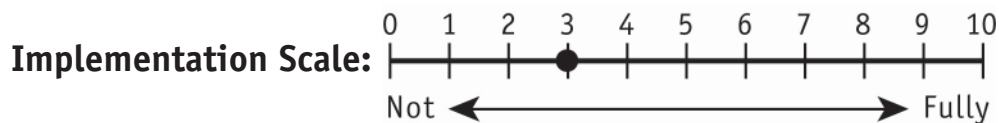
1. When purchase orders are created in the accounting system, funds are encumbered either until a payment is made or the order is canceled. The purchasing system is integrated with the budget and accounting modules. If adequate funds are not available or the budget code is not valid in the system, the purchase order cannot be finalized or moved forward. Until the point that the purchase requisition is input into the financial system to create a purchase order, these are manual processes that lengthen the time it takes to get a purchase order through the system.
2. The purchasing system is not utilized in a manner that provides full online control and efficiency. Although the encumbering of funds and generation of purchase orders is online, most of the procurement process is handled manually. As a result, budget and account code verification is cumbersome, time consuming, and vulnerable to timing differences.
3. Manual and inefficient processes can result in lengthy delays of purchase orders. From the date of fund availability to the date the funds are encumbered can be from a few days to one month. Many transactions can be processed during the time gap that can adversely affect the purchase order.
4. Salaries and benefits are not encumbered. They are expensed after each payroll run.
5. The district does use the position control system to drive payroll.
6. The district's online position control system is the beginning point of the budget, but there are also manual modifications when needed. Preventative controls should also be put in place for substitutes and extra hire budgets as well, so the salary and benefit lines are vulnerable to over expenditure. Unless all salary accounts are input into the position control system, there will still be various ways that these accounts can be overspent.
7. The district uses an automated substitute calling system that is controlled and located in the Human Resources department. It does not interface with the payroll system, nor is it reconciled against the manual absence forms that are filled out at sites and departments.

## Recommendations and Improvement Plan

1. The district should implement the online purchase requisition, running budget reports and online budget transfer processes for sites and departments. This will reinforce departmental responsibility for budgets, and will improve the timeliness of financial information, efficiency, and internal controls.
2. A properly implemented purchase control system will automatically verify fund availability and account coding when the site prepares the purchase requisition. If funds are not available, a budget transfer will be required before processing. Funds will be pre-encumbered immediately to avoid timing problems. For categorical funds, the system could be set so that the program manager must sign off or the order cannot go through.
3. When the purchase order is prepared, it will reference the online requisition and bring forward the needed information, reducing double entry. When completed, the purchase order will liquidate the pre-encumbrance and fully encumber the funds. Budget and account code verification will not need to be manually verified by district office personnel, as it will be validated at the time a site or department enters the requisition.
4. Salaries and benefits need to be encumbered in the financial system to accurately reflect and reconcile these amounts to projections.
5. The district should fully use the online position control system. So that the system is fully dependable, substitutes and extra hire budgets will need to be input so these salaries and benefit lines are not vulnerable to over expenditure.
6. The district should consider utilizing a substitute calling system that can interface both with payroll and with the employee absence system so that personal necessity, illness, vacation and other absence transactions for employees can be properly interfaced and tracked.

### Standard Implemented: Partially

November 1, 2004 Rating: 3



## **8.2 Budget Monitoring**

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### **Professional Standard**

There are budget monitoring controls, such as periodic reports, to alert department and site managers of the potential for over-expenditure of budgeted amounts. Revenue and expenditures are forecast and verified monthly.

### **Sources and Documentation**

1. Interviews with site and department staff
2. Interviews with district office staff

### **Findings**

1. Periodic budget reports, until recently, were not sent to sites/departments on their assigned budgets unless specifically requested.
2. Upon review of the reports, the site or department fills out a request for budget transfer if adjustments are desired. Upon receipt of a budget transfer form or journal request in the business office, the assigned staff member makes the appropriate entry. Categorical fund transfers are approved by the State and Federal Office for compliance. Forms are then sent to the business office for approval.
3. The accounts payable, budget and purchasing modules are integrated. The budget office sets up and makes revisions to the budget. Purchasing encumbers funds when processing purchase orders. When accounts payable pays invoices, encumbrances are liquidated and the available budget is reduced.
4. In theory, the financial system should not allow purchases/expenditures to occur unless there is an available balance in the specified accounts. Budget transfers must be made manually when sufficient budget does not exist. Nevertheless, the review team found that some budgets had been overspent.
5. Sites notify the district office when they see that expenditures, especially payroll, have been recorded to the incorrect budget. Moving the past expenditures to the right account and recording future expenses must be done correctly, because both issues are not normally corrected at the same time.

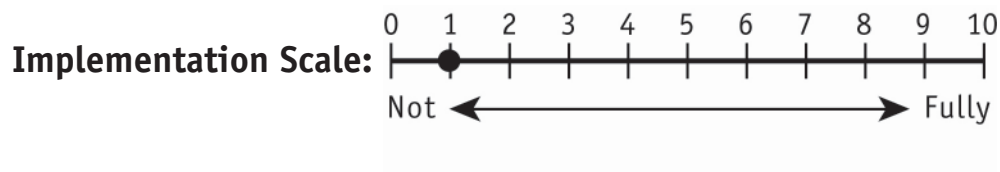
### **Recommendations and Improvement Plan**

1. Sites/departments should be required to notify the business office that budget reports have been received and reviewed by the appropriate manager.
2. Journal vouchers to correct payroll coding should be sent to Human Resources first to ensure that the coding is changed in the position control system. After Human Resources corrects the error, the voucher should be sent to the business office so the costs can be adjusted.

3. Sites and departments should be allowed to run their own budget reports. This would save time in the budget office and would allow the sites to choose the most helpful type of report to run, such as a consolidated report or a financial activity report.
4. Online budget revisions should be implemented to allow more efficient, accurate and timely processing of budget transactions. The district also should investigate instances where transactions were processed despite insufficient funds and initiate proper controls so that it does not continue.
5. The budget office should work with sites and departments to provide them with additional resources for budget review.

**Standard Implemented: Partially**

November 1, 2004 Rating: 1





## 8.3 Budget Monitoring

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### Professional Standard

The routine restricted maintenance account is routinely analyzed to ensure that income has been properly claimed and expenditures are within the guidelines provided by the State Department of Education. The district budget includes specific budget information to reflect the expenditures against the routine maintenance account.

### Sources and Documentation

1. Interviews with staff
2. Financial reports for 2002-03, 2003-04 and 2004-05

### Findings

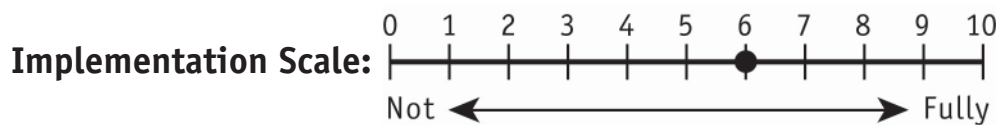
1. The district has received significant funding for modernization at various sites over the past several years.
2. The district has established a separate resource, Ongoing Major Maintenance, Resource 8150, in the three years of financial reports reviewed per Education Code Section 17070.75(b)(1).
3. A special budget report is not prepared for the board detailing the uses of the 3% reserve account.

### Recommendations and Improvement Plan

1. The district should annually prepare a special budget document detailing the goals of and expenditures from the 3% reserve account.

### Standard Implemented: Partially

November 1, 2004 Rating: 6



## 8.4 Budget Monitoring

---

### Professional Standard

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

### Sources and Documentation

1. Budget revisions
2. Board minutes
3. Interviews with staff

### Findings

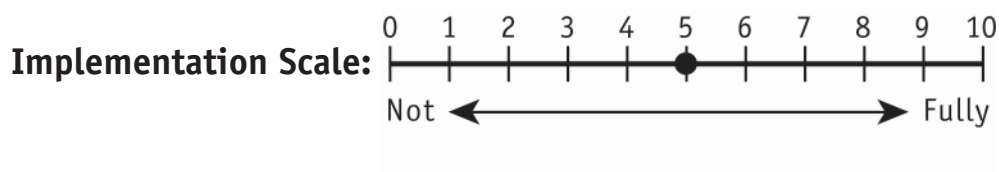
1. While the district prepared interim reports for anticipated changes to the budget, no formal approval to implement the changes was noted in the board minutes.
2. It could not be verified that budget revisions were made based on the actions of the Governing Board.

### Recommendations and Improvement Plan

1. The district should regularly submit budget revisions to the board for approval.
2. If the interim reports are to be used as part of the approval of any proposed budget revisions, the actual amounts to be approved should be provided to the board as a separate agenda item.

### Standard Implemented: Partially

November 1, 2004 Rating: 5



## 8.5 Budget Monitoring

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### Professional Standard

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

### Sources and Documentation

1. Interviews with staff
2. Position control systems documentation
3. Personnel action request forms

### Findings

1. The position control system is maintained by the Business and Human Resources offices.
2. Each position is given a unique number.
3. New positions are initiated using a Personnel Action Request form. The form identifies all pertinent information regarding funding, location and category where it will be charged. The form is prepared by the site, program or department requesting the position.
4. Position control includes all district employees, but does not include substitute salaries, extra hire salaries, overtime salaries or any other type of salary over and above actual district positions.
5. After review and approval, if sufficient funds and an open position exist, the position goes to the board for final review and approval.
6. After board approval, Human Resources sets up the position and forwards the information to the budget office, which assigns a position number. Since the budget office is notified of the new position after the fact, control over salaries and benefits budgets is diminished.
7. Business office staff monitor the number of FTEs. All changes in FTE are tracked and variances between the budget and the position control system are reconciled. Position control runs both budget and payroll.
8. Proper checks and balances are in place between budget and human resources to ensure internal controls are in place.

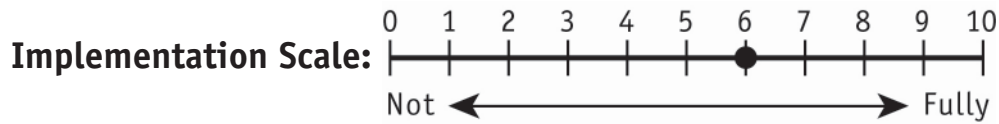
### Recommendations and Improvement Plan

1. The position control function should reside mostly in the business office. All personnel transactions related to a position should be processed through the budget office first to ensure the availability of a position and adequate funding.

2. The budget office should be responsible for verifying the completeness and accuracy of personnel action forms, as account coding is a budget function.
3. The district has initiated effective internal controls for position control.
4. The district should implement a procedure requiring all hiring to be done through the Human Resources department, which conducts references, fingerprints, and other safeguards that ensure the staff member is appropriate for the district. Also, decentralized hiring greatly increases the chance for budgets to be exceeded.
5. Substitute employees and employees on time cards should be included in the position control system. There is extensive use of time cards in the district, and if those positions are not included in the system, budget overruns could occur.

**Standard Implemented: Partially**

November 1, 2004 Rating: 6



## 8.6 Budget Monitoring

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### Professional Standard

The district monitors both the revenue limit calculation and the special education calculation at least quarterly to adjust for any differences between the financial assumptions used in the initial calculations and the final actuals as they are known.

### Sources and Documentation

1. Interviews with staff
2. Revenue limit calculations

### Findings

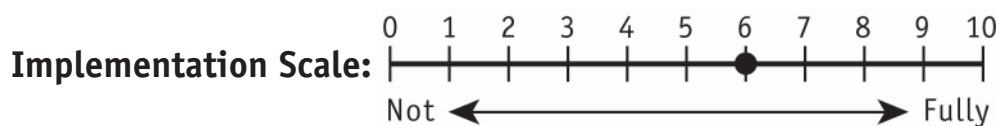
1. The district is in a single district SELPA, so there is no reconciliation issue with the AB 602 funding model.
2. Payroll expenditures are often incorrectly charged for personnel in both the special education program and/or special education transportation.
3. Revenue limit calculations are done by the district and validated by the county, so there is a control in place to ensure accuracy.

### Recommendations and Improvement Plan

1. Ensure that special education staff are correctly recorded to their work location so that comparisons between years and other analyses can be considered reliable.
2. The district should review and revise, if necessary, the revenue limit and special education calculations as a part of the first, second and third interim report processes to adjust for any anticipated changes.
3. The district should also review and revise, if necessary, the revenue limit and special education calculations once the first, second and annual attendance reports are submitted to the county for any adjustments that may need to be made to the district budget.
4. The district should revise its budget as soon as the revenue limit or special education calculations reflect material changes in revenues.

### Standard Implemented: Partially

November 1, 2004 Rating: 6



## 8.7 Budget Monitoring

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### Professional Standard

The district monitors the site reports of revenues and expenditures provided.

### Sources and Documentation

1. Interviews with site and department staff
2. Interviews with district office staff
3. Budget reports

### Findings

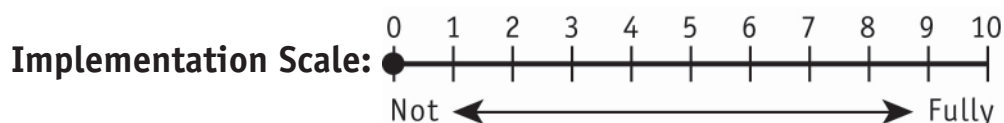
1. The district does not generate monthly budget and expenditure reports for each site and department on any sort of set schedule. They often arrive without any notice. Sites and departments can also request them at any time.
2. Sites and departments do not have online access to the financial system.
3. Sites and departments are not held responsible for managing/monitoring their own budgets.

### Recommendations and Improvement Plan

1. Site administrators and department managers should be responsible for monitoring and managing their budgets. These employees should be evaluated on fiscal administration in their annual performance reviews.
2. The district should implement online access for its sites and departments. This will allow budget managers immediate access to the most current information to make spending decisions. Access for online budget transfers should also be allowed. This will eliminate the time-consuming manual process currently in place. Security parameters should be set up to control the levels of approval required before acceptance of the transaction, with the budget office approving the revision before it occurs.
3. Until online capabilities are available, the Business Office should provide sites and departments with frequent budget reports (at least monthly) to allow the administrators the information to monitor their assigned budgets. A memo should accompany each budget report asking for some type of action or signature to confirm that the budget was received and reviewed.

### Standard Implemented: Not Implemented

November 1, 2004 Rating: 0



## **9.1 Budget Communications**

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### **Professional Standard**

The district budget is a clear manifestation of district policies and is presented in a manner that facilitates communication of those policies.

### **Sources and Documentation**

1. Board policies
2. Budget documents
3. Interviews with staff

### **Findings**

1. The district does not have a set procedure, either verbal or written, that outlines steps occurring during budget development, what is to be included in the budget and/or what is to occur in budget maintenance during the fiscal year.
2. Approved board policies and administrative regulations address the budget adoption process (BP and AR3100) and the Financial Reports and Accountability (BP and AR3460), but they were last approved in 1995 and do not appear to be followed by staff.
3. The approved budget has been basically a rollover version from past years with new budget cuts and some additions based on updated data.
4. The Budget Advisory Committee has been operational and has allowed a forum for stakeholders in the district and community to ask questions and have a better understanding of the budget as a whole.
5. The adopted budget as presented to the board at board meetings is in the state-required SACS format, and includes graphics and system generated budget sheets.
6. Questions from the board during the presentation of adopted budgets have always been answered completely and understandably. It has since been found that the data in the reports was flawed, which was not explained at the presentations.
7. The board's goals, priorities and strategic plan do not appear with the adopted budget narrative. Thus it is difficult for stakeholders to understand the connection between the two.

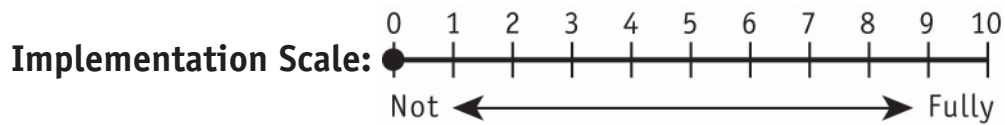
### **Recommendations and Improvement Plan**

1. The district should develop a written procedure detailing each step of budget development to promote continuity and assist staff in this important process.
2. The district needs to consider zero-based budgeting for budget development in future years rather than rolling over the previous year's budget. This way the budget can be analyzed by line and by department, and determinations made to continue or eliminate funding, if deemed appropriate.

3. All budget managers should be asked to justify and explain their own specific assigned budgets and identify the correlation with the board's goals. This may help identify areas that can be cut, and could decrease the number of districtwide cuts necessary for the 2005-06 budget development.
4. Board policies should be developed and updated to ensure that the board clarifies its budget priorities and goals for the adopted budget.
5. The district should continue to utilize the budget advisory committee and hold community meetings so that the staff, the community and the board are active participants in the budget process. Eventually, the district should hold several study sessions for the board and community to ensure that the budgeting process is understood and to consider various priorities, comments and ideas from the community.
6. The budget document should include a message from the superintendent, a mission statement, and the district's core values and strategic priorities. It could also include the previous year's highlights and information on specific programs the district operates. Additional summaries and illustrations could also be included to simplify the budget document for public review.

**Standard Implemented: Not Implemented**

November 1, 2004 Rating: 0





## 9.2 Budget Communications

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### Professional Standard

The district budget clearly identifies one-time sources and uses of funds.

### Sources and Documentation

1. Discussions with staff
2. Budget documents

### Findings

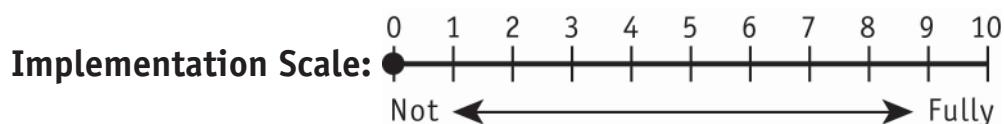
1. The budget document outlines the district's unrestricted and restricted funds because the state SACS software clearly separates these two funding categories.
2. The district utilizes information from the governor's budget proposal in January as well as the May revise in the development of the budget, incorporating prior year deleted or current year identified one-time new monies. Although these are taken into account, they are not outlined or discussed in the budget assumptions/narrative.

### Recommendations and Improvement Plan

1. Unrestricted and restricted programs should be further detailed in the budget document so that the board and the community can view the various types of funding/resources that the district receives and can understand how the various funds are used.
2. The district should consider submitting additional information to the board on allocations to specific school items in the budget document.
3. The budget should link allocated expenditures by programs and/or departments to the district's stated goals, strategic plan and priorities.
4. The budget document should identify one-time revenues and expenditures, those that the district has had for some time, and those that have been eliminated at the state, federal or local level.
5. The budget development process should be formally documented so it can be followed in future years.

### Standard Implemented: Not Implemented

November 1, 2004 Rating: 0



## **10.1 Investments**

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### **Professional Standard**

The Governing Board reviews and approves, at a public meeting and on a quarterly basis, the district's investment report and compliance with district policy. [GC 53646] The quarterly report shall include the type of investments, issuer, date of maturity and the dollar amount invested on all securities, investments and moneys held by the district.

### **Sources and Documentation**

1. Board policy
2. Board minutes
3. Interview with Interim Director of Fiscal Services
4. Government Code
5. School Services of California, Mandated Cost Claims Review

### **Findings**

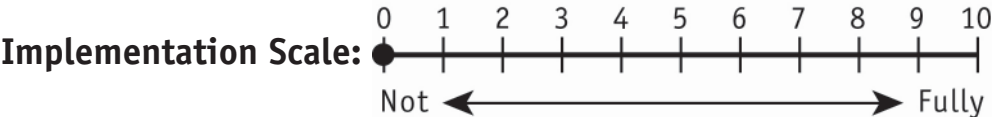
1. The Assembly Special Committee on State Mandates carried forward a proposal to suspend and/or repeal the reporting requirement of investment reports in the 2004-05 budget. The governor's budget approved the recommendation that when the state budget does not allocate funding for specific mandates, the local agency does not have to perform the mandate.
2. The district is unable to claim at this time previously allowable time spent on preparing and submitting quarterly and/or annual investment reports to the board as a mandated cost claim.
3. No documentation could be provided that demonstrated the district is in compliance with submitting quarterly or annual investment reports in accordance with Government Code Section 53646.
4. The district temporarily transferred approximately \$8.4 million from the county school facility fund for cash flow purposes during the 2003-04 fiscal year. No documented evidence could be provided to demonstrate that interest was repaid to the fund or reported to the Governing Board.
5. The district required a line of credit in the amount of \$60 million from the state in the 2004-05 fiscal year to ensure that cash flow requirements and all financial obligations of the district could be met for the current and two subsequent fiscal years. Any residual dollars should be maximized and monitored through investment reporting.
6. During the 2003-04 fiscal year, the district issued Tax and Revenue Anticipation Notes (TRANS) in the amount of \$10.5 million to bridge the cash shortfall between the 2002-03 and 2003-04 fiscal years. The district then issued additional TRANS notes in the amount of \$16 million to meet operational needs and make repayment to the facilities funds in order to continue construction projects.

**Recommendations and Improvement Plan**

- 1. Due to the district’s current fiscal status and appointment of a State Administrator, the district should provide quarterly reports per Government Code Section 53646 that are consistent with best practices utilized by school districts throughout California. The recommended investment report should include a cash flow statement that will demonstrate that the district’s revenue projections are consistent with the expenditure blueprint in the Adoption Budget.
- 2. The Assistant Superintendent of Business Services should provide quarterly and annual investment reports that meet or exceed the financial objectives of the district. The report should demonstrate that investments specifically provide safeguards regarding principal funds, meet liquidity requirements and generate a competitive yield that meets or exceeds the current market rate. The report should be filed with the Office of the State Administrator no later than 45 days after the end of each quarter.
- 3. Because of the number of temporary loans, state line of credit and the state Attorney General’s opinion regarding the use of interest on bond funds, investment reports should be detailed on a fund-by-fund basis and summarize temporary loan activity within the report.
- 4. The district should monitor and prepare claims regarding any allowable time spent on the preparation of investment reporting for future reimbursement as a mandated cost claim. The district can only claim reimbursement for the annual preparation and reporting to the Governing Board or State Administrator.

**Standard Implemented: Not Implemented**

November 1, 2004 Rating: 0



## **11.1 Attendance Accounting**

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### **Professional Standard**

An accurate record of daily enrollment and attendance is maintained at the sites and reconciled monthly.

