



West Fresno Elementary School District

Financial Management
Comprehensive Review
July 2004

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2.2 Inter- and Intra-Departmental Communications—Identification and Response to Governing Board and Community Audiences

Professional Standard

The financial departments should communicate regularly with the Governing Board and community on the status of district finances and the financial impact of proposed expenditure decisions. The communications should be written whenever possible, particularly when it affects many community members, is an issue of high importance to the district and board, or reflects a change in policies.

Progress on Recommendations and Improvement Plan

1. The district has implemented the recommendation that it monitor and make periodic updates regarding issues that will have an effect on district finances, as well as provide routine budget reports on the status of the General Fund and district cash flow. The information is provided by the Business Manager to the State Administrator. The information is provided in informal briefings and may utilize financial reports, such as the Fiscal Position Report. The State Administrator in turn has monthly meetings with the advisory board where financial items are sometimes addressed.

Nonetheless, the monitoring and reporting is not consistent, formal, or detailed, particularly with regard to categorical programs. Further, there is no standardized policy or procedure for specific reports that are provided to the State Administrator or advisory board.

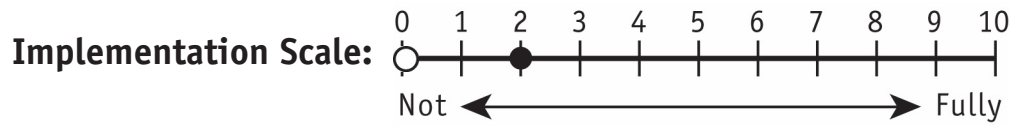
While the district is providing monthly information on its finances, it has not yet formalized its policies and procedures related to monthly budget monitoring and financial reporting. This reduces the level of budget oversight, monitoring, and control. The need for detailed review and consistent monitoring of categorical funding is particularly important to ensure that revenues and expenditures are accurately budgeted and appropriately expended.

The district needs to develop/update its board policies and operating procedures. The procedures should identify the employee(s) responsible for compiling and presenting the information, the specific information and format of presentation, and the sources from which pertinent information should be obtained.

2. The district has not implemented the recommendation to communicate financial issues to the community and staff via a “Fingertip Facts” pocket document, a user-friendly version of the district budget, the various district newsletters, the local newspaper, site newsletters, and the district Web site.
3. The district has not implemented the recommendation to establish a Finance/Audit Advisory Committee from members of the various communities within the West Fresno Elementary School District.

Standard Implemented: Partially

June 2003 Rating: 0
December 2003 Rating: 2
June 2004 Self-Rating: None Provided
June 2004 New Rating: 2



2.5 Inter- and Intra-Departmental Communications—Communication of Illegal Acts

Professional Standard

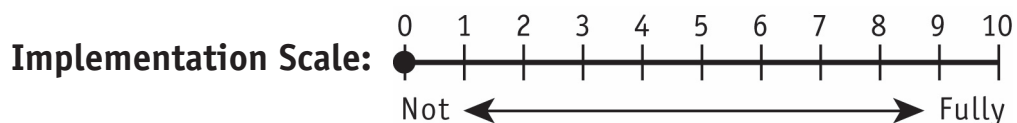
The district should have formal policies and procedures that provide a mechanism for individuals to report illegal acts, establish to whom illegal acts should be reported, and provide a formal investigative process.

Progress on Recommendations and Improvement Plan

1. The district still needs to implement the recommendation to adopt a policy regarding fraud and illegal acts. It should state that it is the policy of the Governing Board to facilitate the development of controls that will aid in the prevention and detection of fraud, impropriety, or irregularity within the district. The intent of the policy should be to promote consistent organizational behavior by providing guidelines and assigning responsibility for the development of controls and conduct of investigations.
2. The district has not implemented the recommendation to establish a secure method for individuals to report suspected instances of fraud or inappropriate behavior. The district should establish a method, such as a hotline or P.O. Box that would only be accessed by the State Administrator or his designee, to provide this opportunity for employees and community members. This may encourage staff and community members to bring pertinent information forward, which will assist in identifying, stopping, and preventing occurrences of fraud or other inappropriate behavior by district employees.

Standard Implemented: Not Implemented

June 2003 Rating:	0
December 2003 Rating:	0
June 2004 Self-Rating:	None Provided
June 2004 New Rating:	0



5.5 Budget Development Process (Policy)—Strategic Process to Analyze All Resources and Allocations

Professional Standard

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

Progress on Recommendations and Improvement Plan

1. The district has partially implemented the recommendation to establish educational priorities for the district. The district's identified priority relates to literacy. However, the priority has not been specifically identified in the budget, nor does the spending plan document how it supports the attainment of the identified educational priorities.

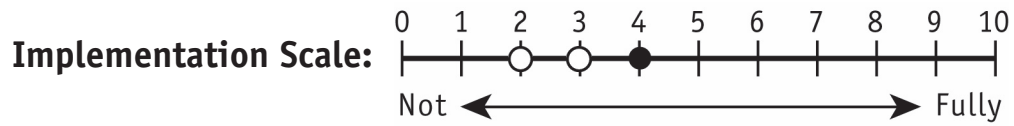
The district should establish a process to link the educational priorities to the budget. The budget should identify prior-year goals and objectives and the status of those items. These then become the basis for the current-year budget and spending plan. To assist in budget development and presentation, the district should consider utilizing user-friendly budget software.

2. The district still needs to implement the recommendation to establish a citizens' Fiscal Review or Budget Advisory Committee to provide for a financial review of the district's operation and management.
3. The district has informally implemented procedures that should be put in place to monitor the district's restricted and unrestricted expenditures. A process to review and monitor the relationship between the stated educational priorities and the budget spending plan should be established. The procedures should be formally documented, including the timing, employees responsible, and specific responsibilities. This would help to ensure that monitoring and reporting occurs, that accurate information is provided, and that there is continuity in process even if there is turnover in district staff.
4. The district implemented the prior recommendation to add a position to the central office. This position essentially returns the staffing to the level prior to recent retirements. The position has been used to address broad administrative needs in both personnel and finance. In addition, the position is also utilized to address findings and recommendations identified in the FCMAT reviews.

The district should continue to attempt to identify resources in future years that can be used to staff the central office at a level that ensures sufficient technical skill and adequate separation of duties. In addition, the administrative support position should be used to improve segregation of duties by assuming responsibilities such as opening mail and logging checks and cash receipts, distributing paychecks and check stubs, and performing the function of receiving goods purchased.

Standard Implemented: Partially

June 2003 Rating: 2
December 2003 Rating: 3
June 2004 Self-Rating: None Provided
June 2004 New Rating: 4



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

Professional Standard

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

Progress on Recommendations and Improvement Plan

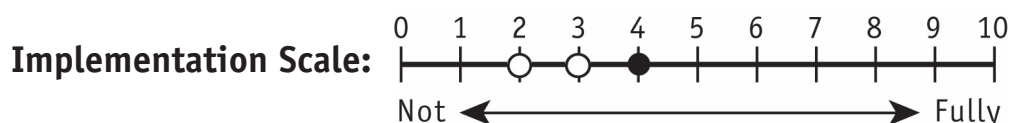
1. The district has implemented the recommendation to monitor revenues and expenditures monthly, but only formally reviews/monitors the projected net ending balance at the interim reporting periods. It informally monitors the projected year-end balance in its monthly monitoring and reporting to the State Administrator through the use of the Fiscal Position Report. While it appears that the monthly monitoring performed by the State Administrator and the Chief Business Official includes a discussion of items such as the district's financial status, changes in revenues and expenditures to date, anticipated changes over the remainder of the year, and any changes that will need to be made in the budget and/or operations to address changing budget condition, there is no documentation of items reviewed and discussed or actions to be taken.

The district should implement the original recommendation to formally monitor and project the net ending balance monthly. It should also document items reviewed/discussed and any actions to be taken or budget revisions to be made. This will provide the district with better information so that expenditure decisions can be made or modified during the year to avoid deficit spending and rebuild ending balances. This item should be implemented immediately.

2. The district informally requires all budget transfers and revisions to be presented to the State Administrator/Governing Board at least monthly. The district should formalize this requirement in its policies and procedures. Budget transfers may be presented for informational purposes, while budget revisions should be presented for approval.

Standard Implemented: Partially

June 2003 Rating:	2
December 2003 Rating:	3
June 2004 Self-Rating:	None Provided
June 2004 New Rating:	4



6.2 Budget Development Process (Technical) — Budget Calendar

Professional Standard

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

Progress on Recommendations and Improvement Plan

1. The district is in the middle of the budget development cycle for the 2004-05 fiscal year, so it is not possible for this standard to be fully implemented. The district does have and refers to the Fresno County Office of Education's general budget calendar. That calendar essentially includes the majority of recommended items, such as:
 - Release of the Governor's Budget and analysis of its impact on the district
 - Projection of enrollment and ADA
 - Dates for Budget Advisory Committee meetings
 - Revisions to preliminary budget for information contained in the Governor's May Budget Revisions
 - Dates for public hearings

There are also generic budget development worksheets available from the county.

The district's budget development activities to date have been minimal. Since the last follow-up review, the district has taken no additional action to modify/customize the county's general budget calendar to reflect the specific tasks, responsible parties, or target dates for the various budget development activities for the district or to modify/utilize the budget development worksheets. The calendar does not specifically provide that the budget development process will be used or to whom the worksheets will be distributed.