### **Sources and Documentation**

1. Audit reports for 2001-02 and 2002-03
2. District level attendance staff
3. Principal and attendance staff at an elementary, middle and high school

### **Findings**

1. The district installed the Aeries attendance accounting system in August. Previously, the district had been on two different systems.
2. Elementary sites keep attendance by hand entry, middle schools use Scantron and high schools do attendance online.
3. Monthly reports are turned in to the district office from all sites.
4. External audit reports indicate possible problems in that teachers do not sign attendance registers. This was verified by site staff.
5. There is a districtwide lack of training on the new attendance system.
6. There is no districtwide documentation for attendance taking procedures.

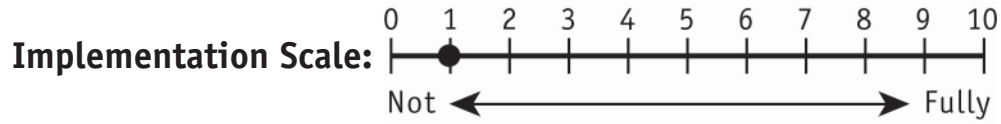
### **Recommendations and Improvement Plan**

1. The attendance system change has ensured that all sites are on the same attendance system and are taking attendance.
2. The methods of taking attendance have not changed. The district should consider on-line attendance taking at all sites. This would reduce data entry at the site office level, leaving more time for calls home and other attendance duties.
3. Although the reports are being turned in monthly, district staff should make site visits to ensure that correct procedures are in place and understood.
4. The State Administrator should establish and implement an evaluation component for principals and teachers related to the accurate and timely completion, signing and submission of attendance reports.
5. The district should set up more in-depth trainings on the Aeries system as soon as possible. In the future, annual in-service training days should be set up during the summer for all staff.

- The district should develop a manual of standard procedures for attendance taking and reporting. Review of these procedures should be a part of an annual in-service training for all staff.

**Standard Implemented: Partially**

November 1, 2004 Rating: 1



## 11.2 Attendance Accounting

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### Professional Standard

Policies and regulations exist for independent study, home study, inter-/intra-district agreements and districts of choice, and should address fiscal impact.

### Sources and Documentation

1. Board policies
2. Principals and site staff
3. Newsletters from principals
4. Student handbooks

### Findings

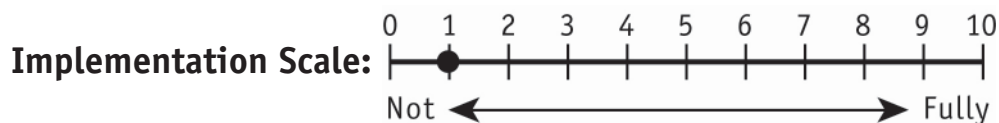
1. No board policies were found regarding independent study or home study.
2. Board policies regarding inter-/intra-district transfers were the boilerplate CSBA policies and forms.
3. The district-level attendance technician did not have copies of the independent study forms and did not know how to calculate the ADA. However, site personnel had the district regulations and forms and seemed versed in their use and the calculation of ADA.

### Recommendations and Improvement Plan

1. Policies for independent study and home study should be written and approved.
2. Copies of forms, regulations and board policies should be included in all student handbooks or information packets sent home.
3. District staff should have copies of and a complete understanding of policies, regulations and forms regarding independent study, home study and inter-/intra-district transfers.

### Standard Implemented: Partially

November 1, 2004 Rating: 1



## 11.3 Attendance Accounting

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### Professional Standard

Students are enrolled by staff and entered into the attendance system in an efficient, accurate and timely manner.

### Sources and Documentation

1. District-level attendance staff
2. Site attendance staff

### Findings

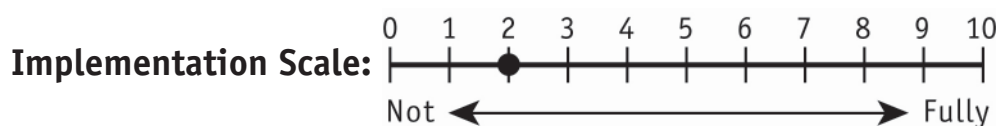
1. Students are enrolled by each site.
2. District staff are concerned that sites are not dropping “no shows” in a timely manner.
3. Site staff input new enrollees within a day or two of entrance. All had unenrolled no shows by September 8, 2004.

### Recommendations and Improvement Plan

1. District staff should make site visits to validate timely entries and address any uncertainties about the process at the site level.
2. The district should develop a handbook that outlines the step-by-step instructions from registering a student through reporting on the J18/19. This handbook should also include forms, common attendance codes, dropping students, compulsory laws, and pertinent education codes.

### Standard Implemented: Partially

November 1, 2004 Rating: 2



## 11.4 Attendance Accounting

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### Professional Standard

At least annually, the school district verifies that each school bell schedule meets instructional time requirements for minimum day, year and annual minute requirements.

### Sources and Documentation

1. District-level staff
2. Assistant Superintendent, Curriculum
3. Copies of bell schedules and worksheets for calculation of instructional minutes

### Findings

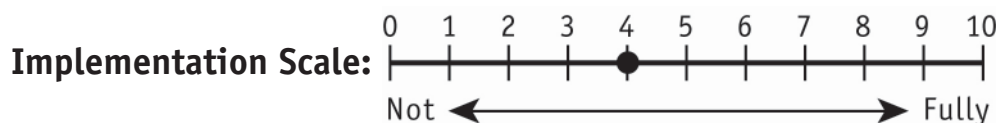
1. The district attendance office does not see bell schedules or calendars.
2. The instructional minutes and bell schedules are reviewed and approved by the Assistant Superintendent, Student Achievement.

### Recommendations and Improvement Plan

1. Even though the Student Achievement Office verifies and approves bell schedules and instructional minutes, copies should be given to the district attendance office.
2. The district should develop a handbook with instructions, forms, and calculations so that all sites perform this task in the same format and manner.

### Standard Implemented: Partially

November 1, 2004 Rating: 4





## 11.5 Attendance Accounting

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### Professional Standard

Procedures are in place to ensure that attendance accounting and reporting requirements are met for alternative programs, such as ROC/P and adult education.

### Sources and Documentation

1. District office attendance staff
2. Assistant Director of Adult Education

### Findings

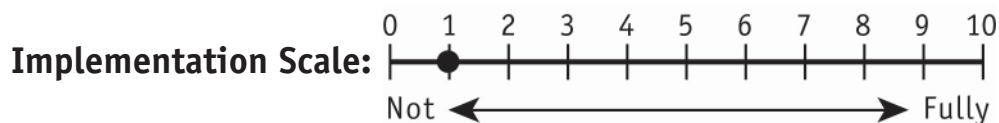
1. The attendance office only receives the information and does not validate any ADA for these programs.
2. The attendance office was unaware that there was not a district-run Regional Occupational Program.
3. The Assistant Director of Adult Education personally does the ADA preparation and is making amendments to 2003-04 where there were miscalculations.
4. Alternative Education ADA is verified by the Alternative Education program director.

### Recommendations and Improvement Plan

1. The district staff should have a complete list of alternative programs and who is in charge of attendance.
2. Training should be given to appropriate staff on the differences in attendance taking for alternative programs.
3. At this time, it seems appropriate for the Assistant Director of Adult Education to continue to do the ADA preparation. However, district staff should review and validate the calculations.

### Standard Implemented: Partially

November 1, 2004 Rating: 1



## 11.6 Attendance Accounting

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### Professional Standard

The district utilizes standardized and mandatory programs to improve the attendance rate of pupils. Absences are aggressively followed up by district staff.

### Sources and Documentation

1. District attendance staff
2. Assistant Superintendent, Student Achievement

### Findings

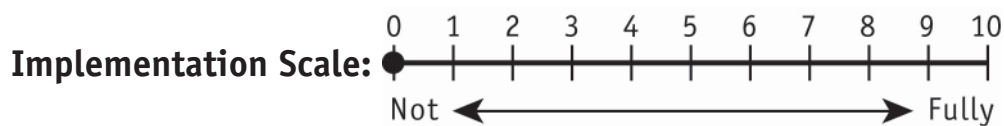
1. The attendance office believes that some sites use shortened days as an incentive to get students to school. However, the site is reporting full day attendance even when the student does not attend a minimum day.
2. The district as a whole lacks standardized procedures or a plan to improve student attendance.

### Recommendations and Improvement Plan

1. Training for principals and site attendance staff must be provided regarding the issues of reporting attendance correctly and increasing student attendance.
2. The district should develop policies and procedures for instituting and implementing programs that would increase student attendance.

### Standard Implemented: Not Implemented

November 1, 2004 Rating: 0



## 11.7 Attendance Accounting

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### Professional Standard

School site personnel receive periodic and timely training on the district's attendance procedures, system procedures and changes in laws and regulations.

### Sources and Documentation

1. District-level attendance staff
2. Site principals and attendance staff

### Findings

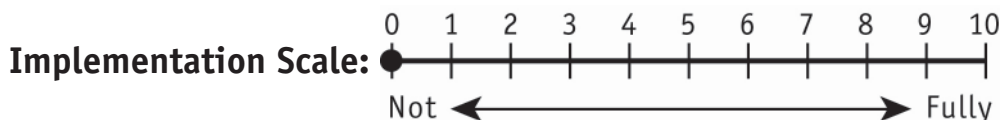
1. Site staff have not attended outside professional development conferences.
2. With the district having implemented several systems in the last few years, site staff have been trained on each of the systems.
3. Written documentation on the new system is inadequate.
4. District in-service trainings on attendance have not occurred for several years.

### Recommendations and Improvement Plan

1. If the district cannot afford to send all applicable personnel to attendance workshops, it should consider bringing in a professional development group such as CASBO to do a district training or sending two or three people who could then do district in-service training.
2. All new or amended laws, regulations and/or policies, both state and district, should be reviewed with all applicable staff.
3. Desk reference manuals should be developed for both site and district attendance staff that include clear instructions, forms, and laws.
4. Thorough systems manuals should be distributed to site personnel.
5. The district should provide periodic "job alike" meeting opportunities. This would enable site and district staffs to share ideas and methods for attendance taking and monitoring.

### Standard Implemented: Not Implemented

November 1, 2004 Rating: 0



## 11.8 Attendance Accounting

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### Legal Standard

Attendance records are not destroyed until after the third July 1 succeeding the completion of the audit (Title V, CCR, and Section 16026).

### Sources and Documentation

1. Site attendance staff
2. District level attendance staff

### Findings

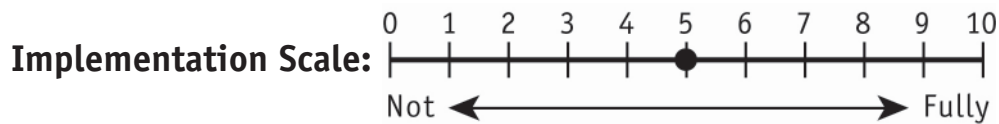
1. Sites keep their attendance records on site for at least three fiscal years. Then they are sent to district storage or boxed up for storage on site.
2. Adult Education keeps their records on site for two years and then sends them to storage.

### Recommendations and Improvement Plan

1. Sites and programs seem to know the importance of maintaining attendance records and the time required in the retention manual.

### Standard Implemented: Partially

November 1, 2004 Rating: 5



## 11.9 Attendance Accounting

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### Professional Standard

The district makes appropriate use of short-term independent study and Saturday school programs as alternative methods for pupils to keep current on classroom course work.

### Sources and Documentation

1. District level attendance staff
2. Site attendance staff
3. Independent study forms and regulations
4. J18/19 for three years

### Findings

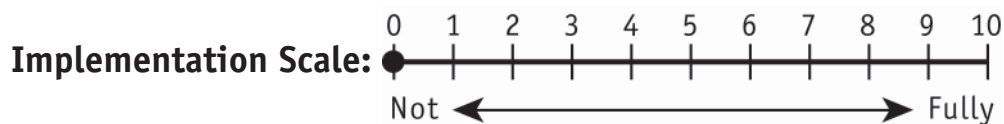
1. The district reported the following supplemental hours on the J18/19's: 129,585 hours in 2001-02, 341,598 hours in 2002-03 and only 82,375 hours in 2003-04. The discrepancies are extraordinary.
2. The sites are using independent study forms that seem to be consistent and appropriate.

### Recommendations and Improvement Plan

1. The inordinate differences in the hours reported from year to year require an in-depth audit of the hourly programs by the district. If the programs are being offered, then a review of how attendance is taken must be done and corrections made to methodologies used. The district may be required to re-file its J18/19's after the audit has been completed.
2. The district should ensure that sites are making the most effective use of the short-term independent study process. Site visits and a desk reference manual are two ways of monitoring and regulating the process.

### Standard Implemented: Not Implemented

November 1, 2004 Rating: 0



## **12.1 Accounting, Purchasing, and Warehousing**

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### **Professional Standard**

The district adheres to the California School Accounting Manual (CSAM) and Generally Accepted Accounting Principles (GAAP) as required by Education Code Section 41010. Adherence to CSAM and GAAP helps to ensure that transactions are accurately recorded and financial statements are fairly presented.

### **Sources and Documentation**

1. Board policies and administrative regulations
2. Prior year independent audit reports
3. Interviews with district office and school site employees
4. Evaluation of work procedures

### **Findings**

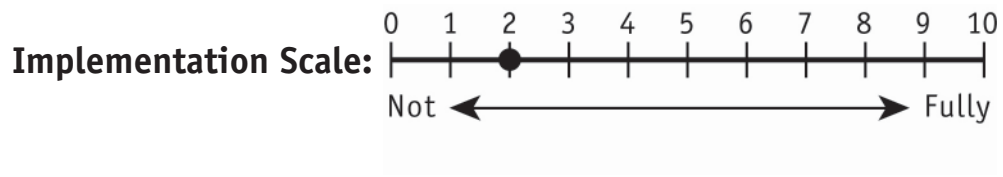
1. Employees do not fully understand Generally Accepted Accounting Principles; however, many employees have taken accounting classes at the local community college to improve their skills.
2. When used properly, the newly implemented County Office Accounting System used by the district incorporates adequate internal controls and standards to assure compliance with Generally Accepted Accounting Principles and the California School Accounting Manual.
3. Employees in the Accounting, Payroll, and Purchasing departments need training to effectively use the new county office accounting system.
4. Some employees are not properly trained to perform the job duties as assigned.
5. Not all employees have access to a copy of the California School Accounting Manual.

### **Recommendations and Improvement Plan**

1. All employees should be trained to properly use the county office accounting system.
2. Employees should be encouraged to take accounting classes at the community college or adult education program to improve skill levels.
3. The district should provide copies of the California School Accounting Manual to all business division employees and train them to use and understand the manual as it pertains to their job duties.
4. Employees should be provided training to fully understand the requirements of their job duties and to follow Generally Accepted Accounting Principles.

## Standard Implemented: Partially

November 1, 2004 Rating: 2



## **12.2 Accounting, Purchasing, and Warehousing**

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### **Professional Standard**

The district timely and accurately records all information regarding financial activity (unrestricted and restricted) for all programs. Generally Accepted Accounting Principles (GAAP) requires that in order for financial reporting to serve the needs of the users, it must be reliable and timely. Therefore, the timely and accurate recording of the underlying transactions (revenue and expenditures) is an essential function of the district's financial management.

### **Sources and Documentation**

1. Board policies and administrative regulations
2. Prior year independent audit reports
3. Interviews with district office and school site employees
4. Evaluation of work procedures

### **Findings**

1. Systems are not in place or enforced to assure the timely processing of accounting activities.
2. Deadlines are not enforced. For example, payroll due dates are often overridden because school sites do not submit time cards on time.
3. Difficult work is occasionally set aside rather than researched and processed in a timely manner.
4. Employees do not understand how their job functions fit into the big picture; therefore, they do not adhere to sound business practices that assure timely, accurate financial reporting.
5. Employees do not always notify supervisors or managers when problems are encountered.

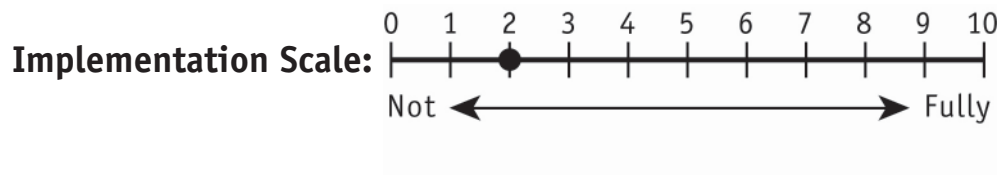
### **Recommendations and Improvement Plan**

1. Internal controls should be strengthened and good business practices implemented to ensure that accounting activities are performed in a timely manner.
2. The district should establish and enforce deadlines.
3. Managers and employees should be held accountable for performing job duties accurately.
4. Accountability should be enhanced by including compliance standards and rules in the annual employee evaluation process.
5. Employees should be encouraged to communicate problems and/or ask supervisors for help.



## Standard Implemented: Partially

November 1, 2004 Rating: 2



## **12.3 Accounting, Purchasing, and Warehousing**

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### **Professional Standard**

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

### **Sources and Documentation**

1. Board policies and administrative regulations
2. Prior year independent audit reports
3. Interviews with district office and school site employees
4. Evaluation of work procedures

### **Findings**

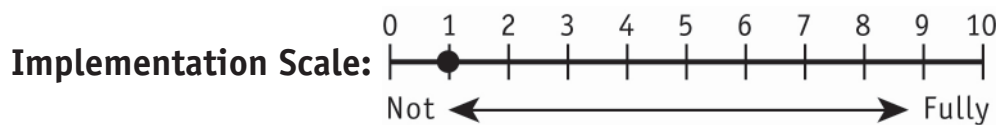
1. There is no indication that the administration or management has adequately overseen the cash management.
2. The prior administration did not accurately project revenues and expenditures.
3. The Governing Board has not been kept apprised of problems relating to the shortage of cash.
4. Budget line items have not been projected accurately or monitored for accuracy.
5. Procedures to analyze cash flow or monitor cash are not in place.
6. Monthly bank reconciliations are prepared, but staff assigned to that responsibility has turned over frequently.
7. One person is assigned to count and deposit cash, but no procedures to follow up on cash shortages are in place. For example, when several cash deposits from one school ASB were not received by the district office, nothing was done to resolve the loss. The school ASB has carried the shortage on its books for several years.
8. Conversion to the new county office accounting system has created major cash reconciliation issues that need immediate resolution by the county and district. Cutoff procedures are not working correctly.
9. Controls over petty cash are weak. Each site has a petty cash checking account, but there does not appear to be adequate control over the use of these accounts or the purchases run through them.
10. Procedures and accountability standards are not in place to prevent unauthorized bank accounts opened by school sites and other district employees.

## Recommendations and Improvement Plan

1. Clear lines of responsibility and the authority to manage and project cash flow should be established.
2. The responsibility for all financial activities of the district should be assigned to highly qualified, ethical administrators.
3. The district should develop internal controls and cash management procedures, and insist that all employees follow the proper procedures at all times.
4. Reliable procedures for forecasting revenues and expenditures should be implemented.
5. The district should prepare the budget accurately and monitor account detail on a regular basis.
6. Financial reports should be presented to the Governing Board monthly.
7. Financial reports should be clearly explained to the Governing Board.
8. Employees should be trained in proper cash management techniques.
9. The district should work with the county office to solve cutoff problems and facilitate the timely and accurate reconciliation of cash.
10. Controls and procedures regarding the use of petty cash should be strengthened.
11. The district should determine that no unauthorized bank accounts exist.

### Standard Implemented: Partially

November 1, 2004 Rating: 1



## **12.4 Accounting, Purchasing, and Warehousing**

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### **Professional Standard**

The district's payroll procedures are in compliance with the requirements established by the County Office of Education, unless fiscally independent (Education Code Section 42646). Standard accounting practice dictates that the district implements procedures to ensure the timely and accurate processing of payroll.

### **Sources and Documentation**

1. Board policies and administrative regulations
2. Prior year independent audit reports
3. Interviews with district office and school site employees
4. Evaluation of work procedures

### **Findings**

1. Employees in payroll do not process work in a uniform manner.
2. Payroll employees lack proper supervision without a designated supervisor.
3. The district processes payroll using the County Office CECC computer system. Payroll employees preferred the old system and have not fully accepted the change.
4. Employees have not received adequate training to fully utilize the new system effectively.
5. Deadlines are not adhered to for submitting time report documents.
6. School sites often submit time sheets late, causing problems such as an increased need for handwritten checks from revolving cash.
7. Management does not enforce compliance with deadlines, thus overriding the authority of the payroll staff, and creating time pressure for processing payroll.
8. Paychecks are processed for regular employees prior to receiving time reports from sites, occasionally causing overpayments because docked time is not known in a timely manner.
9. Frequent overpayments occur due to the late processing of personnel paperwork by the Human Resources department.
10. The overpayment collection process is flawed. There is no defined method or process in place to collect overpayments from active employees.
11. Invoices for overpayments are mailed to former employees, but no procedures are in place to follow up or collect the funds if they do not pay.

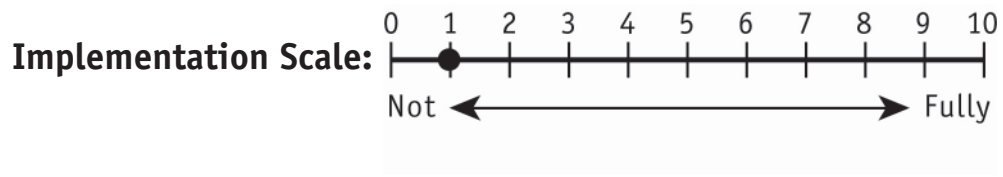
12. Paychecks are mailed to all employees instead of being personally distributed at work sites.
13. It is possible that terminated and/or fraudulent employees could receive paychecks due to the lack of proper controls, overriding deadlines, and untimely processing of paperwork in Human Resources.
14. There is a lack of communication and teamwork within the Payroll department and between Payroll and Human Resources.
15. The county office system incorporates adequate internal controls as they relate to the overall payroll processing functions.

### **Recommendations and Improvement Plan**

1. A payroll supervisor should be hired immediately.
2. Training on the new county CECC system should be provided to payroll employees.
3. Communication should be improved and teamwork encouraged.
4. Meetings between Payroll and Human Resources should be conducted at least monthly to resolve ongoing issues and problems between the two departments.
5. Management should enforce payroll deadlines and support payroll staff in their effort to maintain payroll processing time lines.
6. All principals and managers should be held accountable for meeting payroll deadlines.
7. Internal control procedures and good business practices should be developed and implemented immediately to ensure that payroll employees are processing work uniformly.
8. Human Resources should process employment paperwork in a timely manner and forward all pertinent documents to Payroll immediately.
9. Paychecks and direct deposit remittance slips should be distributed at work sites, with signatures required. This would save money and provide protection against illegal or inaccurate payments to terminated and/or fraudulent employees.
10. Procedures to collect overpayments should be developed and implemented immediately. All overpayments should be followed up and resolved.
11. The dates that time reports are submitted to the payroll department should be analyzed to determine if changes would enhance the controls over handwritten paychecks and prevent overpayments.

## Standard Implemented: Partially

November 1, 2004 Rating: 1



## **12.5 Accounting, Purchasing, and Warehousing**

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### **Professional Standard**

Standard accounting practice dictates that the accounting work is properly supervised and work reviewed in order to ensure that transactions are recorded timely and accurately, and allow the preparation of periodic financial statements.

### **Sources and Documentation**

1. Board policies and administrative regulations
2. Prior year independent audit reports
3. Interviews with district office and school site employees
4. Evaluation of work procedures

### **Findings**

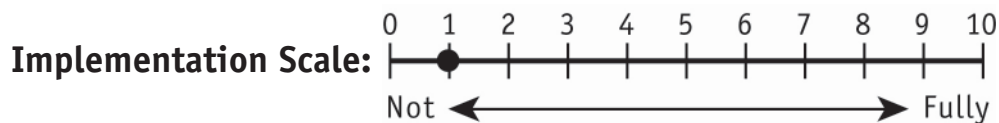
1. Vacant management and supervisory positions need to be filled.
2. Supervision is lax and the lines of supervision are blurred. Some employees do not know who they answer to.
3. Employees do not perform the duties in their job descriptions. Job descriptions are outdated or not followed.
4. Some staff are misassigned based upon their skills and experience.
5. Morale is low.
6. Managers/supervisors are not held accountable for managing their departments effectively. For example, employees complained that favoritism exists and that the workloads are not distributed fairly.
7. Employees fear retaliation if they speak up or go over the heads of their supervisors to report abuses.
8. The district has experienced a high level of management and administrative turnover.
9. Direction to employees changes frequently and performance expectations are inconsistent.
10. Employees seek answers from former supervisors who are currently in new positions.
11. Certain managers are not functioning within their job descriptions.
12. The Interim Director of Fiscal Services is making positive changes, but a full-time director is vital to the recovery of the district.

## Recommendations and Improvement Plan

1. The recruitment of management and supervisory employees, especially a new Director of Fiscal Services, should be a high priority of the district.
2. Filling management vacancies with highly qualified employees is imperative to ensure compliance with internal controls and good business practices.
3. The district should provide management training for supervisors and managers, including training on the evaluation and discipline of employees.
4. Supervisors and managers should be held accountable for properly managing their departments and should be evaluated regularly by administration.
5. Employees should be informed as to whom they report, and performance expectations should be clearly explained.
6. Job descriptions should be updated as needed and employees assigned duties within their job descriptions.
7. Employees should have a means to report irregularities. Favoritism must be stopped.
8. Management should find ways to rebuild trust, encourage teamwork and improve employee morale.
9. Managers and supervisors should work within the scope of their authority.
10. When a manager changes from one position to another, he/she should be discouraged from participating in activities or answering questions that relate to the former assignment.

### Standard Implemented: Partially

November 1, 2004 Rating: 1





## **12.6 Accounting, Purchasing, and Warehousing**

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### **Professional Standard**

Federal and state categorical programs, either through specific program requirements or through general cost principles such as OMB Circular A-87, require that entities receiving such funds must have an adequate system to account for those revenues and related expenditures.

### **Sources and Documentation**

1. Board policies and administrative regulations
2. Prior year independent audit reports
3. Interviews with district office and school site employees
4. Evaluation of work procedures

### **Findings**

1. No one is assigned to oversee the accounting responsibilities for state and federal categorical programs.
2. Grants are solicited by various people within the district. The budgets and applications are not reviewed or approved by the business office to ensure the inclusion of indirect and/or administrative costs.
3. The district may be out of compliance with grant requirements.
4. Grant reports are not reviewed or approved by the accounting department. There are no procedures in place to ensure the accurate and timely filing of state and federal categorical reports.
5. Coordination between the categorical program managers and the accounting department is lax.
6. Restricted contributions to categorical programs may be excessive due to poor accounting and budget oversight.

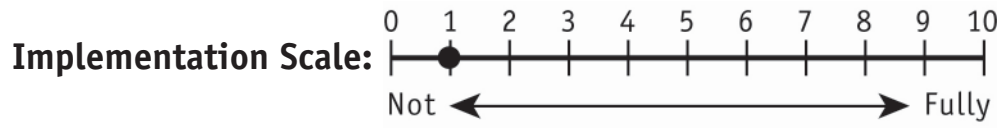
### **Recommendations and Improvement Plan**

1. A qualified accountant and/or manager should be assigned to exclusively oversee the accounting responsibilities for state and federal categorical programs.
2. The director of fiscal services or designee should approve all grant applications to ensure the inclusion of indirect and/or administrative costs.
3. The business office and program directors should work together to ensure compliance with all grant requirements.
4. A schedule of due dates for filing categorical grant reports should be developed and one person assigned the responsibility to make sure deadlines are met.

5. Proper oversight of budget and accounting for categorical programs will prevent excessive encroachment of unrestricted general fund resources.

**Standard Implemented: Partially**

November 1, 2004 Rating: 1



## **12.7 Accounting, Purchasing, and Warehousing**

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### **Professional Standard**

Generally accepted accounting practices dictate that, in order to ensure accurate recording of transactions, the district have standard procedures for closing its books at fiscal year-end. The district's year-end closing procedures should comply with the procedures and requirements established by the county office of education.

### **Sources and Documentation**

1. Board policies and administrative regulations
2. Prior year independent audit reports
3. Interviews with district office and school site employees
4. Evaluation of work procedures

### **Findings**

1. Year end closing procedures were inadequate or non-existent prior to the appointment of the interim director of fiscal services.
2. The 2003-04 financial records were not closed as of 9-15-04, largely due to issues with the new county office CECC financial system and reconciling cash.
3. All open items were identified by the Interim Director of Fiscal Services, who is managing the 2003-04 year end closing because the position has been vacant for a considerable amount of time.
4. A high level of management turnover has created a leadership void in the business office.
5. The county office year end procedures and internal controls are strong. The district should always follow county guidelines.
6. The district should develop written year end procedures for all positions.
7. Employees should be trained to follow county and district year end procedures.

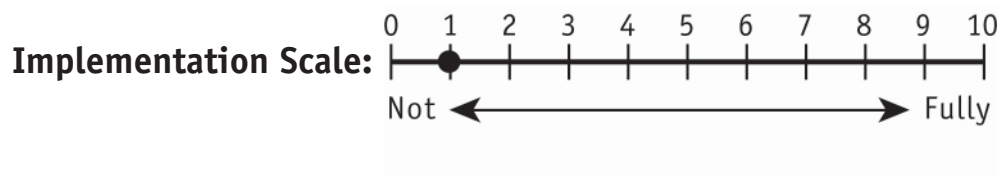
### **Recommendations and Improvement Plan**

1. Written year end closing procedures should be developed for each position in the business office.
2. The district should work closely with the county office to solve the year end closing problems pertaining to implementation of the new computer system.
3. The 2003-04 financial records should be closed, with all reconciliations completed prior to closing.
4. Employees should be trained to follow county and district year end procedures.

5. Recruitment for a highly qualified Director of Fiscal Services should begin immediately.
6. The district should develop written yearend procedures for all positions.

**Standard Implemented: Partially**

November 1, 2004 Rating: 1



## **12.8 Accounting, Purchasing, and Warehousing**

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### **Professional Standard**

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

### **Sources and Documentation**

1. Board policies and administrative regulations
2. Prior year independent audit reports
3. Interviews with district office and school site employees
4. Purchasing, Reproduction and Risk Management Services Procedures Manual
5. Evaluation of work procedures

### **Findings**

1. District policies pertaining to purchasing are outdated.
2. It is unclear whether all staff understand the district procedures for bidding and obtaining price quotes.
3. Principals submit purchase orders requesting a specific vendor.
4. Better prices may be available by combining orders or preparing annual bids and/or price quotes for regularly purchased items.
5. The warehouse is used mainly for food distribution.
6. No one was able to state how many non-food items are carried in the warehouse.
7. No specific delivery schedule exists. Warehouse deliveries are made daily as schools request items.
8. Going to a just-in-time purchasing system may reduce costs.
9. The county office CECC stores module is not working properly.
10. Employees are frustrated with the system.
11. Job descriptions may be outdated for warehouse employees. Duties have changed over time.
12. There appears to be excessive dissension among the employees within the purchasing/warehouse departments.

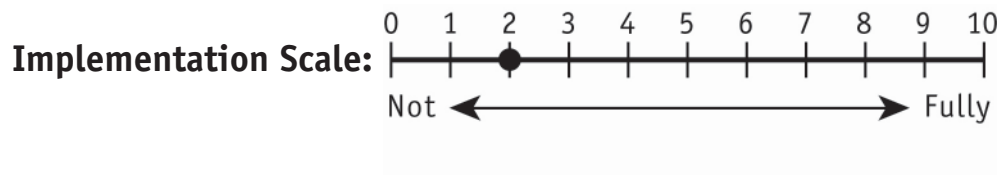
13. Supervision of the warehouse is weak, therefore productivity may be lower than expected for a staff this size.
14. The new purchasing procedure manual is good, but most school sites stated that they do not have copies readily available. User training has not taken place.

### **Recommendations and Improvement Plan**

1. District policies should be updated to reflect new laws and regulations.
2. Staff within the purchasing department should continue training to use the county office CECC system efficiently.
3. Procedures for bidding and soliciting price quotes should be established and followed at all times.
4. Procedures should be implemented and followed to discourage principals and other managers from requesting specific vendors. Buyers should seek the best prices and quality only from vendors on the authorized vendor list.
5. Buyers should look for better prices by combining orders or preparing annual bids and/or price quotes for regularly purchased items.
6. The warehouse operations should be carefully analyzed to determine if food should be separated from general merchandise.
7. Items stocked in the warehouse should be limited to products widely used by all sites.
8. Obsolete and/or slow-moving items should be discontinued.
9. Research into a just-in-time purchasing system should be evaluated for non-food items to determine if overall costs may be reduced.
10. Job descriptions for purchasing and warehouse positions should be updated to ensure that all employees are performing duties within their job descriptions.
11. Communication and team-building within the department should be improved to make sure that employees know the expectations of management and work together more effectively.
12. Closer supervision of the warehouse is needed to increase productivity and ease tensions among the employees in the department.
13. Training should be scheduled to inform sites and departments about the new purchasing procedure manual. Most sites state they have not received or used the manual.

## Standard Implemented: Partially

November 1, 2004 Rating: 2



## **12.9 Accounting, Purchasing, and Warehousing**

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### **Professional Standard**

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

### **Sources and Documentation**

1. Board policies and administrative regulations
2. Prior year independent audit reports
3. Interviews with district office and school site employees
4. Evaluation of work procedures

### **Findings**

1. Written policies should be updated to reflect all current laws and restrictions.
2. Work procedures should be reviewed to make sure that written policies are being followed.
3. The facility accounting records appear to be in good order but have not been reviewed recently by upper management.
4. The department has two accounting/budget employees that may not be fully utilized.
5. The majority of the accounting paperwork is performed by the business office.
6. There is no process in place to perform internal audits of the facilities department.
7. The facilities budgets are well monitored and cost overruns are low.
8. Proper bidding procedures appear to be followed.

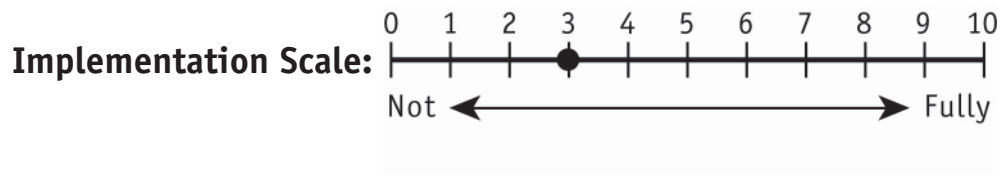
### **Recommendations and Improvement Plan**

1. Update board policies and document procedures for the receipt, expenditure and monitoring of construction-related activities.
2. Prepare written desk procedures for job functions.
3. Schedule regular internal audits or reviews of facilities operations, including bidding procedures.
4. Review the job descriptions of the two accounting/budget employees in the facilities department to maximize efficiency and properly delegate the workload to the appropriate employees.
5. Continue to monitor the facilities budgets.



## Standard Implemented: Partially

November 1, 2004 Rating: 3



## **12.10 Accounting, Purchasing, and Warehousing**

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### **Professional Standard**

The accounting system has an appropriate level of controls to prevent and detect errors and irregularities.

### **Sources and Documentation**

1. Board policies and administrative regulations
2. Prior year independent audit reports
3. Interviews with district office and school site employees
4. Evaluation of work procedures

### **Findings**

1. Board policies do not properly address the misuse of funds and fraud prevention.
2. Internal accounting controls and separation of duties within the accounting department are weak.
3. The controls that are in place are not always followed or enforced.
4. Not all employees have been adequately trained to follow Generally Accepted Accounting Principles (GAAP).
5. Supervision of the accounting/payroll staff is lax.
6. There is no process in place for employees to report wrongdoing.
7. The new County Office CECC data processing system has many enhanced accounting controls in place. Employees expressed concern that they have not received proper training to use the new county computer system effectively.
8. New administrators are making improvements in the overall internal accounting control process.

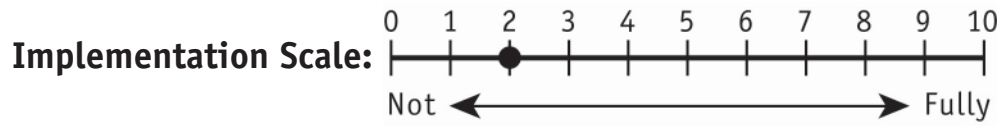
### **Recommendations and Improvement Plan**

1. Board policies should be developed and/or revised to properly address the misuse of funds and fraud prevention.
2. A reliable system should be devised to encourage employees to report misdeeds.
3. Internal controls for all accounting and payroll procedures should be strengthened.
4. The district should properly supervise and evaluate accounting and payroll employees.
5. The new county data processing accounting system should continue to be used.

- Adequate training should be provided so that employees know, understand, and follow Generally Accepted Accounting Principles (GAAP) and operate the county CECC system properly.

**Standard Implemented: Partially**

November 1, 2004 Rating: 2



## **12.11 Accounting, Purchasing, and Warehousing**

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### **Professional Standard**

The district has implemented the new Standardized Account Code Structure (SACS). SACS ensures the district is in compliance with federal guidelines, which will ensure no loss of federal funds, E.G., Title 1 federal class size reduction.

### **Sources and Documentation**

1. Board policies and administrative regulations
2. Prior year independent audit reports
3. Interviews with district office and school site employees
4. Evaluation of work procedures

### **Findings**

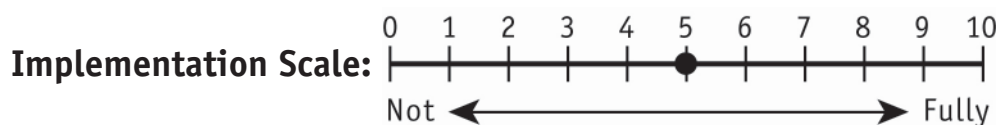
1. School site and other employees in the district expressed a desire to learn more about the Standardized Account Code Structure (SACS).
2. The county office CECC data processing system includes full implementation of the SACS.
3. The district uses the county office CECC system to process all accounting and payroll activities.
4. Employees in the business division are trained and use SACS in their daily work activities.

### **Recommendations and Improvement Plan**

1. Training should be provided for all district staff members working with budgets to learn more about SACS.
2. Business office employees should continue to be trained to properly use the county office CECC computer system.

### **Standard Implemented: Partially**

November 1, 2004 Rating: 5



## 13.1 Student Body Funds

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### Professional Standard

The Governing Board adopts policies and procedures to ensure compliance regarding how student body organizations deposit, invest, spend, raise, and audit student body funds. [EC 48930-48938]

### Sources and Documentation

1. Board policies and administrative regulations
2. Interviews with district office and school site employees
3. Prior years' independent audit reports

### Findings

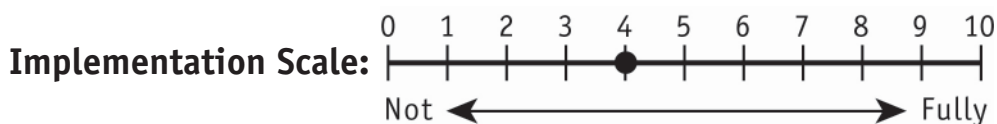
1. The audit report dated June 30, 2003 and prior year audit reports included findings related to student body accounting. Board policies and administrative regulations should provide direction about proper school site administrative oversight and how student body accounting functions are to be managed.
2. Board policies and administrative regulations on student body funds exist but should be updated. Adequate and consistent procedures for school site personnel to follow should be included in administrative regulations.
3. Not all school site personnel are aware of or have been trained to understand board policies or administrative regulations pertaining to ASB activities.
4. Copies of board policies and administrative regulations have not been provided to all employees working with student funds.

### Recommendations and Improvement Plan

1. The board policies and administrative regulations related to student body organizations should be approved and updated regularly to reflect proper business procedures, internal controls, generally accepted accounting principles, and the latest requirements from the state.
2. Current board policies and administrative regulations should be provided to all school site personnel working with student body funds.
3. Employees working with student body funds should be properly trained as to board policies and expected to follow proper procedures and policies at all times.

### Standard Implemented: Partially

November 1, 2004 Rating: 4



## **13.2 Student Body Funds**

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### **Legal Standard**

Proper supervision of all student body funds is provided by the board. [EC 48937] This includes establishing responsibilities for managing and overseeing the activities and funds of student organizations, including providing procedures for the proper handling, recording, and reporting of revenues and expenditures.

### **Sources and Documentation**

1. Board policies and administrative regulations
2. Prior year independent audit reports
3. Interviews with district office and school site employees
4. Evaluation of work procedures
5. VCUSD Associated Student Body Policies and Procedures Manual

### **Findings**

1. The district has a delegated person in the accounting department to work with school site personnel and process deposits and disbursements for elementary and middle school ASBs. Another designated district office person reconciles bank statements.
2. Separating the cash collection, disbursement, and bank reconciliation functions by having designated district office staff preparing vendor payments and reconciling bank statements is a good internal control.
3. Not all employees are familiar with Generally Accepted Accounting Practices regarding the handling of cash.
4. Procedural training for site ASB administrators and clerical staff has not occurred regularly.
5. The VCUSD Associated Student Body Policies and Procedures Manual was recently developed but is not readily used by all school sites.
6. Procedures and controls over cash collections at various school sites are not consistent, especially at the elementary schools.
7. High staff turnover has resulted in untrained staff overseeing student funds at selected school sites.
8. At some sites, cash other than ASB funds is collected by the designated ASB clerk.

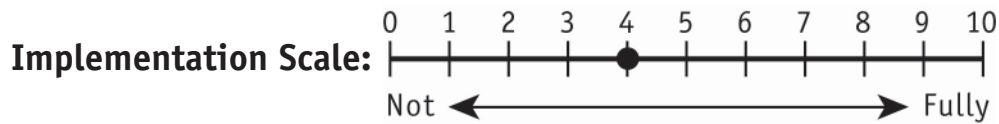
### **Recommendations and Improvement Plan**

1. All employees handling ASB funds should be properly trained, including principals.
2. The VCUSD Associated Student Body Policies and Procedures Manual should be distributed to school sites, and employees trained to use the procedures as outlined in the manual.

3. Generally Accepted Accounting Practices and proper cash collection controls should be developed and implemented immediately to ensure that all cash collection procedures are consistently followed by students and/or advisors and that the cash is submitted to the ASB bookkeeper in a timely manner.
4. Employees must be held accountable for following proper procedures. Annual employee evaluations should include this requirement.
5. At the secondary level, the principal should assign one specific administrator to oversee all ASB activities. This administrator should be given the authority to require various club and activity advisors to follow proper procedures.
6. School administrators should be familiar with proper ASB procedures and supervise both certificated advisors and classified staff appropriately.
7. No funds other than ASB funds should be processed through the ASB office.

**Standard Implemented: Partially**

November 1, 2004 Rating: 4



## **13.3 Student Body Funds**

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### **Professional Standard**

The district provides training and guidance to site personnel on the policies and procedures governing the Associated Student Body account.

### **Sources and Documentation**

1. Board policies and administrative regulations
2. Interviews with district office and school site employees
3. Evaluation of work procedures
4. VCUSD Associated Student Body Policies and Procedures Manual

### **Findings**

1. Most school site personnel have attended CASBO or other ASB training workshops.
2. Board policies and administrative regulations have not been provided or discussed with school site personnel.
3. The VCUSD Associated Student Body Policies and Procedures Manual was available at some sites. Other sites have either not received or been advised that the manual is available.
4. The district has a delegated person in the accounting department to train school site personnel and answer questions.
5. No annual in-service trainings to review procedures are conducted for classified staff at school sites.
6. High staff turnover has resulted in untrained staff overseeing student funds at some school sites.

### **Recommendations and Improvement Plan**

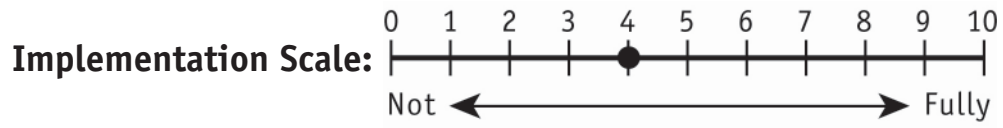
1. All employees handling ASB funds should be properly trained, including principals.
2. The district should provide annual training regarding ASB accounting procedures. This training should be mandatory for all certificated and classified employees collecting or working with student funds.
3. All employees involved with student activities should have access to and be familiar with the VCUSD Associated Student Body Policies and Procedures Manual, including coaches and club advisors.
4. Employees must be held accountable for following proper procedures. Annual employee evaluations should include this requirement.



- School administrators should be familiar with proper ASB procedures and supervise both certificated advisors and classified staff appropriately.