In fact, the principals and directors are not actually responsible for developing their budgets. Rather, the Business Office receives general requests from directors/managers and principals for items they want to be included in the budget. However, essentially all responsibility for budget development rests with the Business Office. The area of categorical funding and expenditures is a concern. The district receives a significant amount of categorical funding, and the accurate budgeting and appropriate expenditure of these funds must be a priority.

The district has not established a budget advisory committee to provide input on budget development.

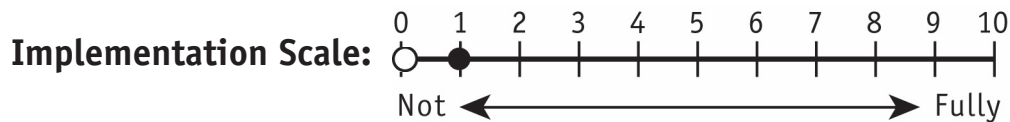
While not a part of the 2004-05 budget development cycle, all future district budgets should:

- Modify the county's budget development calendar to correspond to its actual budget development activities and utilize that calendar to manage and monitor the budget development process

- Ensure that the calendar identifies specific individuals responsible for various budget-related activities
- Develop budget worksheets to be used by principals and directors/managers in the development of their site/department budgets, which would assist them to accurately compile their budget information
- Obtain joint training for the Director of Categorical Programs, principals, and Business Office staff regarding topics such as state and federal budget information, program management and compliance, and accounting and coding issues (such as SACS) in order to ensure the accurate budgeting of categorical revenues and expenditures and appropriate utilization of the funds
- Establish a Budget Advisory Committee to provide input into developing budget priorities and to provide a link to the community

Standard Implemented: Partially

June 2003 Rating: 0
 December 2003 Rating: 1
 June 2004 Self-Rating: None Provided
 June 2004 New Rating: 1



7.3 Budget Adoption, Reporting, and Audits—AB 1200 Quality Assurance Processes

Professional Standard

The district should have procedures that provide for the development and submission of a district budget and interim reports that adhere to criteria and standards and are approved by the County Office of Education.

Progress on Recommendations and Improvement Plan

1. The district submitted its 2003-04 budget on time, meeting the legal requirement. Budget modifications were requested by the CDE and made by the district. Therefore, the original budget did not meet standards and criteria.

The district submitted its first interim report on December 10, 2003, meeting the legal deadline. Although the report had a negative certification, no comment was made by the CDE or the Fresno County Office of Education.

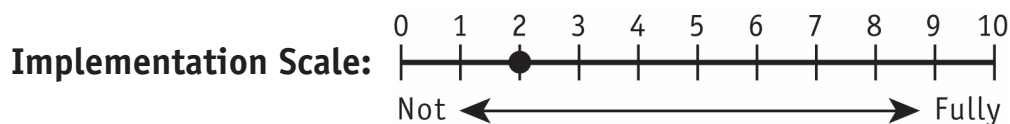
The district submitted its second interim report on January 28, 2004, meeting the legal deadline. To date, neither the CDE nor the Fresno County Office of Education has commented on this report, which again had a negative certification.

The 2004-05 fiscal year budget was in the process of being prepared at the time of this review, and was not evaluated.

2. While these reports are prepared by the Business Manager, there are no documented policies and procedures identifying who is responsible for preparing the reports or the process to be used to develop them. Currently there is no other staff member in the Business Office with sufficient knowledge and experience to prepare the reports. Therefore, if the Business Manager were to leave the district, the district would have difficulty meeting this standard.

Standard Implemented: Partially

June 2003 Rating:	2
December 2003 Rating:	2
June 2004 Self-Rating:	None Provided
June 2004 New Rating:	2



7.9 Budget Adoption, Reporting, and Audits—Audit Administration and Resolution: Audit Resolution

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.

Progress on Recommendations and Improvement Plan

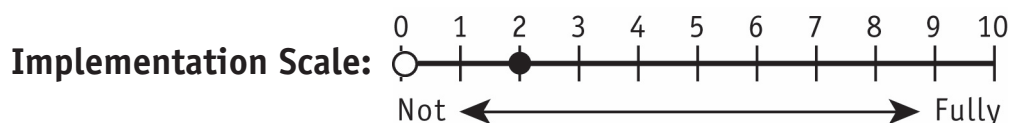
1. The district responded to the individual findings included in the 2002-03 audit report. However, not all those responses were sufficiently detailed to constitute a corrective action plan that would identify the process, timelines, and actions to be taken to address the findings. Further, no supplemental corrective action plan has been filed with the Fresno County Office of Education or the CDE.

Therefore, for audit findings for which the district's response did not provide comprehensive information regarding correction/resolution, the district should draft a corrective action plan identifying the specific actions to be taken and/or changes to be made, and a timeline for the implementation of those items. The district should file this plan with the Fresno County Office of Education for review and approval. In future years, the district should file any supplemental corrective action plan with the Fresno County Office of Education and the CDE by the March 15 statutory deadline.

In addition, as there were numerous items identified in the audit findings that were also identified in the assessment and improvement plan, the development of a detailed corrective action plan could also be utilized in developing a comprehensive plan to address the items identified in this assessment.

Standard Implemented: Partially

June 2003 Rating:	0
December 2003 Rating:	0
June 2004 Self-Rating:	None Provided
June 2004 New Rating:	2



8.1 Budget Monitoring—Encumbrance of Overexpenditures

Professional Standard

All purchase orders are properly encumbered against the budget until payment. The district should have a control system in place to ensure that adequate funds are available prior to incurring financial obligations.

Progress on Recommendations and Improvement Plan

1. The district implemented the prior recommendation to convert its financial management system to the fully integrated, SACS-compliant Fresno County system for the 2003-04 fiscal year. The district implemented the budget and financial module, including the online requisitions. Site administrators and directors/managers fill out a purchase requisition on the system, print a hard copy, sign the requisition, and submit it to the State Administrator for approval. Approved requisitions are forwarded to the accounting technician, who converts the requisition to a purchase order.

The district implemented the prior recommendation to provide online access to budget information to site administrators and directors/managers. However, while the system allows for online budget transfers, the district has chosen, for oversight purposes, to require site administrators and directors/managers to submit manual budget transfer and revision requests. The requests are then reviewed by the Business Manager and State Administrator. Final approval must be given by the State Administrator.

The district should continue implementing the capabilities of the budget and financial system to increase the accountability of site and department administrators, increase the efficiency and control of financial transactions, and improve the accuracy of budget and financial information.

2. The district implemented the prior recommendation to convert to the Fresno County financial system and utilize the online requisition. As a result the district, via the purchasing system, is pre-encumbering funds. In addition, as currently installed, the purchasing module will identify if there are insufficient funds in an account for a purchase requisition/order, but will still allow the purchase requisition to be created and processed.

To maximize internal control over purchases and improve efficiency, the district should work with the Fresno County Office of Education to implement a hard reject for purchases if there are not sufficient funds in the identified account.

3. The district has essentially implemented the county financial system, which streamlined the process and strengthened controls.
4. The district has essentially implemented the prior recommendation to install the personnel module of the Fresno County system. It is now doing absence tracking through the county system. However, the district still needs to utilize position control on the county system. This would allow the district to more easily budget, track, and project

positions, personnel and benefit costs, and step and column costs. These features help to improve the accuracy of district budgets and strengthen controls over personnel costs.

The district attempted to implement the prior recommendation to evaluate the costs/benefits of an automated substitute calling system that can interface with the district's/county's payroll system. The district inquired as to the availability of an automated substitute calling system, but that function currently is not available through the county system.

Notwithstanding its small size, the district should continue to work with the county to determine the future availability, timing, and estimated cost for an automated substitute calling system. If it will not be available through the county, the district should investigate third-party providers for such a system.

Properly interfaced, the system may provide many control features that will safeguard district funds, as follows:

- For substitutes required because of employee illness, the system can provide an automated pay event for the substitute and an automated leave reduction for the employee. This enables a district-level reconciliation to ensure that substitutes used for employee illnesses are legitimate and that the correct expenditure line is charged.
- For substitutes required to enable employees to attend workshops or conferences, it can assign a pre-approved event number that is tied to a categorical budget number. This will ensure that the unrestricted general fund is not paying for release time that should be charged to restricted funds.

In addition, such an integrated system will reduce the labor-intensive processes of sub calling, reconciling substitute time and pay, and absence tracking.

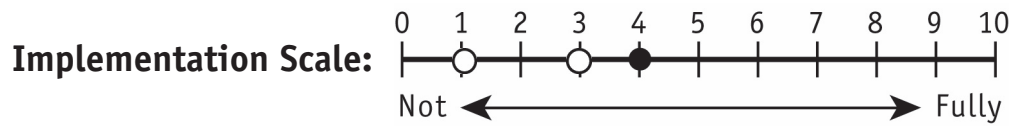
5. The district informally implemented the recommendation to establish procedures that require the receiving party to verify the receipt of the purchased items and forward a signed and dated copy of the purchase order/receiving report to the business staff. The staff member who receives the goods is to sign the receiving slip. However, there is no official policy in place nor is there assurance that the procedure is consistently being followed. In addition, receiving is currently done by the same individual who processes the purchase order and pays the invoice. Therefore, there is inadequate segregation of duties.

The district should establish a formal policy requiring different staff members to prepare purchase orders, perform the receiving function, and pay the invoices. The district should consider implementing/utilizing a formal receiving document. Employees performing the receiving function should document such performance by verifying the number and condition of the goods received and signing and dating the receiving slip.

6. The district implemented the prior recommendation to require that all payments be reviewed by the Business Manager and/or State Administrator, who should verify appropriate documentation. However, the policy/practice should be formalized.

Standard Implemented: Partially

June 2003 Rating:	1
December 2003 Rating:	3
June 2004 Self-Rating:	None Provided
June 2004 New Rating:	4



8.2 Budget Monitoring—Monitoring of Department and Site Budgets

Professional Standard

There should be budget monitoring controls, such as periodic reports, to alert department and site managers of the potential for overexpenditure of budgeted amounts. Revenue and expenditures should be forecast and verified monthly.

Progress on Recommendations and Improvement Plan

1. The district implemented the previous recommendation to provide site principals, department directors, and program managers with online access to their budget information. However, the district still needs to implement the recommendation that the budget development process be modified to require site administrators and department and program managers to be primarily responsible for developing their budgets.

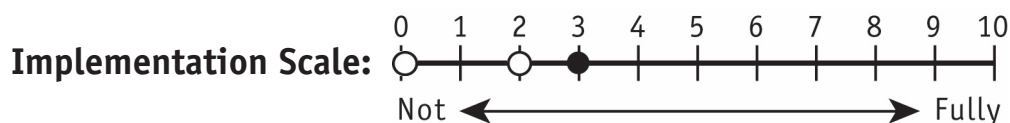
To achieve this, the budget development process and calendar should include the site/department administrators in the first phase of budget development. Further, these administrators should be evaluated on how well they manage their budgets and meet the district's overall goals. This would foster fiscal accountability in the managers and increase budget monitoring.

2. The district has essentially implemented the recommendation to establish online requisitioning and budget monitoring. To maintain oversight, the district has decided at this time not to allow site administrators and department and program managers to make online budget transfers.

The district has not implemented a hard reject for purchases where expenditures exceed budget. This would require the sites and departments to continually monitor their budgets online and to ensure that spending patterns are appropriate. Administrators/managers would then be required to initiate a budget transfer, which would be done before the expenditure occurred rather than after, and would provide better overall control of the budget. Therefore, to the extent that the county financial system accommodates it, the district should implement a hard reject in its purchasing/budget system for any expenditure that exceeds available funds.

Standard Implemented: Partially

June 2003 Rating:	0
December 2003 Rating:	2
June 2004 Self-Rating:	None Provided
June 2004 New Rating:	3



8.5 Budget Monitoring—Position Control

Professional Standard

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

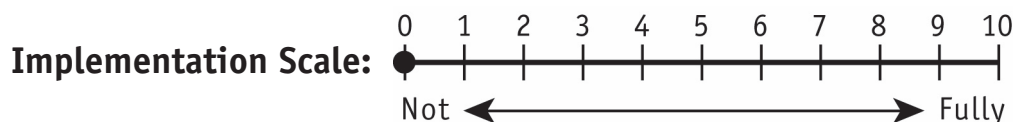
Progress on Recommendations and Improvement Plan

1. The district has implemented the county's financial management system, including the personnel module. However, the district has not implemented position control.
2. The district implemented the prior recommendation to work with the county to fully implement the personnel module of its financial system, which includes position control capabilities. However, as identified above, the district has not implemented position control, nor does it have a specific plan or timeline to do so.

It is important that position control be implemented and utilized so that payroll, human resources, and budget all have the same number of employees and FTEs, that those employees are on the proper step and column of the salary schedules, and that salary and benefit information is accurate and consistent. This is most easily achieved by using an integrated position control system. Further, an integrated position control system facilitates budgeting and financial projections.

Standard Implemented: Not Implemented

June 2003 Rating:	0
December 2003 Rating:	0
June 2004 Self-Rating:	None Provided
June 2004 New Rating:	0



11.1 Attendance Accounting—Accuracy of Attendance Accounting System

Professional Standard

An accurate record of enrollment & attendance is maintained/reconciled at the sites monthly.

Progress on Recommendations and Improvement Plan

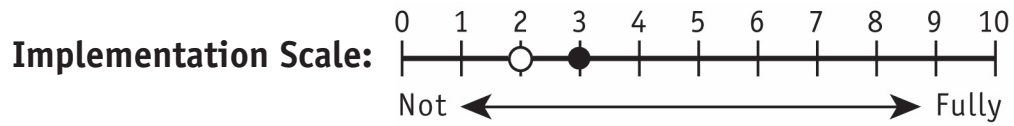
1. The district has not implemented the recommendation to adopt policies and administrative regulations regarding daily attendance procedures. The district intends to have all board policies revised and adopted as a single all-encompassing and comprehensive project. When this occurs, the district should adopt updated policies that include the area of attendance accounting.
2. The district has not been able to develop written procedures for attendance accounting because of the lack of updated board policies. The district is working with informal procedures that are guidelines developed as a part of the new attendance accounting system. However, the Attendance Accounting Technician is having difficulty in receiving timely attendance information from some of the teachers, resulting in last-minute amendments to the state attendance reports or requiring revisions to be made at a later date. Therefore, the accuracy of attendance data could be adversely affected.

As a good business practice, the district should develop a desk manual for attendance procedures that follows the adopted board policies and administrative regulations and can be used as a reference and training material.

3. The district implemented the recommendation to provide site access to attendance information and reports in the new AERIES attendance accounting system. The new system allows sites to access all pertinent attendance information through a Web-based interface. Nevertheless, sites are not providing all necessary information to the Attendance Accounting Technician in a timely manner to verify attendance entries.
4. Through the new attendance system, the district has implemented the recommendation to provide a mechanism to verify the accuracy of information and identify errors or inconsistencies. Error reports generated by the new attendance accounting system are reviewed by the Attendance Accounting Technician. Noted errors/omissions are forwarded to the State Administrator, who then reviews the matter with the site principal to ensure follow-up and correction. This appears to have reduced the number of errors and the need for subsequent corrections. Also, the number of errors appears to be declining as users become more familiar with the attendance software.
5. The district implemented the recommendation to update the Kindergarten Retention form. The updated form is now to be used for any kindergarten student to be retained. This form is signed and kept on file at the district office. In addition, for kindergarten students retained at the end of the 2002-03 school year, the district had the parents sign the new form, which is kept in the file with the form the parents originally signed.

Standard Implemented: Partially

June 2003 Rating: 2
December 2003 Rating: 3
June 2004 Self-Rating: None Provided
June 2004 New Rating: 3



11.2 Attendance Accounting—Policies and Fiscal Impact of Independent Study, Inter/Intradistrict Agreements

Professional Standard

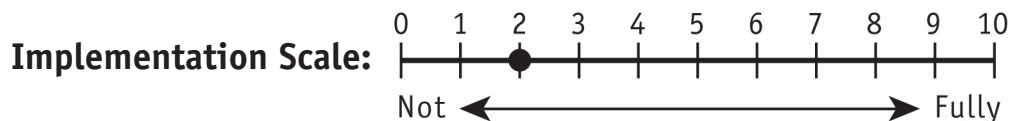
Policies and regulations exist for Independent Study, Home Study, inter/intradistrict agreements and districts of choice, and should address fiscal impact.

Progress on Recommendations and Improvement Plan

1. The district has not implemented the recommendation to adopt policies and administrative regulations regarding independent study procedures to meet the requirements of Education Code Section 51747 that a district adopt written policies in order to be eligible for state apportionment for this program. The district intends to revise and adopt all of its board policies at once in a comprehensive effort. However, neither revision nor adoption of policies and regulations has occurred.

Standard Implemented: Partially

June 2003 Rating:	2
December 2003 Rating:	2
June 2004 Self-Rating:	None Provided
June 2004 New Rating	2



11.7 Attendance Accounting—Systems Training of Site Personnel

Professional Standard

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

Progress on Recommendations and Improvement Plan

1. The district still needs to implement the prior recommendation to develop and adopt board policies and a plan regarding the training of personnel, including new hires, substitutes, and site and district employees. In addition, the district should adopt/ implement a formal annual training plan. The training should be mandatory for all applicable personnel. A regular training schedule should be developed and followed. A plan to include new hires, as well as returning employees, should be established to ensure that accurate, efficient information is received from site staff, which is needed to complete the Form J18/19 for P-1, P-2, and annual reporting. Funding for the district is based on these reports; therefore, the reports should be as accurate as possible.
2. The district implemented a new student database and attendance system. As a result of the conversion to the new system, the district effectively implemented the recommendation to have training materials regularly updated. In addition, every teacher and office staff member received a manual/handbook regarding the attendance accounting system, which should help to ensure that the system is being utilized to capacity. Further, there is a pamphlet to provide information/assistance to substitute teachers.

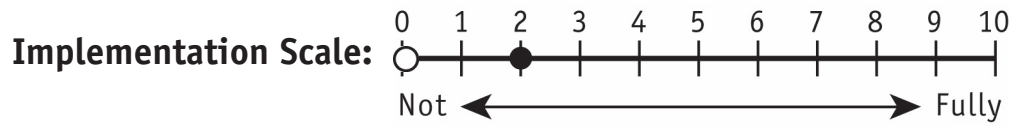
The district should continue to annually update its manual and training materials to reflect changes in the attendance system/software, and changes in attendance accounting laws and regulations. The district's continued adherence to this standard should be verified in subsequent reviews.

3. As a result of the implementation of the new student data and attendance accounting system, the district implemented the recommendation to provide training to all affected staff at the beginning of the school year. School site personnel and teachers received two days of training. A handbook/manual was provided to all teachers and administrative staff. Substitute teachers are given a brief pamphlet to help them use the attendance accounting system.