**Standard Implemented: Partially**

November 1, 2004 Rating: 4



## 13.4 Student Body Funds

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### Professional Standard

In order to provide adequate oversight of student funds and to ensure proper handling and reporting, the California Department of Education recommends that periodic financial reports be prepared by sites, and then summarized by the district office.

### Sources and Documentation

1. Board policies and administrative regulations
2. Interviews with district office and school site employees
3. Evaluation of work procedures
4. VCUSD Associated Student Body Policies and Procedures Manual

### Findings

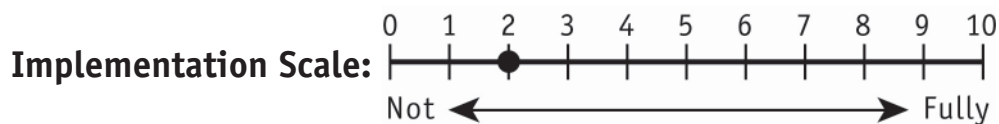
1. Periodic financial reports are not regularly prepared and are not required to be submitted to the district office.
2. Financial statements are not reviewed by district office accounting administration.
3. Financial reports are not presented to the Governing Board.
4. Monthly reconciliation reports for elementary and middle schools are prepared by the designated district office accounting employee and sent to sites, but accuracy is not always followed up or confirmed with the district.
5. High schools prepare their own financial statements, but they are not submitted or reviewed by the district.
6. The format of financial reports is not consistent from site to site.

### Recommendations and Improvement Plan

1. Preparation of periodic financial reports should be required for all sites.
2. Periodic financial reports should be reviewed by district accounting administration.
3. Financial reports should be included in board agendas at least quarterly.
4. Standardized report formats should be developed and used by all sites.

### Standard Implemented: Partially

November 1, 2004 Rating: 2



## 13.5 Student Body Funds

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### Professional Standard

In order to provide adequate oversight of student funds and to ensure proper handling and reporting, the California Department of Education recommends that internal audits be performed. Such audits should review the operation of student body funds at both district and site levels.

### Sources and Documentation

1. Interviews with district office and school site employees
2. Evaluation of work procedures

### Findings

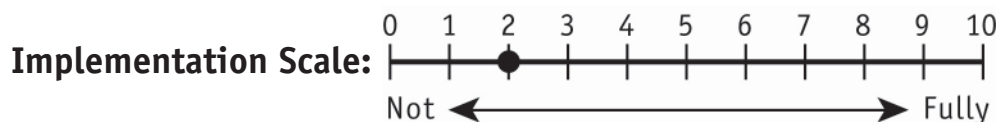
1. Internal audits of student body funds at school sites have not been performed.
2. The separation of ASB duties performed by the designated district office personnel for elementary and middle schools provides some internal control and internal oversight.
3. High school ASBs are the largest district programs but have no internal audit or oversight functions conducted by the district.
4. The district has an internal auditor position, but that employee is not currently acting in that capacity.

### Recommendations and Improvement Plan

1. Assign the ASB internal auditor the task of overseeing the internal audit function for all student body funds, especially at each of the high schools.
2. District office ASB operations should also undergo internal audits. Someone other than the employee currently serving as the ASB accounting clerk and the employee reconciling bank statements should be assigned to this task.

### Standard Implemented: Partially

November 1, 2004 Rating: 2



## 14.1 Multi-Year Financial Projections

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### Professional Standard

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

### Sources and Documentation

1. Review and analysis of available multi year projections
2. Interviews with staff

### Findings

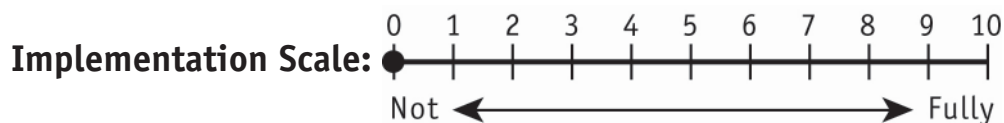
1. The available multiyear projections that were done in the past utilized the School Services of California, Inc. (SSC) software. The format was collapsed and did not contain specific data by resource or other detailed level. The information was broken out by restricted and unrestricted, without additional assumptions or information to explain the data. A narrative to go with the projection was not found to explain the multiple assumptions and estimations used in development.
2. In the past, the Assistant Superintendent of Business is the one who has prepared the multiyear projections, with no higher review prior to being brought to the board for approval.

### Recommendations and Improvement Plan

1. The district can produce MYPs in a number of ways. Whatever software is chosen, more detail will need to be added so that individual resources can be reviewed. If the district continues to use the SSC software, the information can be shown in detail for all restricted programs.
2. A narrative should accompany the multiyear projection explaining the projection variables used in the analysis and any other relevant information.
3. More than one district employee needs to understand the district's projection software. There should be a review by another administrator to validate the data, and who would also be available to prepare the multiyear projection if necessary.

### Standard Implemented: Not Implemented

November 1, 2004 Rating: 0



## **14.2 Multiyear Financial Projections**

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### **Legal Standard**

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

### **Sources and Documentation**

1. Review and analysis of available multiyear projections

### **Findings**

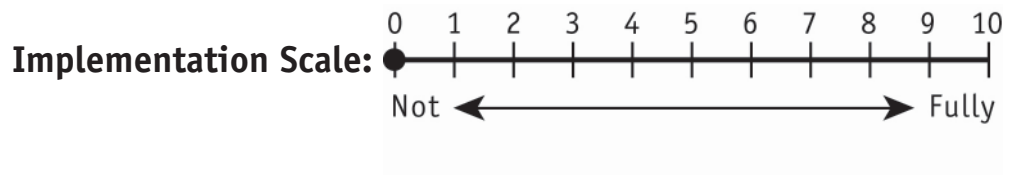
1. Multiyear projections were found for the district's general fund only at the time of interim reports. The available multiyear projections were delivered using School Services of California, Inc. software without reflecting the information by resource.
2. The multiyear projections have been limited to the general fund.
3. The projections do not include information on what funds are one-time, what funding streams only exist for a certain number of years and any other information that the board may need to make correct spending decisions based on the length of the specific funding.
4. Projections have not been made available at budget adoption.

### **Recommendations and Improvement Plan**

1. Multiyear projections for the general fund should be made available to the Governing Board at the time of budget adoption, at each interim report, during collective bargaining and after bargaining concludes.
2. Projections should also be made for funds other than the general fund at least annually at budget adoption.
3. Projected fund balance reserves should be fully disclosed when the projection is presented, along with all reasonable and supportable revenue and expenditures assumptions used.
4. Additional information should be included in the projection software or in the narrative explaining what funding sources are ongoing, which ones are one-time and which ones are available only within specific time parameters.
5. If possible, multiyear projections should be made available for public and board review prior to board meetings where they will be introduced so that the public and board can ask questions and request additional data.

## Standard Implemented: Not Implemented

November 1, 2004 Rating: 0



## 14.3 Multiyear Financial Projections

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### Legal Standard

Multiyear financial projections are prepared for use in the decision-making process, especially whenever a significant multiyear expenditure commitment is contemplated. [EC 42142]

### Sources and Documentation

1. Review and analysis of available multiyear projections
2. Interviews with staff
3. Review of board minutes and agendas

### Findings

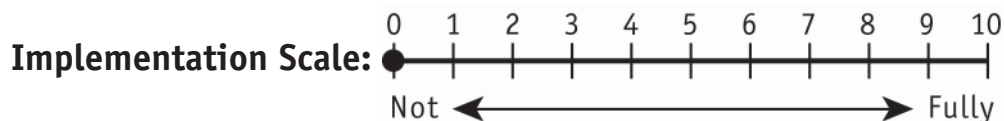
1. The available multiyear projections were done utilizing School Services of California's software at the time of interim reports without resource detail.
2. While potential salary and benefits costs are identified in the projections, the information has not been used when developing negotiation positions or making decisions on other significant issues.
3. It appears that cursory attention has been given to the projections in the district office and that projections have been considered a county office requirement rather than a tool for making important financial decisions.

### Recommendations and Improvement Plan

1. The district should continue to develop and use reliable multiyear projections to help administrative staff make sound fiscal decisions.
2. Additional data and information needs to be included in the projections so that administration can bring fiscally accountable recommendations to the board that will not have long-term unhealthy effects.
3. Multiyear projections should be used when considering negotiated agreements or any other large expenditures to show the long-term effect on the district. Without this type of analysis, the board may not realize how such expenditures will limit the decisions they can make in the future.

### Standard Implemented: Not Implemented

November 1, 2004 Rating: 0



## **15.1 Long -Term Debt Obligations**

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### **Legal Standard**

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

### **Sources and Documentation**

1. Interview with Interim Director of Fiscal Services
2. Independent Audit Report for 2002-03
3. Interview with Risk Manager
4. Review of Board Agenda
5. Review of Actuarial Report by Bay Actuarial Consultants
6. AB 1200 Submittal dated 05-19-2004

### **Findings**

1. The district's collective bargaining agreements have not been disclosed properly at regular Governing Board meetings in accordance with AB 1200 (Statutes of 1991, Chapter 1213) and Government Code section 3547.5. The documents filed meet the reporting standards required for the documentation format only. However, the content lacks detailed information regarding the impact to the current operating budget, total cost including statutory benefits, and the impact on a multiyear basis. The proper process for the public hearing was not followed. On June 15, 2004, the board rescinded the approval of the CSEA agreement because of the district's failure to properly hold the required public hearing for AB 1200 disclosure requirements.

Government Code Section 3540.2 provides additional oversight requirements related to the collective bargaining process. Any district with a qualified or negative certification under Education Code Section 42131 shall allow the county office of education at least 10 working days to review and comment on any proposed collective bargaining agreement prior to ratification. In the 2002-03 fiscal year, the district paid out over \$1.8 million dollars in contractually obligated salary increases equating to 1.84 % for all employees without proper notification to the COE.

2. The district initiated its self-insurance program for workers' compensation losses on April 1, 2003. The district self-insures its workers' compensation claims up to a limit of \$500,000 per loss. The revised budget prepared by School Services of California projects a negative fund balance of \$1,780,543 for the 2003-04 fiscal year.
3. Projections for 2004-05 workers' compensation claims are expected to increase 7.5% over the prior fiscal year.
4. The average cost of each workers' compensation claim is approximately 17% below the statewide average. The district attributes this figure to the "Return to Work Program" that accommodates job duties relevant to the employee's sustained injury and accelerates their return to work.



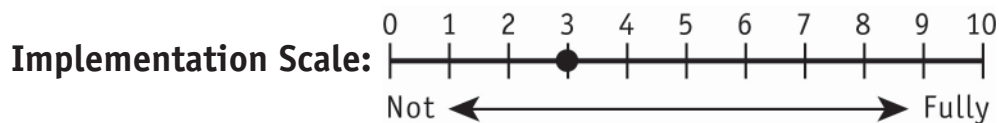
5. The district's liability for unpaid losses will be \$4,301,000 on June 30, 2004 on an undiscounted basis and \$3,560,000 discounted at 3% interest.
6. The district's actuarial report for workers' compensation claims was disclosed at the regular board meeting on July 7th, 2004 as required every three years in accordance with Education Code Section 42141.
7. The district offers health and welfare retiree benefits for all qualified employees through the 2004-05 fiscal year in accordance with agreements with the Vallejo Education Association and CSEA members. In the 2001-02 fiscal year, the district implemented a 1% payroll surcharge to fund this requirement. Actuarial data at that time reported the "pay as you go" requirement to be \$748,000 annually for twenty years. In the 2002-03 audit report, the district reported a deficit of \$15,825,948 to fund the future cost of post employment retiree benefits. The last actuarial study of retiree health benefits was performed as of June 30, 2002.

### Recommendations and Improvement Plan

1. The district is not in compliance with the reporting requirements under AB 1200 regarding the disclosure of the terms of collective bargaining agreements. The district needs to adhere to the public disclosure process that includes a public hearing for all collective bargaining agreements. In addition, the document submittal should be completed in detail and make the appropriate calculations that demonstrate the budget impact to the current and two subsequent fiscal years.
2. Due to the current personnel changes in the area of risk management, and the potential fiscal impact of the district's self-insured program for workers' compensation claims, the district should request and report annual actuarial information to the Office of the State Administrator.
3. The district should request proposals to perform an actuarial study regarding health and welfare benefits for qualified retirees exceeding the age of 65 years. In accordance with Education Code Section 42140, the district should report annually the estimated accrued but unfunded cost of retiree benefits at a public meeting.

### Standard Implemented: Partially

November 1, 2004 Rating: 3



## **15.2 Long-Term Debt Obligations**

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### **Professional Standard**

When authorized, the district uses only non-voter approved, long-term financing such as certificates of participation (COPS), revenue bonds, and lease-purchase agreements (capital leases) to address capital needs, and not operations (Unrestricted General Fund). Further, the general fund is used to finance current school operations, and in general is not used to pay for these types of long-term commitments.

### **Sources and Documentation**

1. Discussion with Business Office staff
2. Discussion with Director of Student Housing
3. District's independent audit report for 2002-03
4. 2004-05 Adoption Budget
5. 2003-04 Adoption Budget
6. 2001-02 Independent Audit Report
7. February 18 report prepared by School Services of California

### **Findings**

1. The district's 2002-03 independent audit performed by Goodell, Porter & Fredericks reports a negative unrestricted ending fund balance of \$2.3 million. The report further demonstrates that the district is unable to meet the recommended 3% reserve level for economic uncertainties.
2. The audit report further identifies an outstanding loan derived from Tax and Revenue Anticipation Notes (Short Term) in the district's general ledger account in the amount of \$16 million. The auditor states it is unlikely that the district will be able to make timely payments on this loan.
3. On June 1, 2003, the district issued Certificates of Participation (COPS) in the amount of \$25,425,000 to refund previously issued COPS, and variable rate real property leases. The payments for this refunding are from multiple sources including the General Fund. The General Fund and Self Insurance Fund are both obligated to make debt service payments in the amounts of \$500,000 and \$150,000 over a seven-year period.
4. The district's 2003-04 budget stated the district's long term debt at \$145,843,689. Due to the number of potential restatements and adjustments for reclassification, dollar amounts presented by the district may not accurately represent or reflect the district's total long term debt.

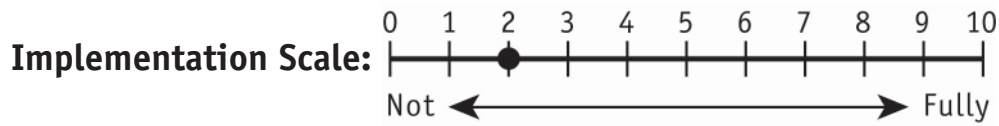
### **Recommendations and Improvement Plan**

1. The district will need to devise a financial recovery plan that includes relieving the general fund from debt service payments.
2. The district needs to report and record all long-term debt of each governmental fund in the long-term debt account group.

3. The district should develop a comprehensive debt service plan that includes COPS, capital leases and other debt by fund and demonstrates the necessary debt payment structure for cash flow purposes to assist in the recovery plan.
4. The district must adhere to Education Code Section 42133(a), which states that any district with a qualified or negative budget certification in any fiscal year or the next succeeding fiscal year may not issue Certificates of Participation, Tax and Revenue Anticipation Notes, Revenue Bonds or any other debt instruments that do not require approval by the voters of the district.

**Standard Implemented: Partially**

November 1, 2004 Rating: 2



## **15.3 Long-Term Debt Obligations**

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### **Professional Standard**

For long-term liabilities/debt service, the district prepares debt service schedules and identifies the dedicated funding sources to make those debt service payments. The district projects cash receipts from the dedicated revenue sources to ensure that it will have sufficient funds to make periodic debt payments. The cash flow projections are monitored on an ongoing basis to ensure that any variances from projected cash flows are identified as early as possible to allow the district sufficient time to take appropriate measures or identify alternative funding sources.

### **Sources and Documentation**

1. District's Independent Audit Report for 2002-03
2. Discussion with Business Office staff
3. 2003-04 budget
4. Schedule of long-term debt

### **Findings**

1. No cash flow statement has been developed to account for the debt service payments related to the district's long term debt. Cash flow for budgeting purposes to comply with the interim reporting process was inaccurate and misrepresented the cash position of the district for 2002-03 and the first interim report for 2003-04.
2. The district's 2002-03 audit did not disclose the details for bonds payable and the required disclosure for refunded and defeased debt. The audit report presents the 2003 Refunding Certificates of Participation in a brief statement and discloses only that the COPS will be utilized to defease the 1999 COPS and other leases of the district.
3. The general obligation bonds, community facilities district bonds and certificates of participation represent approximately 90% of the district's long-term debt prior to the issuance of a loan of \$60 million by the state in the 2004-05 fiscal year.
4. The district's 2002-03 unaudited actuals were overstated by approximately \$5 million, negating any accuracy in the cash flow statements prepared by the district.
5. The district's cash flow projection in December of 2003 demonstrated that the general fund would have a projected shortfall of \$2.2 million by February of 2004 and would need to borrow from other funds in accordance with Education Code Section 42603. These temporary loans are in addition to the largest Tax and Revenue Anticipation Note issued in the history of the district in the amount of \$16 million. The district's cash flow debacle is evident by the use of one temporary loan to repay the previous loan.

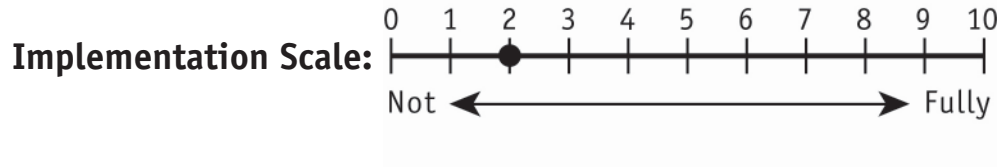
### **Recommendations and Improvement Plan**

1. Cash flow statements should be prepared for all funds and specifically identify long term debt payments within the projection.

2. Cash flow statements should be prepared and monitored monthly to ensure that the projected cash flow statements accurately reflect the district's budget for revenues and expenditures for all reportable funds.
3. All cash in the County Treasury should be reconciled on a monthly basis for all funds.

**Standard Implemented: Partially**

November 1, 2004 Rating: 2



## **15.4 Long-Term Debt Obligations**

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### **Professional Standard**

The district has developed and uses a financial plan to ensure that ongoing unfunded liabilities from employee benefits are recognized as a liability of the school district. A plan has been established for funding retiree health benefit costs as the obligations are incurred.

### **Sources and Documentation**

1. District's Independent Audit Report for 2002-03
2. Discussion with Business Office staff
3. 2003-04 budget
4. Schedule of long-term debt
5. 2004-05 budget

### **Findings**

1. The district offers retiree benefits for health & welfare benefits for all qualified employees in accordance with agreements for the Vallejo Education Association and CSEA members. In the 2001-02 fiscal year, the district implemented a 1% payroll surcharge to fund this requirement. Actuarial data at that time reported the "pay as you go" requirement to be \$748,000 annually for 20 years. In the 2002-03 audit report, the district reported a deficit of \$15,825,948 to fund the future cost of post employment retiree benefits.
2. No formal written plan or accurate documentation existed for funding retiree health benefit costs. FCMAT was unable to ascertain present value data that would validate the current cost of retiree benefits stated in Fund 71 of the 2003-04 or 2004-05 budget documents.
3. Certificated employees who retire with at least 15 years of service qualify for fully paid health and welfare benefits for a period not to exceed five years or age 67.
4. Classified employees who retire with at least 15 years of service qualify for fully paid health and welfare benefits for a period not to exceed five years.

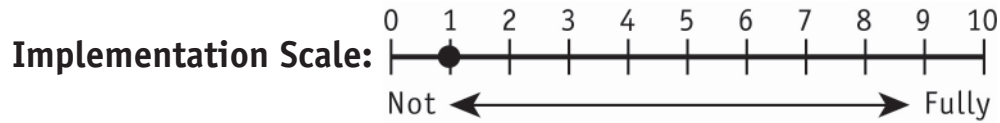
### **Recommendations and Improvement Plan**

1. In accordance with Education Code Section 42140, the district is required to present annually the accrued but unfunded cost of health and welfare benefits for retired employees over the age of 65.
2. Due to the recent fiscal takeover by the State of California and potential fiscal impact of this issue, the district should contract for an annual actuarial report to evaluate the present and future costs.
3. The district should disclose annually as a separate agenda item whether or not the district will reserve sufficient funds in its budget to pay for the present value or "pay as you go" cost of retiree benefits.

4. The district should develop a database or spreadsheet application of retired and active employees to assist in the calculation of present and future costs of retiree health benefit costs.
5. The district should conduct a comprehensive re-enrollment process for all active employees and retirees that receive health and welfare benefits.

**Standard Implemented: Partially**

November 1, 2004 Rating: 1



## **16.1 Impact of Collective Bargaining**

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### **Professional Standard**

The district has developed parameters and guidelines for collective bargaining that ensure that the collective bargaining agreement is not an impediment to efficiency of district operations. At least annually, collective bargaining agreements are analyzed by management to identify those characteristics that are impediments to effective delivery of district operations. The district identifies those issues for consideration by the Governing Board. The Governing Board, in the development of its guidelines for collective bargaining, considers the impact on district operations of current collective bargaining language and proposes amendments to district language as appropriate to ensure effective and efficient district delivery. Governing Board parameters are provided in a confidential environment, reflective of the obligations of a closed executive board session.

### **Sources and Documentation**

1. Interview with Interim Director of Fiscal Services
2. Interview with Interim Assistant Superintendent of Personnel
3. VEA and CSEA contracts
4. AB 1200 disclosure for collective bargaining agreements

### **Findings**

1. The district has not developed parameters and guidelines for collective bargaining that ensure that the collective bargaining agreements are not an impediment to the financial solvency of the district. In order to provide effective guidelines, the district must improve the financial reporting that will accurately reflect the budget projections for revenues and expenditures of the district.
2. Approximately 90% of the district's proposed 2004-05 budget will be expended for contractually obligated salaries and benefits. Similar trends and ratio of expenditures for salaries and benefits have been followed for the 2002-03 and 2003-04 fiscal years.