The district should continue to provide this training at the beginning of each school year to refresh teachers and administrative staff regarding appropriate attendance procedures, how to utilize the attendance system, changes in the attendance system/software, and changes in attendance accounting laws and regulations.

Standard Implemented: Partially

June 2003 Rating:	0
December 2003 Rating:	2
June 2004 Self-Rating:	None Provided
June 2004 New Rating	2



12.2 Accounting, Purchasing, and Warehousing—Accounting Procedures: Timely and Accurate Recording of Transactions

Professional Standard

The district should timely and accurately record all information regarding financial activity for all programs (unrestricted and restricted). 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.

Progress on Recommendations and Improvement Plan

1. The audit of the district's 2002-03 fiscal year disclosed numerous instances where transactions were not recorded timely or accurately, or the documentation to support the recorded transaction was either missing or insufficient. No formal training programs have been put into place to increase staff knowledge, nor are there formal policies and procedures or desk manuals in place to ensure that transactions are properly recorded.

However, beginning with the 2003-04 fiscal year, the district hired a full-time Business Manager who is providing more daily supervision of staff and is implementing a new attendance accounting and student system and the county's SACS-based financial management system. These items should help to improve the timeliness and accuracy of the district's financial reporting. In addition, the district appears to have addressed the timeliness issue relative to processing most financial transactions.

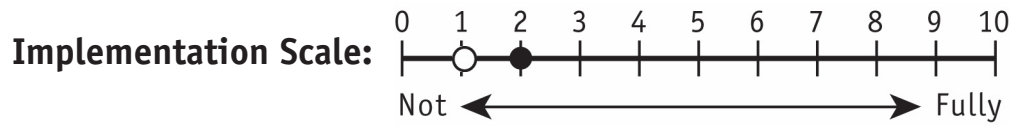
Nevertheless, this item cannot be fully addressed until the audit of the current year is completed.

In order to improve the accuracy and timeliness of the recording and reporting of financial transactions, the district should:

- Develop and adopt comprehensive policies and procedures to ensure that employees are aware of the responsibilities and processes
- Develop desk manuals for all business office functions to provide a reference for staff with regard to the accounting cycles, timelines, and actual procedures/steps to be done in the performance of their jobs, which should improve the accuracy and correct processing of transactions
- Provide training to staff regarding adopted policies and procedures to familiarize them with the organization and use of the desk manuals and to increase technical knowledge and capacity regarding job duties, the Fresno County financial and human resources system, SACS, the California School Accounting Manual, categorical programs, and program management
- Adequately segregate duties, provide adequate supervision of employees, and provide review, verification, and authorization of work and transactions to ensure accuracy and timeliness

Standard Implemented: Partially

June 2003 Rating: 1
December 2003 Rating: 1
June 2004 Self-Rating: None Provided
June 2004 New Rating: 2



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

Professional Standard

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

Progress on Recommendations and Improvement Plan

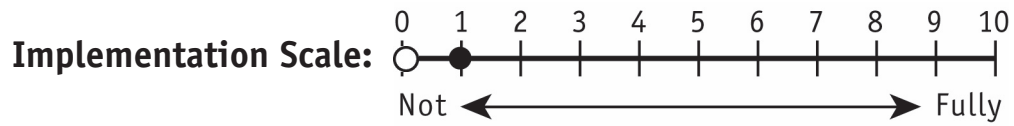
1. The district has not implemented the recommendation to have the secretary/receptionist open, date stamp, and log all checks/cash received.

All checks should be immediately logged and restrictively endorsed “for deposit only” to the district’s account. At month’s end, a copy of the receipts log should be provided to the Business Manager. While the number of cash/checks that are received through the mail is not particularly large, this process should nevertheless be implemented to safeguard against loss or misappropriation.

2. The district still needs to implement the recommendation that the Business Manager perform a monthly cash/bank reconciliation utilizing the cash receipts log, cash receipts journal/cash receipts book, general ledger cash account, deposit slips, remittance advices, and bank statements/account detail to reconcile all accounts monthly.
3. The district has not implemented the recommendation to make timely bank deposits. Deposits should be made at least twice a month (when cafeteria receipts come in) because assets are better safeguarded in a bank account than in a school district safe, and more timely deposits will enhance interest earnings.
4. The district has implemented an alternative to the recommendation to use a cash receipts journal. Due to the limited number and dollar amount of cash receipts, the district uses a receipt book instead of a cash receipts journal to document all cash received. However, the documentation is not used by the Business Manager to verify/reconcile cash receipts (see No. 2 above).
5. The district has not implemented the recommendation to segregate the cash receipts functions. Currently, the Accountant sorts/opens the mail, records cash receipts, and makes bank deposits. No independent cash/bank reconciliations are performed. Therefore, the receptionist should open all mail and log all checks/cash. The Accountant should make the entries, record the receipts, and prepare the deposits. A different employee should make the deposits and provide copies of the receipted deposit slips to the Accountant and Business Manager, and the Business Manager should do the monthly cash/bank reconciliations using the cash receipts log, the cash receipt book, deposit slips, and remittance advices received from the state and county.

Standard Implemented: Partially

June 2003 Rating:	0
December 2003 Rating:	1
June 2004 Self-Rating:	None Provided
June 2004 New Rating	1



12.4 Accounting, Purchasing, and Warehousing—Accounting Procedures: Payroll

Professional Standard

The district's payroll procedures should be in compliance with the requirements established by the County Office of Education. Standard accounting practice dictates that the district implement procedures to ensure the timely and accurate processing of payroll.

Progress on Recommendations and Improvement Plan

1. The district has implemented the recommendation to use a payroll module as part of an integrated financial system. The district now utilizes Fresno County's financial system, including the payroll module. This has reduced the need for manual calculations, has increased efficiency and reduced the amount of staff time required, and has reduced the number of supplemental pay runs and checks.

The district has implemented the recommendation to track leave balances through the payroll system. However, segregation of duties is inadequate. The accounting technician sets up payroll, runs the pre-list, transmits payroll, and distributes checks. Also, employees do not have to sign for checks.

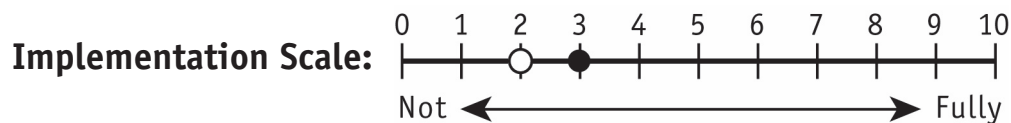
2. The district has implemented the recommendation to have the county modify password access to the various financial system applications in order to limit access only to the staff working in that area. It appears that the accounting/payroll staff still has access to the personnel system, and the Personnel Technician still has access to the payroll system. Also, it is not clear if employees know each other's passwords, which would circumvent the control.
3. The district has implemented the recommendation to establish procedures for reconciling absence request forms information received by the Personnel Technician to the absence log and substitute time sheets. However, formal written policies and procedures still need to be established regarding the reconciliation of absence requests, the absence log, and substitute time sheets.
4. The district has implemented the recommendation to establish hourly pay rates in the payroll system that are based on an employee's normal pay rate.
5. The district has attempted to implement the recommendation to evaluate the costs/benefits of interfacing an automated substitute calling system with the payroll/human resources system. The district inquired as to whether the county had a module or supported an automated substitute calling system that would integrate with the personnel module. However, such a system is not currently available through the county.

The district should inquire if there is any third-party substitute calling system that could interface with the county system.

If a third-party system is available and cost effective, such a system can result in increased efficiencies and reduction of errors. The process of paying a substitute, updating the permanent employee's leave balances, and docking pay as necessary could be automated with a proper interface. In addition, the district would be able to reconcile substitute time and pay to the central office system to ensure that only authorized transactions are processed. The district would also be able to reconcile the employee's leave time to the substitute pay event.

Standard Implemented: Partially

June 2003 Rating:	2
December 2003 Rating:	3
June 2004 Self-Rating:	None Provided
June 2004 New Rating:	3



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

Legal Standard

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

Progress on Recommendations and Improvement Plan

1. The district does not have formal policies that identify and require compliance with Public Contract Code provisions. Further, the district does not have formal, documented purchasing procedures. In addition, the district has inadequate segregation of duties, as the Accounting Technician prepares purchase orders, receives items shipped to the district, opens mail/receives invoices, and prepares and posts payments.

Therefore, the district should implement formal policies related to purchasing, contracts, and bidding. Based on those policies, it should then develop desk manuals. The district should also provide training to all affected employees regarding the implementation and use of the procedures and desk manuals when they are completed.

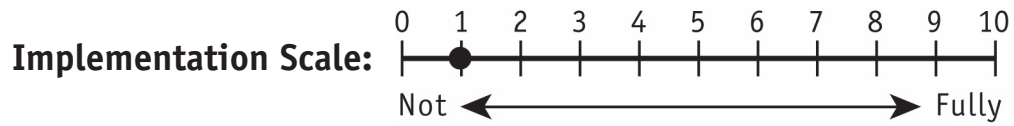
2. The district does not have a warehouse or secure area to receive/store goods received. No formal receiving document is utilized, and packing slips do not consistently identify receiving date, verification of quantity/condition/quality, and the signature/initials of the person receiving the goods at the district office or the site/department.

The district should attempt to establish a secure area where goods can be received in order to prevent loss or misappropriation. A formal receiving document should be utilized that would require and provide a record of receipt of the goods: person receiving, date, quantity, condition, and delivery or pick-up by the staff member who originally placed the purchase order. To adequately segregate duties, the employee performing the receiving function should be someone not involved in other parts of the purchasing process, e.g., the Accounting Technician or the Business Manager.

3. The district's current system does not perform a hard reject of purchase requisitions when there are insufficient funds available in the identified account. A purchase order can still be prepared and the order sent without sufficient funding in the account.
4. The district needs to prepare and maintain a comprehensive asset inventory, listing and updating it as items are purchased or retired, and tagging the equipment and fixtures purchased. The inventory should be verified annually through a physical count, with adjustments made as necessary.

Standard Implemented: Partially

June 2003 Rating: 1
December 2003 Rating: 1
June 2004 Self-Rating: None Provided
June 2004 New Rating: 1



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

Professional Standard

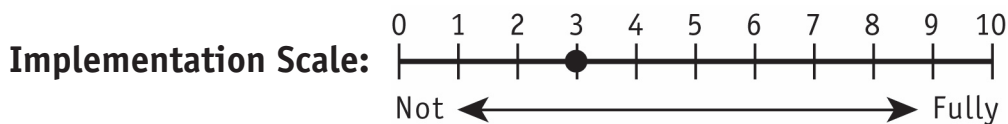
The district has documented procedures for the receipt, expenditure, and monitoring of all construction-related activities. Included in the procedures are specific requirements for the approval and payment of all construction-related expenditures.

Progress on Recommendations and Improvement Plan

1. The district has not implemented the recommendation to update policies to reflect the latest changes to the Education Code related to the state building program.
2. The district has not implemented the recommendation to develop regulations and procedures for construction-related activities and expenditures that are to be followed by all staff and consultants. With the receipt of state facilities funds since the last follow-up review, this recommendation needs to be implemented immediately. A set of basic guidelines should be established that must be followed for proper accounting of all construction-related activities. Once the guidelines are developed, in-service training should be provided to all district staff who are responsible for any aspect of construction-related activities. The procedures should also be provided to consultants and contractors so that they have a full understanding of what will be required of them when submitting documentation to the district.
3. The district has not implemented the recommendation to prepare a procedures guide for fiscal monitoring and accounting for construction projects and construction-related activities.

Standard Implemented: Partially

June 2003 Rating:	3
December 2003 Rating:	3
June 2004 Self-Rating:	None Provided
June 2004 New Rating:	3



12.10 Accounting, Purchasing, and Warehousing—System Controls to Prevent and Detect Errors and Irregularities

Professional Standard

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

Progress on Recommendations and Improvement Plan

1. The district still needs to implement the recommendation to develop comprehensive policies and procedures for each transaction cycle and/or activity performed by the Business Office. This would provide a resource and training material for staff to ensure the timely and accurate processing of financial information. The district should work with the county office, the California Department of Education, its auditors, and, if necessary, outside consultants, in developing these procedures to ensure that they are sufficiently comprehensive and include essential internal controls.
2. The district still needs to implement the recommendation to identify staff training needs and establish a systematic training plan to ensure that all Business Office staff have sufficient technical understanding and knowledge to efficiently and effectively perform their functions. Such training should specifically cover new district policies and procedures as they are developed. The district is supportive of staff training and development, and some staff members have attended a few training classes.

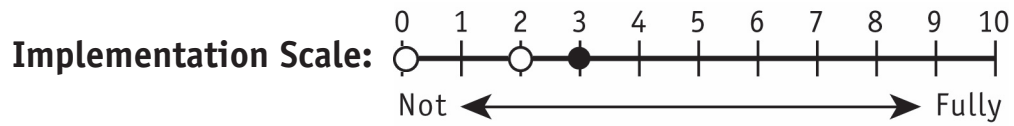
Comprehensive job descriptions and minimum qualifications should be established for each position in the Business Office. Based on those job descriptions, the district should establish required training, recommended training, and optional training. This training should be structured to:

- a) Ensure and sustain minimum competency
 - b) Promote the acquisition of higher levels of technical knowledge and proficiency
 - c) Prepare employees for career advancement on the career path/ladder
3. The district has basically implemented the recommendation to make greater use of the county financial system. The district has moved its budget, financial, and personnel functions onto the system. However, the district is not utilizing position control.

The district should utilize the system capabilities to the fullest extent practical to increase efficiency and improve internal control. Position control is of particular importance because it will assist the district in managing FTEs and funding sources, as well as facilitate the budget development process.

Standard Implemented: Partially

June 2003 Rating: 0
December 2003 Rating: 2
June 2004 Self-Rating: None Provided
June 2004 New Rating: 3



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

Legal Standard

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

Progress on Recommendations and Improvement Plan

1. The district prepares multiyear projections only as required for interim reporting. As such, the projections only cover two years beyond the current year. The district does provide some discussion of the assumptions/changes in the out-years of the projection, but the information is minimal, and the rationale for the assumptions/changes is not provided. In addition, the district only prepares multiyear projections for the general fund.

The district should consider expanding its multiyear projections to cover other funds, such as the Cafeteria Fund and Child Development Fund, and including at least one additional year to provide more comprehensive information about the long-term sustainability of current financial decisions. These projections should then be used as a management tool in planning the operations and required budget allocations for expected service levels for the various programs the district operates. Financial decisions that are feasible in the shorter term (current and two subsequent years) could become unsupportable over the longer period. Therefore, the projections should also be used to identify potential fiscal issues and to craft appropriate responses.

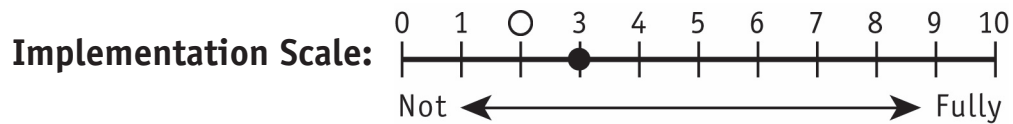
In building its budget and making financial projections, the district should make a more detailed analysis of revenues and expenditures by program/resource and object/sub-object. As more information about program (resource) revenues and expenditures becomes available, the budget and multiyear projections should be revised and changes in assumptions identified and explained.

In addition, the district should comprehensively document assumptions and rationale so that the underlying premises are clear. The documentation should include assumptions and rationale for both revenues and expenditures and identify information, such as: enrollment growth or decline, the ADA-to-enrollment ratio, projected ADA, COLAs for revenue limit and state and federal categorical funding, deficit factors for revenue limit and state categorical COLAs, changes in categorical program participation, changes in local revenues (interest, lease/rental income, donations), projection of step and column costs, salary adjustments, basic staffing ratios, changes in staffing, number of retirements, and cost factors related to the various expenditure objects. In addition, the district should maintain worksheets and other supporting documentation used to develop the multiyear projections.

The district should also do multiyear projections to analyze the financial effects of pending management decisions, such as salary adjustments or enhancements, changes in health benefits programs offered, staffing additions or reductions, and any other items that could have significant future financial implications.

Standard Implemented: Partially

June 2003 Rating:	2
December 2003 Rating:	2
June 2004 Self-Rating:	None Provided
June 2004 New Rating:	3



15.3 Long-Term Debt Obligations—Debt Service Cash Flow Projections and Plans

Professional Standard

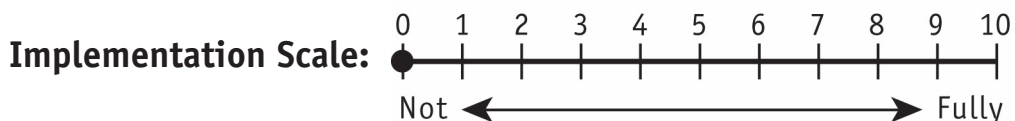
1. For long-term liabilities/debt service, the district should prepare debt service schedules and identify the dedicated funding sources to make those debt service payments.
2. The district should project cash receipts from the dedicated revenue sources to ensure that it will have sufficient funds to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

Progress on Recommendations and Improvement Plan

1. The district still needs to implement the recommendation to prepare/update the long-term debt schedule and provide a report to the State Administrator/Board of Education, including the funding source for each identified debt. This information should be provided to the State Administrator and funds should be budgeted accordingly.
2. The district should implement the original recommendation to prepare monthly cash flow statements for long-term debt that identify receipts, disbursements, and the source of the funds.

Standard Implemented: Not Implemented

June 2003 Rating: 0
December 2003 Rating: 0
June 2004 Self-Rating: None Provided
June 2004 New Rating: 0



16.2 Impact of Collective Bargaining Agreements - Measurement and Evaluation of Bargaining Agreement Implementation Costs and Assurance of Notice to the Public

Professional Standard

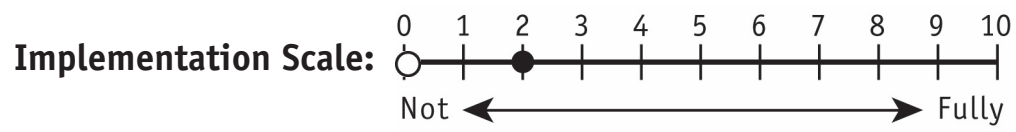
The State Administrator/Governing Board must ensure that any guideline the district develops for collective bargaining is fiscally aligned with the instructional and fiscal goals on a multiyear basis. The State Administrator/Governing Board must ensure that the district has a formal process where collective bargaining multiyear costs are identified and those expenditure changes are identified and implemented as necessary prior to any imposition of new collective bargaining obligations. The State Administrator/Governing Board must ensure that there is a validation of the costs and the projected district revenues and expenditures on a multiyear basis so that the fiscal resources are not strained further due to bargaining settlements. The public should be informed about budget reductions that will be required for a bargaining agreement prior to any contract acceptance by the Governing Board. The public should be given advance notice of the provisions of the final proposed bargaining settlement and be given an opportunity to comment.