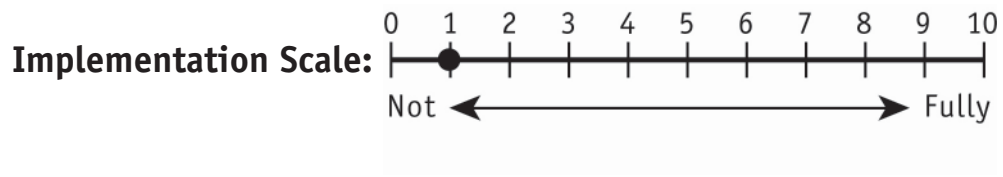
### **Recommendations and Improvement Plan**

1. The district should develop a review team consisting of but not limited to the assistant superintendents of Business and Personnel to evaluate and recommend proposed changes to the respective collective bargaining agreements. Potential cost saving issues should be identified and quantified for evaluation by the Governing Board in special sessions. Any proposed modifications to the collective bargaining agreements should be submitted to the bargaining units for review and consideration.
2. The district will need to review the respective collective bargaining agreements and incorporate proposed modifications into the district's financial recovery plan.



## Standard Implemented: Partially

November 1, 2004 Rating: 1



## **16.2 Impact of Collective Bargaining**

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### **Professional Standard**

The Governing Board ensures that any guideline developed for collective bargaining is fiscally aligned with the instructional and fiscal goals on a multiyear basis. The Superintendent ensures that the district has a formal process in which collective bargaining multiyear costs are identified for the Governing Board, and those expenditure changes are identified and implemented as necessary prior to any imposition of new collective bargaining obligations. The Governing Board ensures that costs and projected district revenues and expenditures are validated on a multiyear basis so that the fiscal issues faced by the district are not worsened by bargaining settlements. The public is informed about budget reductions that will be required for a bargaining agreement prior to any contract acceptance by the Governing Board. The public is notified of the provisions of the final proposed bargaining settlement and is provided with an opportunity to comment.

### **Sources and Documentation**

1. Interview with Interim Director of Fiscal Services
2. Interview with Interim Assistant Superintendent of Personnel
3. VEA and CSEA contracts
4. AB 1200 Disclosure for collective bargaining agreements

### **Findings**

1. The district's collective bargaining agreements have not been disclosed properly at regular Governing Board meetings in accordance with AB 1200 (Statutes of 1991, Chapter 1213) and Government Code Section 3547.5. The documents filed meet the reporting standards required for the documentation format. However, the content lacks detailed information regarding the impact to the current operating budget, total cost including statutory benefits, and the impact on a multiyear basis. The proper process for the public hearing was not followed. On June 15, the board rescinded the approval of the CSEA agreement because of the district's failure to properly hold the required public hearing for AB 1200 disclosure requirements.
2. In the 2002-03 fiscal year, the district provided a 1.89% salary increase to all employees as required by the respective collective bargaining agreements. The district reported that with the salary compensation, the district would still maintain the recommended reserve requirement of 3% for economic uncertainties. The district's 2002-03 independent audit performed by Goodell, Porter & Fredericks reported a negative unrestricted ending fund balance of \$2.3 million. The report further demonstrates that the district is unable to meet the recommended 3% reserve level for economic uncertainties.
3. The district's 2002-03 and 2003-04 adoption budgets lack multiyear projection worksheets including assumptions as required by AB 1200.
4. The district's 2004-05 October revised budget includes multiyear projection worksheets required by AB 1200 but does not indicate any adjustment for salaries in the current or two subsequent fiscal years.

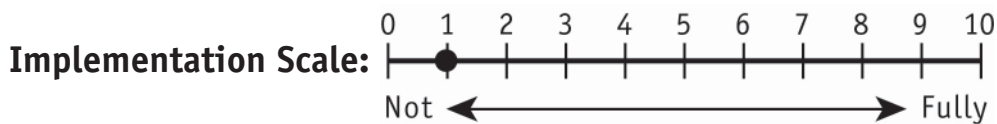
5. The 2003-04 October revised budget was understated by approximately \$3.5 million for certificated salaries.
6. The 2003-04 adoption budget was understated by approximately \$1.2 million for classified salaries.

### Recommendations and Improvement Plan

1. The position of Assistant Superintendent of Business Services or Chief Business Official should be filled by someone who has demonstrated experience and knowledge of reporting and accounting practices as required in California. This employee should have additional experience with a school district experiencing fiscal insolvency and the ability to develop short and long range financial recovery strategies; develop financial reporting requirements that are reliable; and evaluate whether the district is operating in compliance with all applicable laws and regulations.
2. As notified by the Solano County Office of Education and in accordance with Government Code Section 3547.5, the district needs to properly prepare the public disclosure documents including but not limited to the costs of proposed collective bargaining agreements for the current and subsequent fiscal year and allow for the proper submittal and response from the COE. In accordance with AB 2756 (Daucher), the COE has 10 working days to review and comment on the district's proposed collective bargaining agreement.
3. The district should prepare the annual cost of 1% for each bargaining unit including statutory benefits that will be included in the assumptions of the Adoption Budget. Total compensation should include the associated cost of salary, benefits, step and column, and cost of living increases (COLA), if any.
4. Staff should be provided technical training in the preparation of multiyear projections using software that will assist the district in demonstrating the fiscal impact to the district's budget for the current and two subsequent fiscal years. Employees require sufficient training to update skill sets and to ensure operations continue efficiently.
5. Study sessions with the Governing Board regarding collective bargaining issues should be provided. Information that will assist the district in developing short and long range goals consistent with the fiscal recovery plan and instructional goals of the district should be presented.

### Standard Implemented: Partially

November 1, 2004 Rating: 1



## **17.1 Management Information Systems**

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### **Professional Standard**

Management information systems support users with information that is relevant, timely, and accurate. Needs assessments are performed to ensure that users are involved in the definition of needs, development of system specifications, and selection of appropriate systems. Additionally, district standards are imposed to ensure the maintainability, compatibility, and supportability of the various systems. The district ensures that all systems are compliant with the new Standardized Account Code Structure (SACS), year 2000 requirements, and are compatible with county systems with which they must interface.

### **Sources and Documentation**

1. Staff interviews

### **Findings**

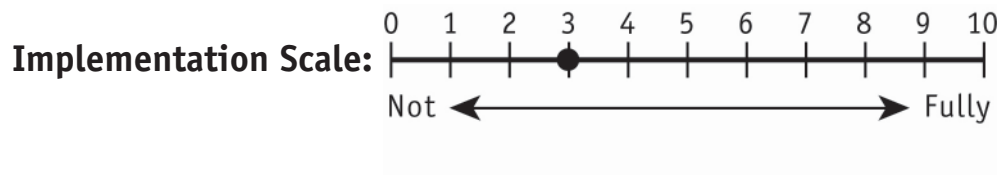
1. The technology department recently has gone through changes in leadership. The current instability of the department is further complicated by an abrupt change of the district to a new student information system.
2. There is little evidence that needs assessments are being performed or that school sites are involved in technology decisions.
3. Current systems such as network infrastructure, server operating systems and applications seems to be compliant with current standards. This is also true with regard to the business financial and student information systems.

### **Recommendations and Improvement Plan**

1. The district should document the organizational structure of the department and assess all positions. Changes in leadership and positions should reflect the needs of the new student information system implementation as well as maintain other functions of the department. The district should look for ways to build stability within the department.
2. The needs of all school sites and departments should be assessed. The transition to the new student information system should be monitored, including help desk requests. Technicians should be required to send e-mails of 50 words or less each day to site administration describing the work completed. These e-mails should be copied to the department leadership. Department leadership should assess e-mails to help set departmental priorities.
3. The network structure should be documented. Physical and logical layout and transport control protocol and Internet protocol (TCP/IP) information should be included.

## Standard Implemented: Partially

November 1, 2004 Rating: 3



## 17.2 Management Information Systems

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### Professional Standard

Automated systems are used to improve accuracy, timeliness, and efficiency of financial and reporting systems. Needs assessments are performed to determine what systems are candidates for automation, whether standard hardware and software systems are available to meet the need, and whether or not the district would benefit. Automated financial systems provide accurate, timely, relevant information and conform to all accounting standards. The systems are designed to serve all of the various users inside and outside the district. Employees receive appropriate training and supervision in the operation of the systems. Appropriate internal controls are instituted and reviewed periodically.

### Sources and Documentation

1. Staff interviews

### Findings

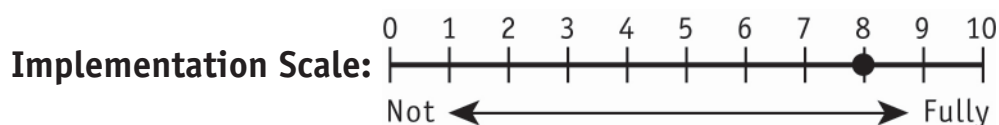
1. The district has recently implemented a network infrastructure overhaul that included a Voice over Internet Protocol (VOIP) telephone system.
2. The financial system is made by the California Educational Computer Corporation (CECC) and appears to be stable and operational.

### Recommendations and Improvement Plan

1. There are no recommendations at this time.

### Standard Implemented: Fully - Substantially

November 1, 2004 Rating: 8



## 17.3 Management Information Systems

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### Professional Standard

Selection of information systems technology conforms to legal procedures specified in the Public Contract Code. Additionally, there is a process to ensure that needs analyses, cost/benefit analyses, and financing plans are in place prior to commitment of resources. The process facilitates involvement by users, as well as information services staff, to ensure that training and support needs and costs are considered in the acquisition process.

### Sources and Documentation

1. Staff interviews

### Findings

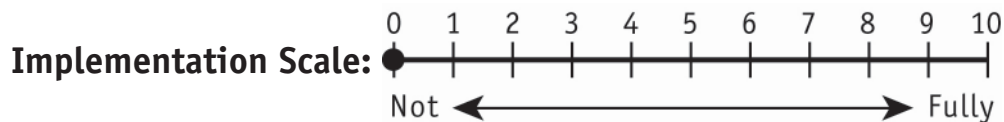
1. There was no evidence obtained that proper procedures are being followed for the procurement of equipment, software, or information systems. The recent change of the student information system did not go through an inclusive needs assessment, RFP, or bidding procedure.

### Recommendations and Improvement Plan

1. The procurement procedures should be revised in order to be consistent with board policy, Public Contract Code and legal compliance.

### Standard Implemented: Not Implemented

November 1, 2004 Rating: 0



## 17.4 Management Information Systems

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### Professional Standard

Major technology systems are supported by implementation and training plans. The cost of implementation and training is included with other support costs in the cost/benefit analyses and financing plans supporting the acquisition of technology systems.

### Sources and Documentation

1. Staff interviews

### Findings

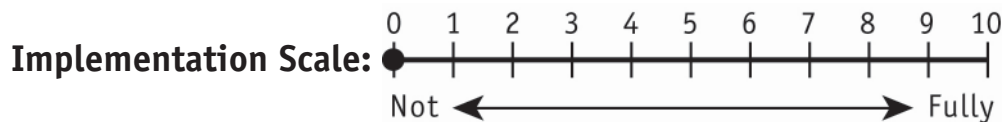
1. All staff interviewed stated that training is given a low priority in the district.

### Recommendations and Improvement Plan

1. All job descriptions in the technology department should be updated and should identify critical training needs.

### Standard Implemented: Not Implemented

November 1, 2004 Rating: 0





## 17.5 Management Information Systems

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### Professional Standard

Access to administrative systems is reliable and secure. Communications pathways that connect users with administrative systems are as free of single points of failure as possible, and are highly fault tolerant.

### Sources and Documentation

1. Staff interviews
2. Network analysis

### Findings

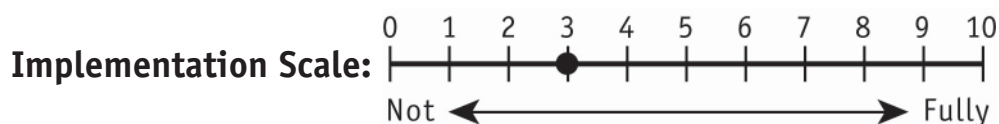
1. An analysis of the physical and logic layout of the network showed that administrative systems are reliable and secure.
2. An external company manages most of the WAN equipment and security under a managed services contract.
3. A procedure for backing up critical operating systems and data is not unified and failures have occurred. Some data is taken off site by an independent company. There may be issues that deal more with licensing than with back-up equipment.
4. There is no evidence that an Acceptable Use Policy is signed annually by all staff.

### Recommendations and Improvement Plan

1. The district should start the process of training Vallejo City USD technology department personnel in areas that will enable the district to manage its own networks and security.
2. A back-up policy should be created that ensures all critical operating systems and data are incrementally backed up, secured and taken off site at least once a week. A plan should be developed for testing back-up reliability at least two times a year on specific dates.
3. All employees should sign an Acceptable Use Policy annually.

### Standard Implemented: Partially

November 1, 2004 Rating: 3



## 17.6 Management Information Systems

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### Professional Standard

Hardware and software purchases conform to existing technology standards. Standards for copiers, printers, fax machines, networking equipment, and all other technology assets are defined and enforced to increase standardization and decrease support costs. Requisitions that contain hardware or software items are forwarded to the technology department for approval prior to being converted to purchase orders. Requisitions for non-standard technology items are approved by the technology department unless the user is informed that district support for non-standard items will not be available.

### Sources and Documentation

1. Staff interviews

### Findings

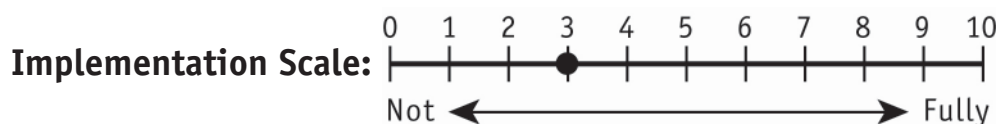
1. The district has standardized on a particular desktop computer and a tier one vendor for servers.
2. Technology purchases are sent to the technology department, but there were findings that not all technology purchases are approved by the department.
3. The technology department is often in a defensive position as they attempt to support whatever software/hardware that is ordered by school sites.
4. There was no evidence of a centralized location for all software licenses.

### Recommendations and Improvement Plan

1. The technology department should work with the business department to ensure that there is a procedure for a designated employee in the technology department to obtain approval for technology purchases.
2. A plan for managing district software licensing should be developed. This plan should include a procedure for doing a self-audit once a year on a specified date.
3. A policy should be developed that states who is responsible for licensing, whether licensing will be a site issue or a district issue, and where licenses will be stored.

### Standard Implemented: Partially

November 1, 2004 Rating: 3



## 17.7 Management Information Systems

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### Professional Standard

Computers are replaced on a schedule based on hardware specifications.

### Sources and Documentation

1. Staff interviews

### Findings

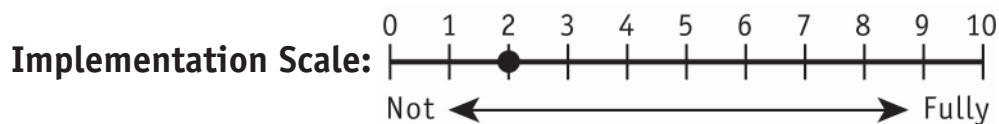
1. There is no evidence that the district has a schedule for computer replacement.

### Recommendations and Improvement Plan

1. The district should develop and publish to all school sites and departments a schedule for computer equipment replacement. Total Cost of Ownership (TCO), specifically the support cost for older equipment, should be considered.
2. A database should be kept that matches support request to the type of computer equipment in order to do an analysis of TCO.
3. A sample schedule might state that any Intel computer that is less than a Pentium 300 MHz or Macintosh computer that cannot run at least a 9.x operating system should be replaced first. The following year the standard would be moved up to Intel Pentium 550 MHz and Macintosh OS X.
4. Monitors, printers, and peripheral equipment should be included in the schedule.

### Standard Implemented: Partially

November 1, 2004 Rating: 2



## **17.8 Management Information Systems**

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### **Professional Standard**

The following network standards, established for school districts, are being followed by the district:

- A stable firewall is used with a separate DMZ and “inside” network.
- The district follows EIA/TIA 568-B for all network cabling.
- A Web content filter is used for all outbound Internet access.
- The district uses an e-mail spam filter for all inbound e-mail.
- Administrative and academic network traffic is kept separate.
- Switches and network hubs are installed, and the district ensures that switches support certain features.
- Log-in banners are added to all network elements that will support them.
- The district has transitioned from all non-TCP/IP protocols.
- The district uses a virtual private network for any access to the internal network from the outside.

### **Sources and Documentation**

1. Staff interviews
2. Network analysis

### **Findings**

1. Each item in this standard has been completed through the district managed services contract and is in good working order.
2. See findings for Standard 17.5.
3. Network switching equipment does not have robust password protection from physical connections to equipment.
4. At each MDF/IDF location in the district there is Cisco switching equipment that is no longer in use.

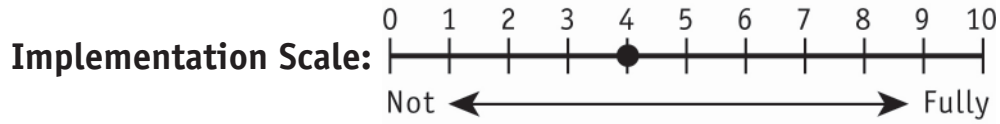
### **Recommendations and Improvement Plan**

1. See also the recommendations for Standard 17.5.
2. An administrative password should be created for all switch equipment. The password should be more than eight characters, contain upper and lower case letters, a number and a shift command, such as Shift-5 for the % character.
3. All Cisco equipment should be inventoried and a plan developed to utilize equipment as a backup to the current system or auction it per the California Education Code:

“The governing board may sell for cash any personal property of the district that is not required for school purposes, or if it should be disposed of for replacement, or if it is unsatisfactory or not suitable for school use.” [EC §§ 17545(a), 81450(a)]

**Standard Implemented: Partially**

November 1, 2004 Rating: 4



## **18.1 Maintenance and Operations Fiscal Controls**

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### **Professional Standard**

The district has a comprehensive risk management program that monitors the various aspects of risk management including workers' compensation, property and liability insurance, and maintains the financial well-being of the district.

### **Sources and Documentation**

1. Interview with Interim Director of Business Services
2. Interview with Risk Manager
3. Telephone interview with Community Relations and Compliance Officer
4. Telephone interview with Bay Actuarial Consultants
5. Board agenda item for Workers' Compensation

### **Findings**

1. The supervision of the district's risk management function is divided between the Risk Manager and Human Resources Department. The Risk Manager receives and files claims for the property and liability area and the Human Resources Department handles claims for Workers' Compensation.
2. The district initiated its self insurance program for workers' compensation losses on April 1, 2003. The district self insures its Workers' Compensation claims up to a limit of \$500,000 per loss. The revised budget prepared by School Services of California projects a negative fund balance of \$1,780,543 for the 2003-04 fiscal year.
3. Projections for 2004-05 Workers' Compensation claims are expected to increase 7.5% over the prior fiscal year.
4. The average cost of each Workers' Compensation claim is approximately 17% below the statewide average. The district attributes this figure to the Return to Work Program that accommodates job duties relevant to the employee's sustained injury and accelerates their return to work.
5. The district's liability for unpaid Workers' Compensation losses will be \$4,301,000 on June 30, 2004 on an undiscounted basis, and \$3,560,000 discounted at 3% interest.
6. The district's actuarial report for workers' compensation claims was disclosed at the regular board meeting on July 7, 2004, as required every three years in accordance with Education Code Section 42141.
7. The district participates in a joint powers agreement (JPA) to pool the risk for property and liability claims through the Alliance of Schools for Cooperative Insurance Programs (ASCIP). The limits of liability are set at \$1,000,000 net loss per occurrence. The district has excess coverage limits for property and liability of \$14,000,000 net loss per occurrence through Schools Excess Liability Fund (SELF).

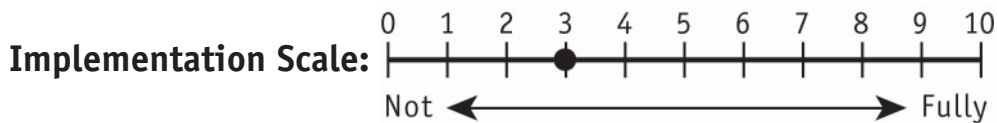
8. All claims submitted for property and liability are processed through the risk manager and presented to the Governing Board for consideration.

### Recommendations and Improvement Plan

1. The district should perform quarterly reconciliations by the district of paid claims reflected on the loss run reports for property and liability insurance.
2. The district's accrued liability for Workers' Compensation claims on an undiscounted basis was \$4,301,000 as of June 30, 2004. This amount represents self-insured claims and deductibles in the self-insurance fund, including claims incurred but not reported. The district needs to review and evaluate annually the Workers' Compensation rates charged in the payroll benefit mapping and accounts to fund the Workers' Compensation Self-Insurance Fund. This fund is projected to have a negative balance for the 2003-04 fiscal year.
3. Due to the recent fiscal takeover by the State of California and potential fiscal impact of this issue, the district should contract for an annual actuarial report for Workers' Compensation claims to evaluate the present and future costs and fully fund the district's claims liability.
4. All personnel should receive technical training in the area of self-insurance, understanding actuarial data, claims processing, subrogation recoveries, and reinsurance claims to better assist the district in this area.

### Standard Implemented: Partially

November 1, 2004 Rating: 3



## **18.2 Maintenance and Operations Fiscal Controls**

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### **Professional Standard**

The district has a work order system that tracks all maintenance requests, the worker assigned, dates of completion, labor time spent and the cost of materials.

### **Sources and Documentation**

1. Interview with Director of Facilities
2. Interview with Director of Student Housing
3. Work order system input requirements, system reports, etc.; for SPMMS
4. Work order system input requirements, system reports, etc.; for PM+4

### **Findings**

1. Work order or maintenance requests are input and submitted to the Maintenance Department through the online network. The district operates two work order systems that track the request, assignment date, labor and materials cost, and completion date.
2. Each work order system serves the district with distinct functionality differences. The SPMMS system receives work orders online to the maintenance department. A determination is made by the supervisor whether the request is for maintenance of the existing plant or another type of request. This system only generates a work order after all the information is input and the work order is closed.
3. A secondary maintenance work order system is utilized by the district's internal maintenance staff to track and maintain, pumps, HVAC systems, filters, etc. This system is called PM+4 and comes from the hospital industry. It has the ability to generate open work orders for the purpose of planning regular plant maintenance.
4. Data entry for closing out maintenance work orders is approximately six months or 500 work orders in arrears. This is attributed to an unfilled vacancy in the maintenance department.
5. Any work orders for health and/or safety are given priority status and assigned immediately for remediation.