Progress on Recommendations and Improvement Plan

1. The district should establish policies and procedures that comprehensively address negotiations, the district's representation in negotiations, and a requirement that potential bargaining positions be identified prior to the start of negotiations. Policies and procedures also should require that all settlement items be analyzed by the budget/accounting office to identify current and ongoing costs and the financial long-term effect on the district.
2. The district's Business Manager is involved in the negotiation process to ensure that fiscal issues are clearly delineated for the negotiator/State Administrator.
3. The Business Manager analyzes any proposed settlements to ensure that the district can fund the obligations on both a current-year and ongoing basis. However, there is no formal policy or procedure requiring such review and analysis, nor is this analysis documented.
4. The district does not have a policy precluding the adoption of a proposed settlement if such settlement can only be financed by implementing offsetting expenditure reductions, until the necessary reductions have been identified and adopted.

Standard Implemented: Partially

June 2003 Rating:	0
December 2003 Rating:	0
June 2004 Self-Rating:	None Provided
June 2004 New Rating	2



18.8 Maintenance and Operations Fiscal Controls—Fixed Asset Inventory

Professional Standard

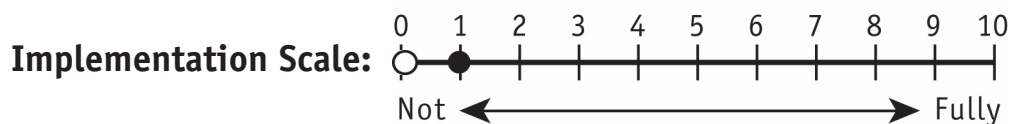
Capital equipment and furniture should be tagged as district-owned property and inventoried at least annually.

Progress on Recommendations and Improvement Plan

1. The district has not implemented the recommendation to inventory and tag all current furniture and equipment and establish a complete asset listing/inventory. Therefore, the district should develop an asset listing that includes description, manufacturer, serial number, tag number, purchase date, purchase price, location, and current condition. In addition, the district should establish a formal receiving function that includes the central tagging and logging of all new equipment before its delivery to the appropriate location (site/department/office).
2. The district has not implemented the recommendation to conduct a physical inventory of all assets (furniture and equipment) at least annually, and to update, adjust, and correct the asset listing to accurately reflect the district's actual assets.

Standard Implemented: Partially

June 2003 Rating:	0
December 2003 Rating:	1
June 2004 Self-Rating:	None Provided
June 2004 New Rating:	1



20.1 Charter Schools—Financial Management and Oversight

Professional Standard

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

Progress on Recommendations and Improvement Plan

1. The district should implement the recommendation to adopt policies and procedures regarding the review, approval, and oversight of the charter schools it charters.
2. The district has not implemented the recommendation to revise its charter agreements to include a clause that requires the charter schools to submit reports to the district office on a regular basis for monitoring by the district. The reports should include a cash flow statement, an income statement (e.g., operating statement), and the annual audit report. The intervals for these reports to be submitted to the district should be consistent and timely (e.g., monthly, quarterly).

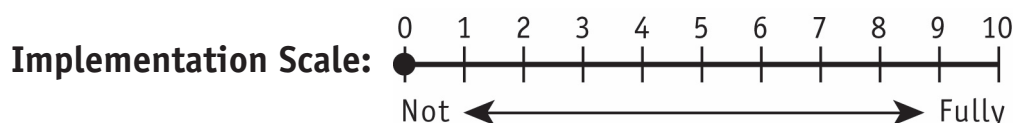
The charter agreements should clearly specify and require that financial information must be submitted, which will allow the district to fulfill its oversight obligations.

3. The district has not implemented the recommendation to actively pursue its oversight role for the charter schools that it charters, consistent with Education Code provisions and provisions of the charter agreement.

The district should clearly determine its oversight responsibilities, establish policies and procedures related to that oversight, and assign staff responsible for carrying out such duties. To the extent that the district staff does not possess sufficient experience and knowledge in this area, it should seek assistance from the Fresno County Office of Education, the California Department of Education, legal counsel, or other outside entities to ensure that it is appropriately and effectively handling these responsibilities.

Standard Implemented: Not Implemented

June 2003 Rating: 0
December 2003 Rating: 0
June 2004 Self-Rating: None Provided
June 2004 New Rating: 0



Financial Management					
Standard to be addressed		June 2003 Rating	Dec. 2003 Rating	June 2004 Rating	Focus for Dec. 2004
1.1	Integrity and ethical behavior are the product of the district's ethical and behavioral standards, how they are communicated, and how they are reinforced in practice. All management-level personnel should exhibit high integrity and ethical values in carrying out their responsibilities and directing the work of others. [State Audit Standard [SAS] 55, SAS-78)	2	NR	NR	
1.2	The district should have an audit committee to: (1) help prevent internal controls from being overridden by management; (2) help ensure ongoing state and federal compliance; (3) provide assurance to management that the internal control system is sound; and, (4) help identify and correct inefficient processes. (SAS-55, SAS-78)	0	NR	NR	
1.3	The attitude of the Governing Board and key administrators has a significant effect on an organization's internal control. An appropriate attitude should balance the programmatic and staff needs with fiscal realities in a manner that is neither too optimistic nor too pessimistic. (SAS-55, SAS-78)	2	NR	NR	
1.4	The organizational structure should clearly identify key areas of authority and responsibility. Reporting lines should be clearly identified and logical within each area. (SAS-55, SAS-78)	0	NR	NR	
1.5	Management should have the ability to evaluate job requirements and match employees to the requirements of the position. (SAS-55, SAS-78)	2	NR	NR	
1.6	The district should have procedures for recruiting capable financial management and staff and hiring competent people. (SAS-55, SAS-78)	0	NR	NR	
1.7	The responsibility for reliable financial reporting resides first and foremost at the district level. Top management sets the tone and establishes the environment. Therefore, appropriate measures must be implemented to discourage and detect fraud. (SAS 82; Treadway Commission)	0	NR	NR	

The identified subset of standards appears in bold print.

NA not applicable
☐ targeted for review

Financial Management
 NR not reviewed

Financial Management

Standard to be addressed		June 2003 Rating	Dec. 2003 Rating	June 2004 Rating	Focus for Dec. 2004
2.1	The business and operational departments should communicate regularly with internal staff and all user departments on their responsibilities for accounting procedures and internal controls. The communications should be written whenever possible, particularly when it (1) affects many staff or user groups, (2) is an issue of high importance, or (3) when the communication reflects a change in procedures. Procedures manuals are necessary to the communication of responsibilities. The departments also should be responsive to user department needs, thus encouraging a free exchange of information between the two (excluding items of a confidential nature).	0	NR	NR	
2.2	The financial departments should communicate regularly with the Governing Board and community on the status of district finances and the financial impact of proposed expenditure decisions. The communications should be written whenever possible, particularly when it affects many community members, is an issue of high importance to the district and board, or reflects a change in policies.	0	2	2	<input type="checkbox"/>
2.3	The Governing Board, finance committees, staff and community should have presented to them documents that can be easily understood. Those who receive documents developed by the fiscal division should not have to wade through complex, lengthy computer printouts.	0	NR	NR	
2.4	The Governing Board should be engaged in understanding globally the fiscal status of the district, both current and as projected. The Governing Board should prioritize district fiscal issues among the top discussion items.	0	NR	NR	
2.5	The district should have formal policies and procedures that provide a mechanism for individuals to report illegal acts, establish to whom illegal acts should be reported, and provide a formal investigative process.	0	0	0	<input type="checkbox"/>

The identified subset of standards appears in bold print.

Financial Management

NR not reviewed

NA not applicable

☐ targeted for review

Financial Management					
Standard to be addressed		June 2003 Rating	Dec. 2003 Rating	June 2004 Rating	Focus for Dec. 2004
3.1	Develop and use a professional development plan, e.g., training business staff. The development of the plan should include the input of the business manager and staff. The staff development plan should, at a minimum, identify appropriate programs office-wide. At best, each individual staff and management employee should have a plan designed to meet their individual professional development needs.	0	NR	NR	
3.2	Develop and use a professional development plan for the in-service training of school site/department staff by business staff on relevant business procedures and internal controls. The development of the plan should include the input of the business office and the school sites/departments and be updated annually.	0	NR	NR	
3.3	The California Association of School Business Officials has initiated a certification program to provide a vehicle for identification of competence in the field of school business management. This program is currently voluntary. It is recognized as an indicator of the background and experience that validates the abilities of current and potential school business managers.	0	NR	NR	
4.1	The Governing Board should adopt policies establishing an internal audit function that reports directly to the State Administrator and the audit committee or Governing Board.	0	NR	NR	
4.2	Internal audit functions should be designed into the organizational structure of the district. These functions should include periodic internal audits of areas at high risk for non-compliance with laws and regulations and/or at high risk for monetary loss.	0	NR	NR	
4.3	Qualified staff should be assigned to conduct internal audits and be supervised by an independent body, such as an audit committee.	0	NR	NR	