Follow-up for maintenance work orders is performed by the director for accuracy, cost and efficiency. Due to the data input problem the district is currently experiencing, this process is backlogged and does not reflect the normal operating procedures of the department.

### **Recommendations and Improvement Plan**

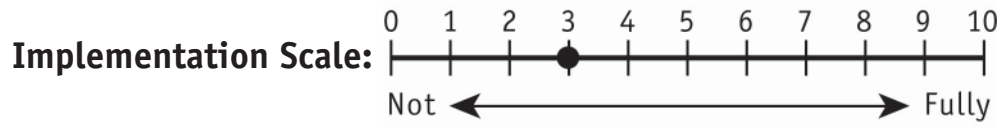
1. The district should transition to one work order system that will reduce the overall input and tracking time for the district. The PM+4 system appears to have maintenance tracking advantages for systems, preventative maintenance, etc., and should be reviewed for modifications to fulfill the district's work order system needs.



2. Due to the critical importance and potential high cost maintenance, the district should implement cross training of all clerical staff on the present work order systems.

**Standard Implemented: Partially**

November 1, 2004 Rating: 3



## **18.3 Maintenance and Operations Fiscal Controls**

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### **Professional Standard**

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

### **Sources and Documentation**

1. Interview with Director of Facilities
2. Interview with Director of Student Housing
3. Board policies and administrative regulations
4. District facility use permit
5. District facility master schedule
6. Startup procedures for the new fiscal year
7. Invoice process and accounting records

### **Findings**

1. The district utilizes Microsoft Schedule Worksheets to track and monitor facility use and the permit process. Each school processes its facilities calendar at the beginning of the fiscal year. Days are blocked out for holidays, non-student days, school events, etc., on each school calendar.
2. The appropriate fee schedules determining the type of group (nonprofit or profit) and direct cost or fair market rental value are present and documented.
3. The district's board policy and administrative regulations appear to be aligned with Education Code Section 38130 regarding the use and permit of school facilities as a civic center.
4. The district's current fee schedule for facility use permits granted under the authorization of the district's board policy and administrative regulations does not accurately reflect the current cost for custodial, cafeteria and other related labor classifications.
5. The reimbursement process to the different departments for labor related expenditures does not document the procedures to be used. Questions existed in the Cafeteria department specifically regarding the reimbursement for labor related expenditures and how the process would transpire, either from a holding account or a budget transfer.
6. All forms were pre-numbered for identification and tracking purposes and detailed the history of specific transactions.

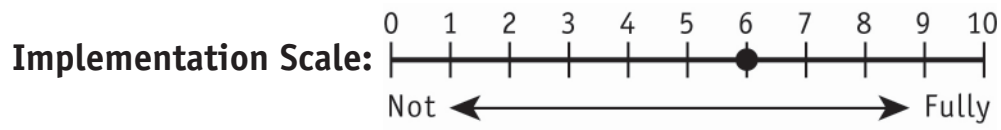
### **Recommendations and Improvement Plan**

1. The district should consider adopting a new fee schedule that aligns with Board Policy 1330 and that accurately reflects the current facility and labor costs associated with the use of the district's facilities as a civic center.

2. The district should clarify the reimbursement process for costs associated with facility use with written procedures and documentation to all departments.

**Standard Implemented: Partially**

November 1, 2004 Rating: 6



## **18.4 Maintenance and Operations Fiscal Controls**

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### **Professional Standard**

The Maintenance Department follows standard district purchasing protocols. Open purchase orders may be used if controlled by limiting the employees authorized to make the purchase and the amount.

### **Sources and Documentation**

1. Interview with former Director of Purchasing
2. Interview with Director of Facilities
3. Purchase orders
4. Open purchase orders
5. Discussion with Director of Facilities regarding signature process

### **Findings**

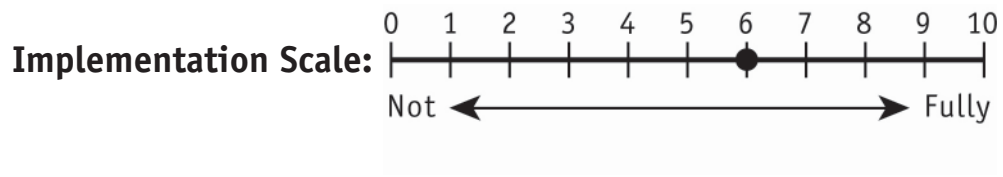
1. The Maintenance Department regularly uses open purchase orders for parts and materials in conjunction with work order requests or operational requirements. The department is the largest user of this purchasing method in the district and employs strict controls with all participating vendors. The Director of Facilities sets up all open purchase orders prior to the new fiscal year. The open purchase order can have up to four employees registered on the document and requires a not-to-exceed amount.
2. There are strict controls for all employees who utilize the open purchase order process to procure supplies. The vendor only allows transactions to be completed after the employee produces identification of the employee listed on the purchase order. Employees are then required to submit receipts with the work order attached to verify the work to be performed. All invoices require a signed receipt and authorization to be processed.
3. A complete listing of all invoices, the date mailed to accounts payable, dollar amount, balance of open purchase order, description including work order number and invoice number are attached and on file with each open purchase order in the Maintenance Department.
4. All open purchase orders are submitted and approved on the consent agenda at regularly scheduled board meetings.

### **Recommendations and Improvement Plan**

1. The district's board policy regarding purchasing through the use of open purchase orders should be updated to include maximum dollar amounts, capital equipment restrictions, and signature authorization.

## Standard Implemented: Partially

November 1, 2004 Rating: 6



## 18.5 Maintenance and Operations Fiscal Controls

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### Professional Standard

Materials and equipment/tools inventory is safeguarded from loss through appropriate physical and accounting controls.

### Sources and Documentation

1. Open purchase orders
2. Interview with Director of Facilities
3. Inventory records

### Findings

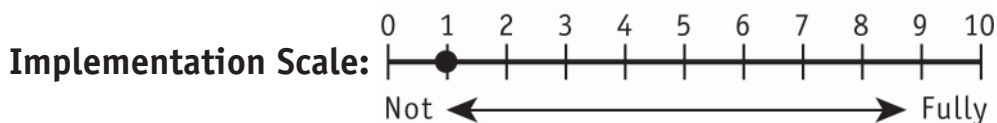
1. The district provides all power and hand tools utilized by the Maintenance Department. The department utilizes a very antiquated manual tracking system for tools being assigned to various employees.
2. Materials that are purchased through the open purchase order process must identify the related work order. Materials that are in stock are identified on the work order and included in the total cost.
3. The district's equipment inventory is manually updated and is not reconciled to any districtwide inventory listing for fixed assets.
4. The work order system provides advantages for the maintenance staff to anticipate and plan material needs for future projects. The maintenance staff can achieve fiscal savings regarding purchasing of materials by procuring in advance and saving valuable time by eliminating unnecessary trips to vendors.

### Recommendations and Improvement Plan

1. GASB 34 requires the district to maintain complete and current fixed asset records for accounting purposes. The district implemented fixed accounting in the 2001-02 fiscal year but has failed to properly maintain records of additions and deletions. The procedures and reporting time lines for fixed assets should be updated and distributed to all departments.
2. The maintenance department should automate its tracking and monitoring process for all power and hand tools either checked out or permanently located on district vehicles.

### Standard Implemented: Partially

November 1, 2004 Rating: 1



## **18.6 Maintenance and Operations Fiscal Controls**

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### **Professional Standard**

District-owned vehicles are used only for district purposes. Fuel is inventoried and controlled as to use.

### **Sources and Documentation**

1. Interview with Director of Facilities
2. Budget documents

### **Findings**

1. The district supplies vehicles to the maintenance and grounds staff as necessary to complete district business.
2. Fuel is obtained for all maintenance and grounds vehicles through the transportation department yard. The district transportation department maintains fuel logs for all vehicles by department. Each department is charged for its usage.
3. The Maintenance and Grounds employees are required to fuel their own vehicles and log the appropriate vehicle identification number, gallons of fuel and oil for inventory and charge back purposes. The tracking system is manual and is not followed consistently by the maintenance and grounds employees.
4. Specific fueling times are allocated for each department. This requirement is not followed by all maintenance and grounds employees.
5. The district's vehicles are difficult to monitor without proper documentation due to the rollover of odometer readings for many vehicles.
6. The district's maintenance department does not have a vehicle replacement plan to maintain the fleet.
7. Due to the lack of accurate documentation on maintenance and grounds vehicles, the Transportation Department utilizes average costing methods based on the total number of gallons of fuel on an annual basis.
8. Bill backs to the maintenance department are in arrears due to the arduous bookkeeping required to track and monitor fuel consumption.
9. All other vehicles in the Transportation Department such as school buses are fueled and the proper documentation recorded by the district's mechanics.

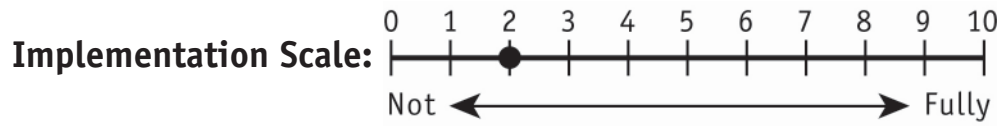
### **Recommendations and Improvement Plan**

1. The maintenance department should require that all employees follow the written fueling procedures to allow the district to monitor and track each vehicle from a cost and efficiency standard.

2. Due to the number of labor hours required to record fuel information, the district should evaluate cost proposals to convert the existing fueling system to an automated card lock system.

**Standard Implemented: Partially**

November 1, 2004 Rating: 2





## **18.7 Maintenance and Operations Fiscal Controls**

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### **Legal Standard**

Vending machine operations are subject to policies and regulations set by the State Board of Education. All vending machine contracts reflect these policies and regulations. An adequate system of inventory control also exists. [EC 48931]

### **Sources and Documentation**

1. Discussion with Director of Food Services
2. Interview with Director of Facilities
3. Board policy and administrative regulations

### **Findings**

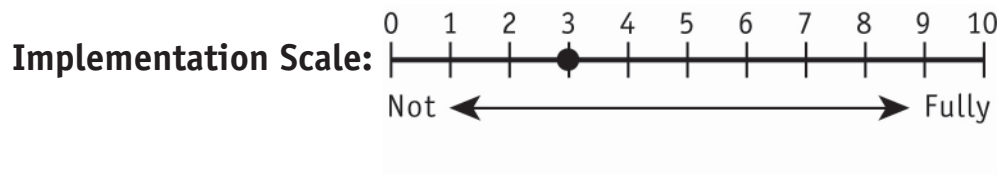
1. Vending machines and operations are not under the supervision and control of the Maintenance Department.
2. Vending machines are non-existent at the elementary schools and are only located on the secondary campuses.
3. The district's board policy regarding food sales and specifically regarding vending machines is not up to date.
4. All contracts for vending machine sales must be approved by the Governing Board.
5. Competitive sales of vending machine products exist between the Food Service Department and student organizations.
6. Cash sales from vending machines operated by the food service department are through commission check for carbonated sales and manual cash collection for milk machines.

### **Recommendations and Improvement Plan**

1. The district should update its board policy regarding the operation of vending machines located in the school district.
2. The district should provide each site a copy of the administrative regulations regarding competitive food sales by student or other organizations.
3. All contracts for vending machine sales should be reviewed by the Director of Food Service and approved by the Governing Board.
4. The district should maintain a centralized master contract file regarding all vending machines located in the district.

## Standard Implemented: Partially

November 1, 2004 Rating: 3



## 18.8 Maintenance and Operations Fiscal Controls

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### Professional Standard

Capital equipment and furniture is tagged as district-owned property and inventoried at least annually.

### Sources and Documentation

1. Director of Facilities
2. Interview with Business Services staff
3. 2001-02 Audit Report
4. 2002-03 Audit Report

### Findings

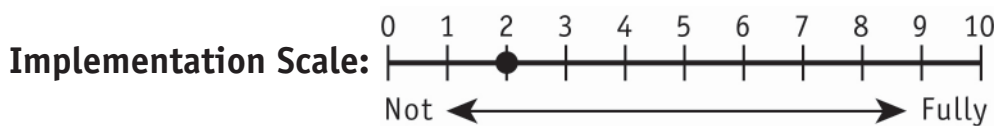
1. The district implemented a fixed asset accounting process with procedures in the 2001-02 fiscal year.
2. During the 2002-03 fiscal year, no supervision or direction was assigned to maintain the fixed assets inventory and record additions or deletions to the inventory records.

### Recommendations and Improvement Plan

1. The district should assign a specific employee or department to maintain the district's fixed asset records and inventory as required by GASB 34.
2. The district should develop procedures that require all equipment that is received to be physically marked, tagged or etched prior to the delivery of each qualifying fixed asset to the appropriate district location.

### Standard Implemented: Partially

November 1, 2004 Rating: 2



## 18.9 Maintenance and Operations Fiscal Controls

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### Legal Standard

The district adheres to bid and force account requirements found in the Public Contract Code (Sections 20111 and 20114). These requirements include formal bids for materials, equipment and maintenance projects that exceed \$56,900; capital projects of \$15,000 or more; and labor when the job exceeds 750 hours or the materials exceed \$21,000.

### Sources and Documentation

1. Board policy
2. Copies of bid documents
3. Copies of bid awards including legal advertisements, bid documents and board agenda approval
4. Interview with Director of Facilities
5. Interview with Director of Student Housing
6. Interview with former Director of Purchasing

### Findings

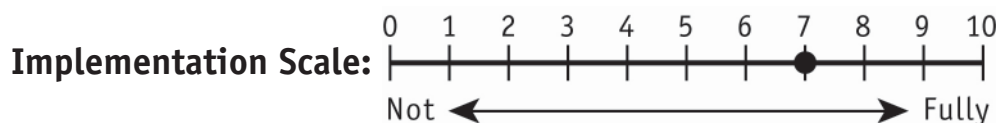
1. The district's bid process is in compliance with the public contract code and board policy and was validated by source documentation.
2. Staff is experienced and utilizes internal bid processes and the California Multiple Award Schedule (CMAS) to procure materials, equipment and maintenance projects that exceed the legal authority provided by the public contract code.
3. The district has not implemented the uniform-cost accounting program that allows for cost accounting methods to perform work internally by the maintenance staff versus the formal bidding process.
4. The district's board policies are in compliance with the bidding procedures required by the Public Contract Code.

### Recommendations and Improvement Plan

1. The district should review the requirements of the uniform cost construction accounting program for possible future implementation.

### Standard Implemented: Partially

November 1, 2004 Rating: 7



## 18.10 Maintenance and Operations Fiscal Controls

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### Legal Standard

Standard accounting practices dictate that the district has adequate purchasing and contract controls to ensure that only properly authorized purchases are made and independent contracts approved, and that authorized purchases and independent contracts are made consistent with district policies, procedures and management direction. In addition, appropriate levels of signature authorization are maintained to prevent or discourage inappropriate purchases or contract awards.

### Sources and Documentation

1. Board policy
2. Copies of bid documents
3. Copies of bid awards including legal advertisements, bid documents and board agenda approval
4. Interview with Director of Facilities
5. Interview with Director of Student Housing
6. Interview with former Director of Purchasing

### Findings

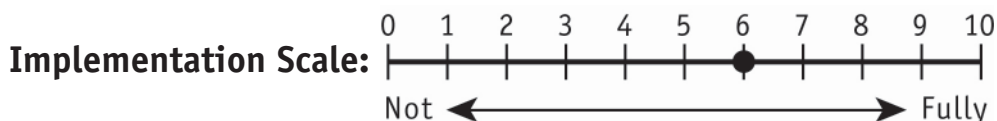
1. The Maintenance Department maintains files for each contract for materials or supplies.
2. The Director of Facilities reviews all expenditures for materials and supplies and requires employee signatures, work orders and the appropriate purchase order number to be attached to all invoices submitted for payment.
3. The Director of Facilities reviews all requisitions to determine the bid requirements and alleviate potential for bid splitting in accordance with the requirements of the Public Contract Code.
4. Any invoice that exceeds the purchase order must have a written explanation attached or only the original amount of the purchase order is approved for payment.

### Recommendations and Improvement Plan

1. Due to the volume of purchase orders and contracts of the Maintenance Department, the Business office should conduct a semi-annual external audit for contract and purchase order compliance. Vendor totals should be examined and selected for testing.

### Standard Implemented: Partially

November 1, 2004 Rating: 6



## **19.1 Food Service Fiscal Controls**

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### **Professional Standard**

In order to accurately record transactions and to ensure the accuracy of financial statements for the cafeteria fund in accordance with generally accepted accounting principles, the district has adequate purchasing and warehousing procedures to ensure that:

1. Only properly authorized purchases are made consistent with district policies, federal guidelines, and management direction.
2. Adequate physical security measures are in place to prevent the loss/theft of food inventories.
3. Revenues, expenditures, inventories, and cash are recorded timely and accurately.

### **Sources and Documentation**

1. Interview with the Director of Student Nutrition Services
2. Budget documents for 2002-03, 2003-04 and 2004-05
3. Independent audit reports for 2001-02 and 2002-03
4. Inventory adjustments for 2003-04
5. November 2003 Coordinated Review Effort from CDE

### **Findings**

1. The Director of Student Nutrition Services authorizes all purchase orders and monitors purchase order spending through financial activity reports and internal spreadsheets.
2. The Food Service Department's purchases of materials and supplies are consistent with district policies and federal guidelines for nutrition.
3. Food products at schools and the warehouse are stored in safe and locked locations. Menu production worksheets are prepared and utilized in an effort to assist the cafeteria program in monitoring and tracking inventory.
4. Deposit procedures are documented and cash deposits are prepared from the Daily Food Service Report. Sites are required to perform currency counts by denomination, total currency, total coin, bag number and total deposit. All deposits are required within 24 hours of the previous day.
5. In the 2002-03 audit report, verification through interfund receivables and payables substantiated that claims for federal and state reimbursement were not submitted timely, and temporary loans were required in excess of \$2 million.
6. The district is experiencing its second consecutive fiscal year since 2002-03 of decreased meal production due to declining enrollment.
7. Increased costs for salaries and benefits continue to provide challenges for the Food Service Department.

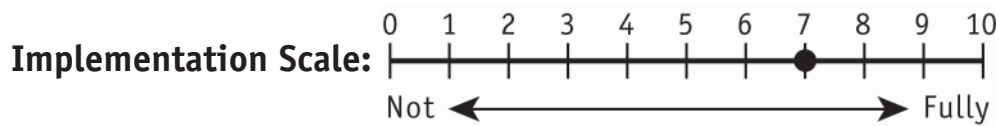
8. The district utilizes the PANDA point of sale program to track and monitor free and reduced lunch activity.
9. The Food Service Department is reducing the cost of staffing through attrition and planned layoffs to offset the increased cost of food and supplies.

### **Recommendations and Improvement Plan**

1. Claims for federal and state reimbursement should be filed no later than 30 days in arrears to alleviate interfund borrowing from an already depleted general fund for cash flow purposes.
2. Review annual personnel requirements for food services no later than March of the preceding fiscal year and make recommendations for staffing based on projected enrollment trends.

### **Standard Implemented: Partially**

November 1, 2004 Rating: 7



## **19.2 Food Service Fiscal Controls**

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### **Professional Standard**

The district operates the food service programs in accordance with applicable laws and regulations.

### **Sources and Documentation**

1. Interview with the Director of Student Nutrition Services
2. Budget documents for 2002-03, 2003-04 and 2004-05
3. Independent Audit Reports for 2001-02 and 2002-03
4. Inventory adjustments for 2003-04
5. November 2003 Coordinated Review Effort from CDE

### **Findings**

1. In November of 2003, the district received a Coordinated Review Effort performed by the California Department of Education. The review indicated that the district's corrective action documentation had been approved. The review included but was not limited to requirements for Dietary and Nutrition Standards, Free and Reduced Price Process, Monitoring Site Responsibilities/Sanitation, USDA Donated Products and other technical assistance areas.
2. All School Food Authorities (SFAs) are required to have detailed written meal count and collection procedures approved by the Child Nutrition and Food Distribution Division (CNFDD) on file. The district utilizes the PANDA point of sale software system and is in compliance with this regulation to track and monitor student eligibility.
3. The financial solvency of the cafeteria fund is in jeopardy due to the continual decline of student enrollment, increases in salary and benefits and decreased meal productivity.
4. The 2004-05 budget projects an ending fund balance of \$0.17, reflecting a rollover projection from the 2003-04 fiscal year, and does not accurately reflect the potential impact of the cafeteria fund to the financial solvency of the district.

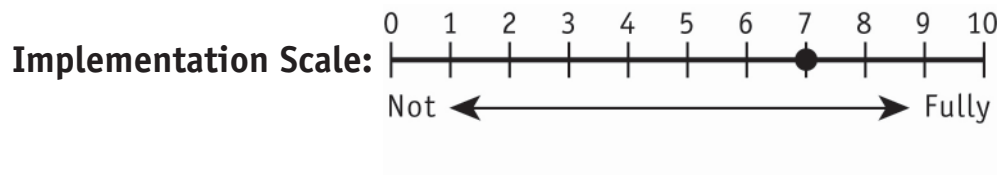
### **Recommendations and Improvement Plan**

1. Revise the 2004-05 budget to accurately reflect the projected revenues and expenditures.
2. Establish specific fiscal standards for the cafeteria fund to remain fiscally solvent and to alleviate any potential future encroachment.
3. Establish monthly meetings with the Food Service Department and the Business Office to closely monitor any changes necessary to maintain the projected positive ending fund balance.



## Standard Implemented: Partially

November 1, 2004 Rating: 7



## 19.3 Food Service Fiscal Controls

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### Professional Standard

Food service software permits point of sale transaction processing for maximum efficiency.

### Sources and Documentation

1. Interview with the Director of Student Nutrition Services
2. Budget documents for 2002-03, 2003-04 and 2004-05
3. Independent Audit Reports for 2001-02 and 2002-03
4. Inventory adjustments for 2003-04
5. November 2003 Coordinated Review Effort from CDE

### Findings

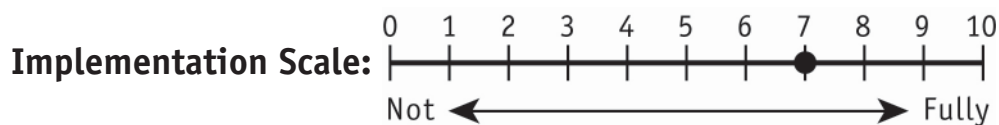
1. All School Food Authorities (SFAs) are required to have detailed written meal count and collection procedures approved by the Child Nutrition and Food Distribution Division (CNFDD) on file at their central site or sites serving lunch and/or breakfast. In order to have accurate claims and to ensure students are receiving benefits, the system in place must have the ability to accurately transfer and process eligibility information. The district utilizes the PANDA point of sale software system and is in compliance with this regulation to track and monitor student eligibility through the National School Lunch Program.

### Recommendations and Improvement Plan

1. None.

### Standard Implemented: Partially

November 1, 2004 Rating: 7



## **20.1 Charter Schools**

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### **Professional Standard**

In the process of reviewing and approving charter schools, the district identifies/establishes minimal financial management and reporting standards that the charter school will follow. These standards/procedures will provide some level of assurance that finances will be managed appropriately, and allow the district to monitor the charter. The district monitors the financial management and performance of the charter schools on an ongoing basis in order to ensure that the resources are appropriately managed.

### **Sources and Documentation**

1. Interview with the Interim Director of Business Services
2. 2001-02 Audit Report
3. 2002-03 Audit Report
4. Board policy
5. AB 1200 reporting requirements

### **Findings**

1. The district is the sponsoring district for the Mare Island Technology (MIT) Academy Middle and High School Charter Schools.
2. The 2001-02 audit reported that expenditures exceeded appropriations in the charter fund by \$160,643.
3. The charter school maintains separate commercial bank accounts and is not included in the financial statements of the district.
4. As of June 30, 2003, the charter schools had an outstanding revolving loan from the State of California in the amount of \$400,000. This potential district liability is not included in the financial statements of the district.
5. The current Memorandum of Understanding between the district and Mare Island Technology Academy is under review. MIT is requesting fiscal separation from Vallejo due to the lack of accurate and timely fiscal reporting.
6. Inconsistencies exist in posting timely apportionments and property tax transfers for charter schools by the district.
7. The district did not review the annual audit report and recommendations regarding any findings for charter schools.

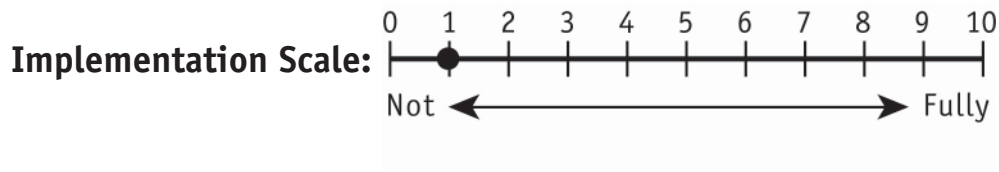
### **Recommendations and Improvement Plan**

1. The district should complete the Memorandum of Understanding with Mare Island Technology Academy Charter Schools.

2. The district should review newly enacted legislation AB 1137 that requires charter schools to submit first and second interim reports in accordance with Education Code Section 47604.33. The district should meet with each charter school representative and review the reporting requirements and format for submittal.
3. The district's board policy should be updated to reflect the new educational and fiscal accountability issues between the charter and the district in accordance with AB 1137.
4. Audit reports should be requested annually from the Charter Schools and meetings held to review findings and recommendations.

**Standard Implemented: Partially**

November 1, 2004 Rating: 1



## **21.1 State Mandated Costs**

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### **Professional Standard**

The district has procedures that provide for the appropriate oversight and management of mandated cost claim reimbursement filing. Appropriate procedures cover: the identification of changes to existing mandates; training staff regarding the appropriate collection and submission of data to support the filing of mandated costs claims; forms, formats, and time lines for reporting mandated cost information; and review of data and preparation of the actual claims.

### **Sources and Documentation**

1. Discussions with Business Office staff
2. Contract with Mandated Cost Services (MCS)
3. Adoption Budget for 2003-04
4. 2001-02 Audit Report
5. 2002-03 Audit Report
6. Report prepared by School Services on February 18, 2004

### **Findings**

1. The district currently utilizes an outside consulting firm to provide services for the preparation of mandated claims. The firm collects supporting documentation in order to file claims with the State of California.
2. The 2002-03 budget was overstated by \$1,322,276 for anticipated mandated cost claims in accordance with the final audited records.
3. Reimbursement for mandated claims has been suspended and the state Legislature has only appropriated funding for claims through the 1998-99 fiscal year, with some funds remaining to fund 1999-00 claims.
4. The consulting firm trains staff on what claims are to be filed, how to complete the necessary documentation, how to file the claims, and the time line for submitting claims to obtain reimbursement from the state. The consultant also ensures that mandated claim forms are completed and filed correctly.
5. At the time of FCMAT's fieldwork at the district, the Interim Director of Fiscal Services was assigned to this area of responsibility.

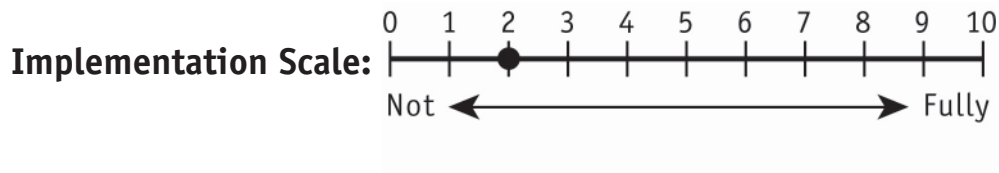
### **Recommendations and Improvement Plan**

1. The district should assign a permanent staff member to review and assist in the filing of mandated cost claims. The district should review all past claims and departments filing claims to ensure that revenues are being maximized for the future when the state begins to fund mandates.
2. The budget should not include any amounts that are considered as an ongoing funding source for mandated cost claims.

3. The district should consider establishing an incentive program for all sites and departments to maximize the number of claims submitted. The filing of claims is often considered time-consuming, but due to the current fiscal status of the district, all available sources will be required to regain the district's financial solvency.
4. The district will need to implement a consistent reporting and filing process that will ensure district revenues are maximized for all allowable claims. Although the state is not reimbursing mandated claims in the current fiscal year, potential future revenues may be decreased if the district does not align its current reporting process by the time the state appropriates funding for mandates.

**Standard Implemented: Partially**

November 1, 2004 Rating: 2



## **22.1 Special Education**

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### **Professional Standard**

The district actively takes measures to contain the cost of Special Education services while still providing an appropriate level of quality instructional and pupil services to Special Education pupils.

### **Sources and Documentation**

1. Director of Special Education
2. J18/19 for 2002-03 and 2003-04
3. Encroachment amount in relation to total budget

### **Findings**

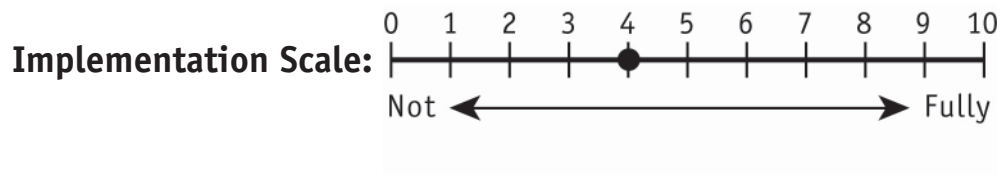
1. The district has been assisted by School Services of California in validating that it is within the statewide average for encroachment level and student numbers.
2. The district has a 20.1% encroachment.
3. Approximately 10% of the district student population is identified as Special Education.
4. Special Education staff work hard to build a positive relationship with parents from the first day they enter the system. This has resulted in few legal issues, keeping that cost very low.
5. The district has approximately 90 non-public school placements. This low number is also a result of the relationship between parents and Special Education staff.
6. Because the program specialists and psychologists are management level, there are more controls on the way students are assessed for placement in Special Education and on the individualized educational plans written for students who are placed in Special Education programs.
7. Although the encroachment number seems reasonable for this district, there seems to be a question as to the proper coding of all positions and expenditures.

### **Recommendations and Improvement Plan**

1. The Special Education department seems to be aware of the program's impact on the general fund and has instituted many strategies for keeping encroachment at the state average.
2. A thorough analysis of the coding of expenditures for Special Education must be performed and any discrepancies corrected for future spending and budgeting.

## Standard Implemented: Partially

November 1, 2004 Rating: 4





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

The identified subset of standards appears in bold print. These standards, indicated by , will be targeted for in-depth review for the May 2005 report.

<b>Standard to be addressed</b>		Nov. 2004 Rating	May 2005 Focus
1.7	<b>PROFESSIONAL STANDARD - INTERNAL CONTROL ENVIRONMENT</b> All employees are evaluated on performance at least annually by a management-level employee knowledgeable about their work product. The evaluation criteria are clearly communicated and, to the extent possible, measurable. The evaluation includes a follow-up on prior performance issues and establishes goals to improve future performance.	1	<input type="checkbox"/>
1.8	<b>PROFESSIONAL STANDARD - INTERNAL CONTROL ENVIRONMENT</b> The responsibility for reliable financial reporting resides first and foremost at the district level. Top management sets the tone and establishes the environment. Therefore, appropriate measures are implemented to discourage and detect fraud (SAS 82; Treadway Commission).	2	<input type="checkbox"/>
2.1	<b>PROFESSIONAL STANDARD - INTER- AND INTRADEPARTMENTAL COMMUNICATIONS</b> The business and operational departments communicate regularly with internal staff and all user departments on their responsibilities for accounting procedures and internal controls. The communications are written whenever possible, particularly when they (1) affect many staff or user groups, (2) are issues of high importance, or (3) reflect a change in procedures. Procedures manuals are necessary to the communication of responsibilities. The departments also are responsive to user department needs, thus encouraging a free exchange of information between the two (excluding items of a confidential nature).	1	<input type="checkbox"/>
2.2	<b>PROFESSIONAL STANDARD - INTER- AND INTRADEPARTMENTAL COMMUNICATIONS</b> The financial departments communicate regularly with the Governing Board and community on the status of district finances and the financial impact of proposed expenditure decisions. The communications are written whenever possible, particularly when they affect many community members, are issues of high importance to the district and board, or reflect a change in policy.	2	<input type="checkbox"/>

The identified subset of standards appears in bold print. These standards, indicated by , will be targeted for in-depth review for the May 2005 report.

Standard to be addressed		Nov. 2004 Rating	May 2005 Focus
2.3	<b>PROFESSIONAL STANDARD - INTER- AND INTRADEPARTMENTAL COMMUNICATIONS</b> The Governing Board is engaged in understanding globally the fiscal status of the district, both current and as projected. The board prioritizes district fiscal issues among the top discussion items.	1	<input type="checkbox"/>
2.4	<b>PROFESSIONAL STANDARD - INTER- AND INTRADEPARTMENTAL COMMUNICATIONS</b> The district has formal policies and procedures that provide a mechanism for individuals to report illegal acts, establish to whom illegal acts should be reported, and provide a formal investigative process.	0	<input type="checkbox"/>
2.5	<b>PROFESSIONAL STANDARD - INTER- AND INTRADEPARTMENTAL COMMUNICATIONS</b> Documents developed by the fiscal division for distribution to the Governing Board, finance committees, staff and community are easily understood. Those who receive documents developed by the fiscal division do not have to wade through complex, lengthy computer printouts.	1	<input type="checkbox"/>
3.1	<b>PROFESSIONAL STANDARD - STAFF PROFESSIONAL DEVELOPMENT</b> The district has developed and uses a professional development plan for training business staff. The plan includes the input of business office supervisors and managers, and, at a minimum, identifies appropriate programs office-wide. At best, each individual staff and management employee has a plan designed to meet their individual professional development needs.	0	<input type="checkbox"/>
3.2	<b>PROFESSIONAL STANDARD - STAFF PROFESSIONAL DEVELOPMENT</b> The district develops and uses a professional development plan for the in-service training of school site/department staff by business staff on relevant business procedures and internal controls. The plan includes the input of the business office and the school sites/departments and is updated annually.	0	<input type="checkbox"/>

The identified subset of standards appears in bold print. These standards, indicated by , will be targeted for in-depth review for the May 2005 report.

<b>Standard to be addressed</b>		Nov. 2004 Rating	May 2005 Focus
<b>4.1</b>	<b>PROFESSIONAL STANDARD - INTERNAL AUDIT</b> <b>The Governing Board has adopted policies establishing an internal audit function that reports directly to the Superintendent/State Administrator and the audit committee or Governing Board.</b>	0	<input type="checkbox"/>
<b>4.2</b>	<b>PROFESSIONAL STANDARD - INTERNAL AUDIT</b> <b>Internal audit functions are designed into the organizational structure of the district. These functions include periodic internal audits of areas at high risk for non-compliance with laws and regulations and/or at high risk for monetary loss.</b>	0	<input type="checkbox"/>
<b>4.3</b>	<b>PROFESSIONAL STANDARD - INTERNAL AUDIT</b> Qualified staff are assigned to conduct internal audits and are supervised by an independent body, such as an audit committee.	0	
<b>4.4</b>	<b>PROFESSIONAL STANDARD - INTERNAL AUDIT</b> Internal audit findings are reported on a timely basis to the audit committee, governing board and administration, as appropriate. Management then takes timely action to follow up and resolve audit findings.	0	
<b>5.1</b>	<b>PROFESSIONAL STANDARD - BUDGET DEVELOPMENT PROCESS (POLICY)</b> The budget development process requires a policy-oriented focus by the Governing Board to develop an expenditure plan that fulfills the district's goals and objectives. The Governing Board focuses on expenditure standards and formulas that meet the district goals. The Governing Board avoids specific line-item focus, but directs staff to design an entire expenditure plan focusing on student and district needs.	3	
<b>5.2</b>	<b>PROFESSIONAL STANDARD - BUDGET DEVELOPMENT PROCESS (POLICY)</b> The budget development process includes input from staff, administrators, board and community.	3	
<b>5.3</b>	<b>PROFESSIONAL STANDARD - BUDGET DEVELOPMENT PROCESS (POLICY)</b> Policies and regulations exist regarding budget development and monitoring.	2	

The identified subset of standards appears in bold print. These standards, indicated by , will be targeted for in-depth review for the May 2005 report.

<b>Standard to be addressed</b>		Nov. 2004 Rating	May 2005 Focus
5.4	<b>PROFESSIONAL STANDARD - BUDGET DEVELOPMENT PROCESS (POLICY)</b> The district has a clear process to analyze resources and allocations to ensure that they are aligned with strategic planning objectives and that the budget reflects district priorities.	2	<input type="checkbox"/>
5.5	<b>PROFESSIONAL STANDARD - BUDGET DEVELOPMENT PROCESS (POLICY)</b> The district has policies to facilitate development of a budget that is understandable, meaningful, reflective of district priorities, and balanced in terms of revenues and expenditures.	3	<input type="checkbox"/>
5.6	<b>PROFESSIONAL STANDARD - BUDGET DEVELOPMENT PROCESS (POLICY)</b> Categorical funds are an integral part of the budget process and have been integrated into the entire budget development. The revenues and expenditures for categorical programs are reviewed and evaluated in the same manner as unrestricted General Fund revenues and expenditures. Categorical program development is integrated with the district's goals and used to respond to district student needs that cannot be met by unrestricted expenditures. The superintendent, superintendent's cabinet and fiscal office have established procedures to ensure that categorical funds are expended effectively to meet district goals. Carryover and unearned income of categorical programs are monitored and evaluated in the same manner as General Fund unrestricted expenditures.	4	
5.7	<b>PROFESSIONAL STANDARD - BUDGET DEVELOPMENT PROCESS (POLICY)</b> The district has the ability to accurately reflect its net ending balance throughout the budget monitoring process. The first and second interim reports provide valid updates of the district's net ending balance. The district has tools and processes that ensure that there is an early warning of any discrepancies between the budget projections and actual revenues or expenditures.	0	<input type="checkbox"/>

The identified subset of standards appears in bold print. These standards, indicated by , will be targeted for in-depth review for the May 2005 report.

Standard to be addressed		Nov. 2004 Rating	May 2005 Focus
5.8	<b>PROFESSIONAL STANDARD - BUDGET DEVELOPMENT PROCESS (POLICY)</b> The district utilizes formulas for allocating funds to school sites and departments. This can include staffing ratios, supply allocations, etc. These formulas should be in line with the board's goals and directions, and should not be overridden.	3	
6.1	<b>PROFESSIONAL STANDARD - BUDGET DEVELOPMENT PROCESS (TECHNICAL)</b> <b>The budget office has a technical process to build the preliminary budget amounts that includes: the forecast of revenues, the verification and projection of expenditures, the identification of known carryovers and accruals and the inclusion of concluded expenditure plans. The process clearly identifies one-time sources and uses of funds. Reasonable ADA and COLA estimates are used when planning and budgeting. This process is applied to all funds.</b>	0	<input type="checkbox"/>
6.2	<b>PROFESSIONAL STANDARD - BUDGET DEVELOPMENT PROCESS (TECHNICAL)</b> An adopted budget calendar exists that meets legal and management requirements. At a minimum the calendar identifies statutory due dates and major budget development activities.	3	
6.3	<b>PROFESSIONAL STANDARD - BUDGET DEVELOPMENT PROCESS (TECHNICAL)</b> Standardized budget worksheets are used in order to communicate budget requests, budget allocations, formulas applied and guidelines.	3	
7.1	<b>LEGAL STANDARD - BUDGET ADOPTION, REPORTING, AND AUDITS</b> The district adopts its annual budget within the statutory time lines established by Education Code Section 42103, which requires that on or before July 1, the governing board shall hold a public hearing on the budget to be adopted for the subsequent fiscal year. Not later than five days after that adoption or by July 1, whichever occurs first, the governing board shall file that budget with the county superintendent of schools. [EC 42127(a)]	3	

The identified subset of standards appears in bold print. These standards, indicated by , will be targeted for in-depth review for the May 2005 report.

<b>Standard to be addressed</b>		Nov. 2004 Rating	May 2005 Focus
<b>7.2</b>	<p><b>LEGAL STANDARD - BUDGET ADOPTION, REPORTING, AND AUDITS</b></p> <p>Revisions to expenditures based on the State Budget are considered and adopted by the governing board. Not later than 45 days after the governor signs the annual Budget Act, the district shall make available for public review any revisions in revenues and expenditures that it has made to its budget to reflect funding available by that Budget Act. [EC 42127(2) and 42127(i)(4)]</p>	3	
<b>7.3</b>	<p><b>PROFESSIONAL STANDARD - BUDGET ADOPTION, REPORTING, AND AUDITS</b></p> <p>The district has procedures that provide for the development and submission of a district budget and interim reports that adhere to criteria and standards and are approved by the county office of education.</p>	3	
<b>7.4</b>	<p><b>LEGAL STANDARD - BUDGET ADOPTION, REPORTING, AND AUDITS</b></p> <p>The district completes and files its interim budget reports within the statutory deadlines established by Education Code Section 42130, et. seq.</p>	2	
<b>7.5</b>	<p><b>PROFESSIONAL STANDARD - BUDGET ADOPTION, REPORTING, AND AUDITS</b></p> <p><b>The first and second interim reports show an accurate projection of the ending fund balance. Material differences are presented to the board of education with detailed explanations.</b></p>	0	<input type="checkbox"/>
<b>7.6</b>	<p><b>LEGAL STANDARD - BUDGET ADOPTION, REPORTING, AND AUDITS</b></p> <p>The district has complied with Governmental Accounting Standard No. 34 (GASB 34) for the period ending June 30, 2003. GASB 34 requires the district to develop policies and procedures and report in the annual financial reports on the modified accrual basis of accounting and the accrual basis of accounting.</p>	1	
<b>7.7</b>	<p><b>LEGAL STANDARD - BUDGET ADOPTION, REPORTING, AND AUDITS</b></p> <p>The district has arranged for an annual audit (single audit) within the deadlines established by Education Code section 41020.</p>	3	

The identified subset of standards appears in bold print. These standards, indicated by , will be targeted for in-depth review for the May 2005 report.

<b>Standard to be addressed</b>		Nov. 2004 Rating	May 2005 Focus
<b>7.8</b>	<p><b>LEGAL STANDARD - BUDGET ADOPTION, REPORTING, AND AUDITS</b></p> <p>The district should include in its audit report, but not later than March 15, a corrective action for all findings disclosed as required by Education Code Section 41020.</p>	4	
<b>7.9</b>	<p><b>LEGAL STANDARD - BUDGET ADOPTION, REPORTING, AND AUDITS</b></p> <p>The district must file certain documents/reports with the state as follows: J-200 series - (Education Code Section 42100); J-380 series - CDE procedures; Interim financial reports - (Education Code Section 42130); J-141 transportation report (Title V, article 5, Section 15270).</p>	4	
<b>7.10</b>	<p><b>LEGAL STANDARD - BUDGET ADOPTION, REPORTING, AND AUDITS</b></p> <p>Education Code Section 41020(c) (d) (e) (g) establishes procedures for local agency audit obligations and standards. Pursuant to Education Code Section 41020(h), the district submits to the county superintendent of schools in the county that the district resides, the State Department of Education, and the State Controller's Office an audit report for the preceding fiscal year. This report must be submitted "no later than December 15."</p>	5	
<b>8.1</b>	<p><b>PROFESSIONAL STANDARD - BUDGET MONITORING</b></p> <p><b>All purchase orders are properly encumbered against the budget until payment.</b></p>	3	<input type="checkbox"/>
<b>8.2</b>	<p><b>PROFESSIONAL STANDARD - BUDGET MONITORING</b></p> <p><b>There are budget monitoring controls, such as periodic reports, to alert department and site managers of the potential for overexpenditure of budgeted amounts. Revenue and expenditures are forecast and verified monthly.</b></p>	1	<input type="checkbox"/>
<b>8.3</b>	<p><b>PROFESSIONAL STANDARD - BUDGET MONITORING</b></p> <p>The routine restricted maintenance account is routinely analyzed to ensure that income has been properly claimed and expenditures are within the guidelines provided by the State Department of Education. The district budget includes specific budget information to reflect the expenditures against the routine maintenance account.</p>	6	

The identified subset of standards appears in bold print. These standards, indicated by , will be targeted for in-depth review for the May 2005 report.