Financial Management

Standard to be addressed		June 2003 Rating	Dec. 2003 Rating	June 2004 Rating	Focus for Dec. 2004
4.4	Internal audit findings should be reported on a timely basis to the audit committee, Governing Board and administration, as appropriate. Management should then take timely action to follow up and resolve audit findings.	0	NR	NR	
5.1	The budget development process requires a policy-oriented focus by the Governing Board to develop an expenditure plan that fulfills the district's goals and objectives. The Governing Board should focus on expenditure standards and formulas that meet the district goals. The Governing Board should avoid specific line-item focus, but should direct staff to design an overall expenditure plan focusing on student and district needs consistent with the goals and objectives.	0	NR	NR	
5.2	The budget development process should include input from staff, administrators, the board and community.	0	NR	NR	
5.3	Policies and regulations exist regarding budget development and monitoring.	0	NR	NR	
5.4	The district should have Governing Board policies on the budget process. The district should have 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 direction, and should not be overridden.	0	NR	NR	
5.5	The district should have a clear process to analyze resources and allocations to ensure that they are aligned with strategic planning objectives and that the budget reflects the priorities of the district.	2	3	4	<input type="checkbox"/>
5.6	The district should have a Governing Board budget development process (policy) as it relates to the development of expenditure policies.	2	NR	NR	

Financial Management					
Standard to be addressed		June 2003 Rating	Dec. 2003 Rating	June 2004 Rating	Focus for Dec. 2004
5.7	Categorical funds are an integral part of the budget process and should be integrated into the entire budget development. The revenues and expenditures for categorical programs must be reviewed and evaluated in the same manner as unrestricted general fund revenues and expenditures. Categorical program development should be integrated with the district's goals and should be used to respond to district student needs that cannot be met by unrestricted expenditures. The State Administrator and business office should establish procedures to ensure that categorical funds are expended effectively to meet district goals. Carryover and unearned income of categorical programs should be monitored and evaluated in the same manner as general fund unrestricted expenditures.	3	NR	NR	
5.8	The district must have the ability to accurately reflect its net ending balance throughout the budget monitoring process. The first and second interim reports should provide valid updates of the district's net ending balance. The district should have tools and processes that ensure that there is an early warning of any discrepancies between the budget projections and actual revenues or expenditures.	2	3	4	<input type="checkbox"/>
6.1	The budget office should have a technical process to build the preliminary budget that includes: the forecast of revenues, the verification and projection of expenditures, the identification of known carryovers and accruals, and the inclusion of concluded expenditure plans. The process should clearly identify one-time sources and uses of funds. Reasonable ADA and COLA estimates should be used when planning and budgeting. This process should be applied to all funds.	0	NR	NR	

Financial Management

Standard to be addressed		June 2003 Rating	Dec. 2003 Rating	June 2004 Rating	Focus for Dec. 2004
6.2	An adopted budget calendar exists that meets legal and management requirements. At a minimum the calendar should identify statutory due dates and major budget development activities.	0	1	1	<input type="checkbox"/>
6.3	Standardized budget worksheets should be used in order to communicate budget requests, budget allocations, formulas applied, and guidelines.	0	NR	NR	
7.1	The district should adopt its annual budget within the statutory time lines established by Education Code Section 42103, which requires that on or before July 1, the Governing Board shall hold a public hearing on the budget to be adopted for the subsequent fiscal year. Not later than five days after that adoption or by July 1, whichever occurs first, the Governing Board shall file that budget with the county Superintendent of Schools. [EC 42127(a)]	1	NR	NR	
7.2	Revisions to expenditures based on the state budget should be considered and adopted by the Governing Board. Not later than 45 days after the Governor signs the annual Budget Act, the district shall make available for public review any revisions in revenues and expenditures that it has made to its budget to reflect funding available by that Budget Act. [EC 42127(2) and 42127(i)(4)]	0	NR	NR	
7.3	The district should have procedures that provide for the development and submission of a district budget and interim reports that adhere to criteria and standards and are approved by the County Office of Education.	2	2	2	<input type="checkbox"/>
7.4	The district should complete and file its interim budget reports within the statutory deadlines established by Education Code Section 42130, et. seq.	2	NR	NR	

Financial Management					
Standard to be addressed		June 2003 Rating	Dec. 2003 Rating	June 2004 Rating	Focus for Dec. 2004
7.5	The district must comply with Governmental Accounting Standard No. 34 (GASB 34) for the period ending June 30, 2003. GASB 34 requires the district to develop policies and procedures and report in the annual financial reports on the modified accrual basis of accounting and the accrual basis of accounting.	0	NR	NR	
7.6	The first and second interim reports should show an accurate projection of the ending fund balance. Material differences should be presented to the Governing Board with detailed explanations.	4	NR	NR	
7.7	The district should arrange for an annual audit (single audit) within the deadlines established by Education Code Section 41020.	5	NR	NR	
7.8	Standard management practice dictates the use of an Audit Committee.	0	NR	NR	
7.9	The district should include in its audit report, but not later than March 15, a corrective action for all findings disclosed as required by Education Code Section 41020.	0	0	2	<input type="checkbox"/>
7.10	The district must file certain documents/reports with the state as follows: <ul style="list-style-type: none"> • J-200 series (Education Code Section 42100) • J-380 series - CDE procedures • Attendance reports (Education Code 41601 and CDE procedures) 	0	NR	NR	
7.11	Education Code Section 41020(c)(d)(e)(g) establishes procedures for local agency audit obligations and standards. Pursuant to Education Code Section 41020(h), the district should submit to the county Superintendent of Schools, in the county that the district resides, State Department of Education, and the State Controller's Office an audit report for the preceding fiscal year. This report must be submitted "no later than December 15."	0	NR	NR	

Financial Management

Standard to be addressed		June 2003 Rating	Dec. 2003 Rating	June 2004 Rating	Focus for Dec. 2004
8.1	All purchase orders are properly encumbered against the budget until payment. The district should have a control system in place to ensure that adequate funds are available prior to incurring financial obligations.	1	3	4	<input type="checkbox"/>
8.2	There should be budget monitoring controls, such as periodic reports, to alert department and site managers of the potential for overexpenditure of budgeted amounts. Revenue and expenditures should be forecast and verified monthly.	0	2	3	<input type="checkbox"/>
8.3	The routine restricted maintenance account should be analyzed routinely to ensure that income has been properly claimed and that expenditures are within the guidelines provided by the State Department of Education. The district budget should include specific budget information to reflect the expenditures against the routine maintenance account.	0	NR	NR	
8.4	Budget revisions are made on a regular basis, occur per established procedures, and are approved by the Governing Board.	3	NR	NR	
8.5	The district uses an effective position control system, which tracks personnel allocations and expenditures. The position control system effectively establishes checks and balances between personnel decisions and budgeted appropriations.	0	0	0	<input type="checkbox"/>
8.6	The district should monitor both the revenue limit calculation and the special education calculation at least quarterly to adjust for any differences between the financial assumptions used in the initial calculations and the final actuals as they are known.	0	NR	NR	
8.7	The district should be monitoring the site reports of revenues and expenditures provided.	0	NR	NR	

Financial Management					
Standard to be addressed		June 2003 Rating	Dec. 2003 Rating	June 2004 Rating	Focus for Dec. 2004
9.1	The district budget should be a clear manifestation of district policies and should be presented in a manner that facilitates communication of those policies.	1	NR	NR	
9.2	Clearly identify one-time source and use of funds.	1	NR	NR	
10.1	The Governing Board must review and approve, at a public meeting and on a quarterly basis, the district's investment policy. [GC 53646]	0	NR	NR	
11.1	An accurate record of daily enrollment and attendance is maintained at the sites and reconciled monthly.	2	3	3	<input type="checkbox"/>
11.2	Policies and regulations exist for independent study, home study, inter/intradistrict agreements and districts of choice, and should address fiscal impact.	2	2	2	<input type="checkbox"/>
11.3	Students should be enrolled by staff and entered into the attendance system in an efficient, accurate and timely manner.	4	NR	NR	
11.4	At least annually, the school district should verify that each school bell schedule meets instructional time requirements for minimum day, year and annual minute requirements.	9	NR	NR	
11.5	Procedures should be in place to ensure that attendance accounting and reporting requirements are met for alternative programs such as ROC/P and adult education.	3	NR	NR	
11.6	The district should have standardized and mandatory programs to improve the attendance rate of pupils. Absences should be aggressively reviewed by district staff.	3	NR	NR	
11.7	School site personnel should receive periodic and timely training on the district's attendance procedures, system procedures and changes in laws and regulations.	0	2	2	<input type="checkbox"/>
11.8	Attendance records shall not be destroyed until after the third July 1 succeeding the completion of the audit. (Title V, CCR, Section 16026)	3	NR	NR	

The identified subset of standards appears in bold print.

NA not applicable
☐ targeted for review

Financial Management
 NR not reviewed

Financial Management

Standard to be addressed		June 2003 Rating	Dec. 2003 Rating	June 2004 Rating	Focus for Dec. 2004
11.9	The district should make appropriate use of short-term independent study and Saturday school programs as alternative methods for pupils to keep current on classroom course work.	4	NR	NR	
12.1	The district should adhere to the California School Accounting Manual (CSAM) and Generally Accepted Accounting Principles (GAAP) as required by Education Code Section 41010. Furthermore, adherence to CSAM and GAAP helps to ensure that transactions are accurately recorded and financial statements are fairly presented.	0	NR	NR	
12.2	The district should timely and accurately record all information regarding financial activity (unrestricted and restricted) for all programs. Generally Accepted Accounting Principles (GAAP) require that in order for financial reporting to serve the needs of the users, it must be reliable and timely. Therefore, the timely and accurate recording of the underlying transactions (revenue and expenditures) is an essential function of the district's financial management.	1	1	2	<input type="checkbox"/>
12.3	The district should forecast its revenue and expenditures and verify those projections on a monthly basis in order to adequately manage its cash. In addition, the district should reconcile its cash to bank statements and reports from the county treasurer on a monthly basis. Standard accounting practice dictates that, in order to ensure that all cash receipts are deposited timely and recorded properly, cash be reconciled to bank statements on a monthly basis.	0	1	1	<input type="checkbox"/>
12.4	The district's payroll procedures should be in compliance with the requirements established by the County Office of Education. Standard accounting practice dictates that the district implement procedures to ensure the timely and accurate processing of payroll.	2	3	3	<input type="checkbox"/>

The identified subset of standards appears in bold print.