<b>Standard to be addressed</b>		Nov. 2004 Rating	May 2005 Focus
<b>8.4</b>	PROFESSIONAL STANDARD - BUDGET MONITORING Budget revisions are made on a regular basis and occur per established procedures, and are approved by the Governing Board.	5	
<b>8.5</b>	<b>PROFESSIONAL STANDARD - BUDGET MONITORING</b> <b>The district uses an effective position control system that tracks personnel allocations and expenditures. The position control system effectively establishes checks and balances between personnel decisions and budgeted appropriations.</b>	6	<input type="checkbox"/>
<b>8.6</b>	PROFESSIONAL STANDARD - BUDGET MONITORING The district monitors both the revenue limit calculation and the special education calculation at least quarterly to adjust for any differences between the financial assumptions used in the initial calculations and the final actuals as they are known.	6	
<b>8.7</b>	PROFESSIONAL STANDARD - BUDGET MONITORING The district monitors the site reports of revenues and expenditures provided.	0	
<b>9.1</b>	PROFESSIONAL STANDARD - BUDGET COMMUNICATIONS The district budget is a clear manifestation of district policies and is presented in a manner that facilitates communication of those policies.	0	
<b>9.2</b>	PROFESSIONAL STANDARD - BUDGET COMMUNICATIONS The district budget clearly identifies one-time sources and uses of funds.	0	
<b>10.1</b>	LEGAL STANDARD - INVESTMENTS The Governing Board reviews and approves, at a public meeting and on a quarterly basis, the district's investment policy. [GC 53646]	0	
<b>11.1</b>	<b>PROFESSIONAL STANDARD - ATTENDANCE ACCOUNTING</b> <b>An accurate record of daily enrollment and attendance is maintained at the sites and reconciled monthly.</b>	1	<input type="checkbox"/>
<b>11.2</b>	PROFESSIONAL STANDARD - ATTENDANCE ACCOUNTING Policies and regulations exist for independent study, home study, inter/intradistrict agreements and districts of choice, and address fiscal impact.	1	
<b>11.3</b>	<b>PROFESSIONAL STANDARD - ATTENDANCE ACCOUNTING</b> <b>Students are enrolled by staff and entered into the attendance system in an efficient, accurate and timely manner.</b>	2	<input type="checkbox"/>

The identified subset of standards appears in bold print. These standards, indicated by , will be targeted for in-depth review for the May 2005 report.

<b>Standard to be addressed</b>		Nov. 2004 Rating	May 2005 Focus
<b>11.4</b>	<b>PROFESSIONAL STANDARD - ATTENDANCE ACCOUNTING</b> At least annually, the school district verifies that each school bell schedule meets instructional time requirements for minimum day, year and annual minute requirements.	4	
<b>11.5</b>	<b>PROFESSIONAL STANDARD - ATTENDANCE ACCOUNTING</b> Procedures are in place to ensure that attendance accounting and reporting requirements are met for alternative programs such as ROC/P and adult education.	1	
<b>11.6</b>	<b>PROFESSIONAL STANDARD - ATTENDANCE ACCOUNTING</b> <b>The district utilizes standardized and mandatory programs to improve the attendance rate of pupils. Absences are aggressively followed-up by district staff.</b>	0	<input type="checkbox"/>
<b>11.7</b>	<b>PROFESSIONAL STANDARD - ATTENDANCE ACCOUNTING</b> <b>School site personnel receive periodic and timely training on the district's attendance procedures, system procedures and changes in laws and regulations.</b>	0	<input type="checkbox"/>
<b>11.8</b>	<b>LEGAL STANDARD - ATTENDANCE ACCOUNTING</b> Attendance records are not destroyed until after the third July 1 succeeding the completion of the audit. (Title V, CCR, Section 16026)	5	
<b>11.9</b>	<b>PROFESSIONAL STANDARD - ATTENDANCE ACCOUNTING</b> The district makes appropriate use of short-term independent study and Saturday school programs as alternative methods for pupils to keep current on classroom course work.	0	
<b>12.1</b>	<b>LEGAL STANDARD - ACCOUNTING, PURCHASING, AND WAREHOUSING</b> The district adheres to the California School Accounting Manual (CSAM) and Generally Accepted Accounting Principles (GAAP) as required by Education Code Section 41010. Adherence to CSAM and GAAP helps to ensure that transactions are accurately recorded and financial statements are fairly presented.	2	

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<b>Standard to be addressed</b>		Nov. 2004 Rating	May 2005 Focus
<b>12.2</b>	<b>PROFESSIONAL STANDARD - ACCOUNTING, PURCHASING, AND WAREHOUSING</b> The district timely and accurately records all information regarding financial activity (unrestricted and restricted) for all programs. Generally Accepted Accounting Principles (GAAP) require that in order for financial reporting to serve the needs of the users, it must be reliable and timely. Therefore, the timely and accurate recording of the underlying transactions (revenue and expenditures) is an essential function of the district's financial management.	2	<input type="checkbox"/>
<b>12.3</b>	<b>PROFESSIONAL STANDARD - ACCOUNTING, PURCHASING, AND WAREHOUSING</b> The district forecasts its revenues and expenditures and verifies those projections on a monthly basis in order to adequately manage its cash. In addition, the district reconciles its cash to bank statements and reports from the county treasurer reports on a monthly basis. Standard accounting practice dictates that, in order to ensure that all cash receipts are deposited timely and recorded properly, cash is reconciled to bank statements monthly.	1	<input type="checkbox"/>
<b>12.4</b>	<b>PROFESSIONAL STANDARD - ACCOUNTING, PURCHASING, AND WAREHOUSING</b> The district's payroll procedures are in compliance with the requirements established by the County Office of Education, unless fiscally independent. (Education Code Section 42646) Standard accounting practice dictates that the district implement procedures to ensure the timely and accurate processing of payroll.	1	<input type="checkbox"/>
<b>12.5</b>	<b>PROFESSIONAL STANDARD - ACCOUNTING, PURCHASING, AND WAREHOUSING</b> Standard accounting practice dictates that the accounting work is properly supervised and work reviewed in order to ensure that transactions are recorded timely and accurately, and allow the preparation of periodic financial statements.	1	<input type="checkbox"/>

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<b>Standard to be addressed</b>		Nov. 2004 Rating	May 2005 Focus
<b>12.6</b>	<b>PROFESSIONAL STANDARD - ACCOUNTING, PURCHASING, AND WAREHOUSING</b> Federal and state categorical programs, either through specific program requirements or through general cost principles such as OMB Circular A-87, require that entities receiving such funds must have an adequate system to account for those revenues and related expenditures.	1	
<b>12.7</b>	<b>PROFESSIONAL STANDARD - ACCOUNTING, PURCHASING, AND WAREHOUSING</b> Generally accepted accounting practices dictate that, in order to ensure accurate recording of transactions, the district have standard procedures for closing its books at fiscal year-end. The district's year-end closing procedures should comply with the procedures and requirements established by the county office of education.	1	
<b>12.8</b>	<b>LEGAL STANDARD - ACCOUNTING, PURCHASING, AND WAREHOUSING</b> The district complies with the bidding requirements of Public Contract Code Section 20111. Standard accounting practice dictates that the district have adequate purchasing and warehousing procedures to ensure that only properly authorized purchases are made, that authorized purchases are made consistent with district policies and management direction, that inventories are safeguarded, and that purchases and inventories are timely and accurately recorded.	2	
<b>12.9</b>	<b>PROFESSIONAL STANDARD - ACCOUNTING, PURCHASING, AND WAREHOUSING</b> The district has documented procedures for the receipt, expenditure and monitoring of all construction-related activities. Included in the procedures are specific requirements for the approval and payment of all construction-related expenditures.	3	
<b>12.10</b>	<b>PROFESSIONAL STANDARD - ACCOUNTING, PURCHASING, AND WAREHOUSING</b> The accounting system has an appropriate level of controls to prevent and detect errors and irregularities.	2	

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<b>Standard to be addressed</b>		Nov. 2004 Rating	May 2005 Focus
<b>12.11</b>	<b>PROFESSIONAL STANDARD - ACCOUNTING, PURCHASING, AND WAREHOUSING</b> The district has implemented the new Standardized Account Code Structure. SACS ensures the district is in compliance with federal guidelines, which will ensure no loss of federal funds, e.g., Title I federal class size reduction.	5	
<b>13.1</b>	<b>LEGAL STANDARD - STUDENT BODY FUNDS</b> The Governing Board adopts policies and procedures to ensure compliance regarding how student body organizations deposit, invest, spend, raise and audit student body funds. [EC 48930-48938]	4	
<b>13.2</b>	<b>LEGAL STANDARD - STUDENT BODY FUNDS</b> Proper supervision of all student body funds is provided by the board. [EC 48937] This includes establishing responsibilities for managing and overseeing the activities and funds of student organizations, including providing procedures for the proper handling, recording and reporting of revenues and expenditures.	4	
<b>13.3</b>	<b>PROFESSIONAL STANDARD - STUDENT BODY FUNDS</b> The district provides training and guidance to site personnel on the policies and procedures governing the Associated Student Body account.	4	
<b>13.4</b>	<b>PROFESSIONAL STANDARD - STUDENT BODY FUNDS</b> In order to provide adequate oversight of student funds and to ensure the proper handling and reporting, the California Department of Education recommends that periodic financial reports be prepared by sites, and then summarized by the district office.	2	
<b>13.5</b>	<b>PROFESSIONAL STANDARD - STUDENT BODY FUNDS</b> In order to provide adequate oversight of student funds and to ensure proper handling and reporting, the California Department of Education recommends that internal audits be performed. Such audits should review the operation of student body funds at both district and site levels.	2	
<b>14.1</b>	<b>PROFESSIONAL STANDARD - MULTIYEAR FINANCIAL PROJECTIONS</b> A reliable computer program that provides reliable multiyear financial projections is used.	0	

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<b>Standard to be addressed</b>		Nov. 2004 Rating	May 2005 Focus
<b>14.2</b>	<b>LEGAL STANDARD - MULTIYEAR FINANCIAL PROJECTIONS</b> The district annually provides a multiyear revenue and expenditure projection for all funds of the district. Projected fund balance reserves are disclosed. The assumptions for revenues and expenditures are reasonable and supportable. [EC 42131]	0	
<b>14.3</b>	<b>LEGAL STANDARD - MULTIYEAR FINANCIAL PROJECTIONS</b> <b>Multiyear financial projections are prepared for use in the decision-making process, especially whenever a significant multiyear expenditure commitment is contemplated. [EC 42142]</b>	0	<input type="checkbox"/>
<b>15.1</b>	<b>LEGAL STANDARD - LONG-TERM DEBT OBLIGATIONS</b> The district complies with public disclosure laws of fiscal obligations related to health and welfare benefits for retirees, self-insured workers compensation, and collective bargaining agreements. [GC 3540.2, 3547.5, EC 42142]	3	
<b>15.2</b>	<b>PROFESSIONAL STANDARD - LONG-TERM DEBT OBLIGATIONS</b> When authorized, the district uses only non-voter approved, long-term financing such as certificates of participation (COPS), revenue bonds, and lease-purchase agreements (capital leases) to address capital needs, and not operations. Further, the general fund is used to finance current school operations, and in general is not used to pay for these types of long-term commitments.	2	
<b>15.3</b>	<b>PROFESSIONAL STANDARD - LONG-TERM DEBT OBLIGATIONS</b> For long-term liabilities/debt service, the district prepares debt service schedules and identifies the dedicated funding sources to make those debt service payments. The district projects cash receipts from the dedicated revenue sources to ensure that it will have sufficient funds to make periodic debt payments. The cash flow projections are monitored on an ongoing basis to ensure that any variances from projected cash flows are identified as early as possible to allow the district sufficient time to take appropriate measures or identify alternative funding sources.	2	
<b>15.4</b>	<b>PROFESSIONAL STANDARD - LONG-TERM DEBT OBLIGATIONS</b> <b>The district has developed and uses a financial plan to ensure that ongoing unfunded liabilities from employee benefits are recognized as a liability of the school district. A plan has been established for funding retiree health benefit costs as the obligations are incurred.</b>	1	<input type="checkbox"/>

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Standard to be addressed		Nov. 2004 Rating	May 2005 Focus
16.1	<p><b>PROFESSIONAL STANDARD - IMPACT OF COLLECTIVE BARGAINING</b></p> <p>The district has developed parameters and guidelines for collective bargaining that ensure that the collective bargaining agreement is not an impediment to efficiency of district operations. At least annually, collective bargaining agreements are analyzed by management to identify those characteristics that are impediments to effective delivery of district operations. The district identifies those issues for consideration by the Governing Board. The Governing Board, in the development of its guidelines for collective bargaining, considers the impact on district operations of current collective bargaining language, and proposes amendments to district language as appropriate to ensure effective and efficient district delivery. Governing Board parameters are provided in a confidential environment, reflective of the obligations of a closed executive board session.</p>	1	<input type="checkbox"/>
16.2	<p><b>PROFESSIONAL STANDARD - IMPACT OF COLLECTIVE BARGAINING</b></p> <p>The Governing Board ensures that any guideline developed for collective bargaining is fiscally aligned with the instructional and fiscal goals on a multiyear basis. The Superintendent ensures that the district has a formal process in which collective bargaining multiyear costs are identified for the Governing Board, and those expenditure changes are identified and implemented as necessary prior to any imposition of new collective bargaining obligations. The Governing Board ensures that costs and projected district revenues and expenditures are validated on a multiyear basis so that the fiscal issues faced by the district are not worsened by bargaining settlements. The public is informed about budget reductions that will be required for a bargaining agreement prior to any contract acceptance by the Governing Board. The public is notified of the provisions of the final proposed bargaining settlement and is provided with an opportunity to comment.</p>	1	<input type="checkbox"/>

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Standard to be addressed		Nov. 2004 Rating	May 2005 Focus
17.1	<p><b>PROFESSIONAL STANDARD - MANAGEMENT INFORMATION SYSTEMS</b>  <b>Management information systems support users with information that is relevant, timely, and accurate. Needs assessments are performed to ensure that users are involved in the definition of needs, development of system specifications, and selection of appropriate systems. Additionally, district standards are imposed to ensure the maintainability, compatibility, and supportability of the various systems. The district ensures that all systems are compliant with the new Standardized Account Code Structure (SACS), year 2000 requirements, and are compatible with county systems with which they must interface.</b></p>	3	<input type="checkbox"/>
17.2	<p>PROFESSIONAL STANDARD - MANAGEMENT INFORMATION SYSTEMS  Automated systems are used to improve accuracy, timeliness, and efficiency of financial and reporting systems. Needs assessments are performed to determine what systems are candidates for automation, whether standard hardware and software systems are available to meet the need, and whether or not the district would benefit. Automated financial systems provide accurate, timely, relevant information and conform to all accounting standards. The systems are designed to serve all of the various users inside and outside the district. Employees receive appropriate training and supervision in the operation of the systems. Appropriate internal controls are instituted and reviewed periodically.</p>	8	
17.3	<p><b>PROFESSIONAL STANDARD - MANAGEMENT INFORMATION SYSTEMS</b>  <b>Selection of information systems technology conforms to legal procedures specified in the Public Contract Code. Additionally, there is a process to ensure that needs analyses, cost/benefit analyses, and financing plans are in place prior to commitment of resources. The process facilitates involvement by users, as well as information services staff, to ensure that training and support needs and costs are considered in the acquisition process.</b></p>	0	<input type="checkbox"/>

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<b>Standard to be addressed</b>		Nov. 2004 Rating	May 2005 Focus
<b>17.4</b>	<b>PROFESSIONAL STANDARD - MANAGEMENT INFORMATION SYSTEMS</b> Major technology systems are supported by implementation and training plans. The cost of implementation and training is included with other support costs in the cost/benefit analyses and financing plans supporting the acquisition of technology systems.	0	<input type="checkbox"/>
<b>17.5</b>	PROFESSIONAL STANDARD - MANAGEMENT INFORMATION SYSTEMS Access to administrative systems is reliable and secure. Communications pathways that connect users with administrative systems are as free of single-points-of-failure as possible, and are highly fault tolerant.	3	
<b>17.6</b>	PROFESSIONAL STANDARD - MANAGEMENT INFORMATION SYSTEMS Hardware and software purchases conform to existing technology standards. Standards for copiers, printers, fax machines, networking equipment, and all other technology assets are defined and enforced to increase standardization and decrease support costs. Requisitions that contain hardware or software items are forwarded to the technology department for approval prior to being converted to purchase orders. Requisitions for non-standard technology items are approved by the technology department unless the user is informed that district support for non-standard items will not be available.	3	
<b>17.7</b>	PROFESSIONAL STANDARD - MANAGEMENT INFORMATION SYSTEMS Computers are replaced on a schedule based on hardware specifications.	2	

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<b>Standard to be addressed</b>		Nov. 2004 Rating	May 2005 Focus
<b>17.8</b>	<b>PROFESSIONAL STANDARD - MANAGEMENT INFORMATION SYSTEMS</b> The following network standards, established for school districts, are being followed by the district: <ul style="list-style-type: none"> <li>• A stable firewall is used with a separate DMZ and "inside" network.</li> <li>• The district follows EIA/TIA 568-B for all network cabling.</li> <li>• A Web content filter is used for all outbound Internet access.</li> <li>• The district uses an e-mail spam filter for all inbound e-mail.</li> <li>• Administrative and academic network traffic is kept separate.</li> <li>• Switches and network hubs are installed, and the district ensures that switches support certain features.</li> <li>• Login banners are added to all network elements that will support them.</li> <li>• The district has transitioned from all non-TCP/IP protocols.</li> <li>• The district uses a VPN for any access to the internal network from the outside.</li> </ul>	4	
<b>18.1</b>	<b>PROFESSIONAL STANDARD - MAINTENANCE AND OPERATIONS FISCAL CONTROLS</b> <b>The district has a comprehensive risk-management program that monitors the various aspects of risk management including workers compensation, property and liability insurance, and maintains the financial well being of the district.</b>	3	<input type="checkbox"/>
<b>18.2</b>	<b>PROFESSIONAL STANDARD - MAINTENANCE AND OPERATIONS FISCAL CONTROLS</b> <b>The district has a work order system that tracks all maintenance requests, the worker assigned, dates of completion, labor time spent and the cost of materials.</b>	3	<input type="checkbox"/>
<b>18.3</b>	<b>PROFESSIONAL STANDARD - MAINTENANCE AND OPERATIONS FISCAL CONTROLS</b> The district controls the use of facilities and charges fees for usage in accordance with district policy.	6	
<b>18.4</b>	<b>PROFESSIONAL STANDARD - MAINTENANCE AND OPERATIONS FISCAL CONTROLS</b> The Maintenance Department follows standard district purchasing protocols. Open purchase orders may be used if controlled by limiting the employees authorized to make the purchase and the amount.	6	

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<b>Standard to be addressed</b>		Nov. 2004 Rating	May 2005 Focus
<b>18.5</b>	<b>PROFESSIONAL STANDARD - MAINTENANCE AND OPERATIONS FISCAL CONTROLS</b> Materials and equipment/tools inventory is safeguarded from loss through appropriate physical and accounting controls.	1	<input type="checkbox"/>
<b>18.6</b>	PROFESSIONAL STANDARD - MAINTENANCE AND OPERATIONS FISCAL CONTROLS District-owned vehicles are used only for district purposes. Fuel is inventoried and controlled as to use.	2	
<b>18.7</b>	LEGAL STANDARD - MAINTENANCE AND OPERATIONS FISCAL CONTROLS Vending machine operations are subject to policies and regulations set by the State Board of Education. All vending machine contracts reflect these policies and regulations. An adequate system of inventory control also exists. [EC 48931]	3	
<b>18.8</b>	LEGAL STANDARD - MAINTENANCE AND OPERATIONS FISCAL CONTROLS Capital equipment and furniture is tagged as district-owned property and inventoried at least annually.	2	
<b>18.9</b>	LEGAL STANDARD - MAINTENANCE AND OPERATIONS FISCAL CONTROLS The district adheres to bid and force account requirements found in the Public Contract Code (Sections 20111 and 20114). These requirements include formal bids for materials, equipment and maintenance projects that exceed \$50,000; capital projects of \$15,000 or more; and labor when the job exceeds 750 hours or the materials exceed \$21,000.	7	
<b>18.10</b>	PROFESSIONAL STANDARD - MAINTENANCE AND OPERATIONS FISCAL CONTROLS Standard accounting practices dictate that the district has adequate purchasing and contract controls to ensure that only properly authorized purchases are made and independent contracts approved, and that authorized purchases and independent contracts are made consistent with district policies, procedures, and management direction. In addition, appropriate levels of signature authorization are maintained to prevent or discourage inappropriate purchases or contract awards.	6	

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<b>Standard to be addressed</b>		Nov. 2004 Rating	May 2005 Focus
<b>19.1</b>	<b>PROFESSIONAL STANDARD - FOOD SERVICE FISCAL CONTROLS</b> In order to accurately record transactions and to ensure the accuracy of financial statements for the cafeteria fund in accordance with generally accepted accounting principles, the district has adequate purchasing and warehousing procedures to ensure that: 1. Only properly authorized purchases are made consistent with district policies, federal guidelines, and management direction. 2. Adequate physical security measures are in place to prevent the loss/theft of food inventories. 3. Revenues, expenditures, inventories, and cash are recorded timely and accurately.	7	
<b>19.2</b>	<b>PROFESSIONAL STANDARD - FOOD SERVICE FISCAL CONTROLS</b> The district operates the food service programs in accordance with applicable laws and regulations.	7	
<b>19.3</b>	<b>PROFESSIONAL STANDARD - FOOD SERVICE FISCAL CONTROLS</b> Food service software permits point of sale transaction processing for maximum efficiency.	7	
<b>20.1</b>	<b>PROFESSIONAL STANDARD - CHARTER SCHOOLS</b> In the process of reviewing and approving charter schools, the district identifies/establishes minimal financial management and reporting standards that the charter school will follow. These standards/procedures will provide some level of assurance that finances will be managed appropriately, and allow the district to monitor the charter. The district monitors the financial management and performance of the charter schools on an ongoing basis in order to ensure that the resources are appropriately managed.	1	
<b>21.1</b>	<b>PROFESSIONAL STANDARD - STATE-MANDATED COSTS</b> The district has procedures that provide for the appropriate oversight and management of mandated cost claim reimbursement filing. Appropriate procedures cover: the identification of changes to existing mandates; training staff regarding the appropriate collection and submission of data to support the filing of mandated costs claims; forms, formats, and time lines for reporting mandated cost information; and review of data and preparation of the actual claims.	2	
<b>22.1</b>	<b>PROFESSIONAL STANDARD - SPECIAL EDUCATION</b> <b>The district actively takes measures to contain the cost of special education services while still providing an appropriate level of quality instructional and pupil services to special education pupils.</b>	4	<input type="checkbox"/>

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