Financial Management					
Standard to be addressed		June 2003 Rating	Dec. 2003 Rating	June 2004 Rating	Focus for Dec. 2004
12.5	Standard accounting practice dictates that the accounting work should be properly supervised and the work reviewed in order to ensure that transactions are recorded timely and accurately and to allow the preparation of periodic financial statements.	0	NR	NR	
12.6	Federal and state categorical programs, either through specific program requirements or through general cost principles such as OMB Circular A-87, require that entities receiving such funds must have an adequate system to account for those revenues and related expenditures.	1	NR	NR	
12.7	Generally accepted accounting practices dictate that, in order to ensure accurate recording of transactions, the district should have standard procedures for closing its books at fiscal year-end. The district's year-end closing procedures should comply with the procedures and requirements established by the County Office of Education.	0	NR	NR	
12.8	The district should comply with the bidding requirements of Public Contract Code Section 20111. Standard accounting practice dictates that the district have adequate purchasing and warehousing procedures to ensure that only properly authorized purchases are made, that authorized purchases are made consistent with district policies and management direction, that inventories are safeguarded, and that purchases and inventories are timely and accurately recorded.	1	1	1	<input type="checkbox"/>
12.9	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	3	3	<input type="checkbox"/>

Financial Management

Standard to be addressed		June 2003 Rating	Dec. 2003 Rating	June 2004 Rating	Focus for Dec. 2004
12.10	The accounting system should have an appropriate level of controls to prevent and detect errors and irregularities.	0	2	3	<input type="checkbox"/>
12.11	The district must convert to the new Standardized Account Code Structure. SACS will bring the district into compliance with federal guidelines, which will ensure no loss of federal funds (e.g., Title I, federal class size reduction).	0	NR	NR	
13.1	The Governing Board adopts policies and procedures to ensure compliance regarding how student body organizations deposit, invest, spend, raise and audit student body funds. [EC 48930-48938]	0	NR	NR	
13.2	Proper supervision of all student body funds shall be provided by the board. [EC 48937] This supervision includes establishing responsibilities for managing and overseeing the activities and funds of student organizations, including providing procedures for the proper handling, recording and reporting of revenues and expenditures.	4	NR	NR	
13.3	It is the district's responsibility to provide training and guidance to site personnel on the policies and procedures governing the associated student body account.	0	NR	NR	
13.4	In order to provide for oversight and control, the California Department of Education recommends that periodic financial reports be prepared by sites, and then summarized by the district office.	0	NR	NR	
13.5	In order to provide adequate oversight of student funds and to ensure proper handling and reporting, the California Department of Education recommends that internal audits be performed. Such audits should review the operation of student body funds at both district and site levels.	0	NR	NR	
14.1	A reliable computer program that provides reliable multiyear financial projections is used.	2	NR	NR	

The identified subset of standards appears in bold print.

Financial Management

NR not reviewed

NA not applicable

☐ targeted for review

Financial Management					
Standard to be addressed		June 2003 Rating	Dec. 2003 Rating	June 2004 Rating	Focus for Dec. 2004
14.2	The district annually provides a multiyear revenue and expenditure projection for all funds of the district. Projected fund balance reserves should be disclosed. The assumptions for revenues and expenditures should be reasonable and supportable. [EC 42131]	2	2	3	<input type="checkbox"/>
14.3	Multiyear financial projections should be prepared for use in the decision-making process, especially whenever a significant multiyear expenditure commitment is contemplated. [EC 42142]	1	NR	NR	
14.4	Assumptions used in developing multiyear projections are based on the most accurate information available.	2	NR	NR	
15.1	The district should comply with public disclosure laws of fiscal obligations related to health and welfare benefits for retirees, self-insured workers compensation, and collective bargaining agreements. [GC 3540.2, 3547.5, EC 42142]	0	NR	NR	
15.2	When authorized, the district should only use non-voter-approved, long-term financing such as certificates of participation, revenue bonds, and lease-purchase agreements (capital leases) to address capital needs, and not operations. Further, the general fund should be used to finance current school operations, and in general should not be used to pay for these types of long-term commitments.	2	NR	NR	

Financial Management

Standard to be addressed		June 2003 Rating	Dec. 2003 Rating	June 2004 Rating	Focus for Dec. 2004
15.3	1. For long-term liabilities/debt service, the district should prepare debt service schedules and identify the dedicated funding sources to make those debt service payments. 2. The district should project cash receipts from the dedicated revenue sources to ensure that it will have sufficient funds to make periodic debt payments. 3. The cash flow projections should be monitored on an ongoing basis to ensure that any variances from projected cash flows are identified as early as possible, in order to allow the district sufficient time to take appropriate measures or identify alternative funding sources.	0	0	0	<input type="checkbox"/>
16.1	The district should develop parameters and guidelines for collective bargaining that ensure that the collective bargaining agreement is not an impediment to the efficiency of district operations. At least annually, the collective bargaining agreement should be analyzed by management to identify those characteristics that are impediments to effective delivery of district operations. The district should identify those issues for consideration by the State Administrator/Governing Board. The State Administrator/Governing Board, in the development of their guidelines for collective bargaining, should consider the impact on district operations of current collective bargaining language and propose amendments to district language as appropriate to ensure effective and efficient district delivery.	0	NR	NR	

Financial Management

Standard to be addressed		June 2003 Rating	Dec. 2003 Rating	June 2004 Rating	Focus for Dec. 2004
16.2	The State Administrator/Governing Board must ensure that any guideline the district develops for collective bargaining is fiscally aligned with the instructional and fiscal goals on a multiyear basis. The State Administrator/Governing Board must ensure that the district has a formal process where collective bargaining multiyear costs are identified and those expenditures changes are identified and implemented as necessary prior to any imposition of new collective bargaining obligations. The State Administrator/Governing Board must ensure that there is a validation of the costs and the projected district revenues and expenditures on a multiyear basis so that the fiscal resources are not strained further due to bargaining settlements. The public should be informed about budget reductions that will be required for a bargaining agreement prior to any contract acceptance by the Governing Board. The public should be given advance notice of the provisions of the final proposed bargaining settlement and be given an opportunity to comment.	0	0	2	<input type="checkbox"/>
17.1	There should be a process in place for fiscal input and planning of the district technology plan. The goals and objectives of the technology plan should be clearly defined. The plan should include both the administrative and instructional technology systems. There should be a summary of the costs of each objective, and a financing plan should be in place.	4	NR	NR	

Financial Management

Standard to be addressed		June 2003 Rating	Dec. 2003 Rating	June 2004 Rating	Focus for Dec. 2004
17.2	Management information systems must support users with information that is relevant, timely, and accurate. Needs assessments must be performed to ensure that users are involved in the definition of needs, development of system specifications, and selection of appropriate systems. Additionally, district standards must be imposed to ensure the maintainability, compatibility, and supportability of the various systems. The district must also ensure that all systems are compliant with the new Standardized Account Code Structure (SACS), and are compatible with county systems with which they must interface.	NA	NR	NR	
17.3	Automated systems should be used to improve accuracy, timeliness, and efficiency of financial and reporting systems. Needs assessments should be performed to determine what systems are candidates for automation, whether standard hardware and software systems are available to meet the need, and whether or not the district would benefit. Automated financial systems should provide accurate, timely, relevant information and should conform to all accounting standards. The systems should also be designed to serve all of the various users inside and outside the district. Employees should receive appropriate training and supervision in the operation of the systems. Appropriate internal controls should be instituted and reviewed periodically.	3	NR	NR	
17.4	Cost/benefit analyses provide an important basis upon which to determine which systems should be automated, which systems best meet defined needs, and whether internally generated savings can provide funding for the proposed system. Cost/benefit analyses should be complete, accurate, and include all relevant factors.	NA	NR	NR	

Financial Management					
Standard to be addressed		June 2003 Rating	Dec. 2003 Rating	June 2004 Rating	Focus for Dec. 2004
17.5	Selection of information systems technology should conform to legal procedures specified in the Public Contract Code. Additionally, there should be a process to ensure that needs analyses, cost/benefit analyses, and financing plans are in place prior to commitment of resources. The process should facilitate involvement by users, as well as information services staff, to ensure that training and support needs and costs are considered in the acquisition process.	4	NR	NR	
17.6	Major technology systems should be supported by implementation and training plans. The cost of implementation and training should be included with other support costs in the cost/benefit analyses and financing plans supporting the acquisition.	0	NR	NR	
18.1	The district has a comprehensive risk-management program. The district should have a program that monitors the various aspects of risk management including workers compensation, property and liability insurance, and maintains the financial well being of the district.	6	NR	NR	
18.2	The district should have a work order system that tracks all maintenance requests, the worker assigned, dates of completion, labor time spent and the cost of materials.	7	NR	NR	
18.3	The district should control the use of facilities and charge fees for usage in accordance with district policy.	1	NR	NR	
18.4	The Maintenance Department should follow standard district purchasing protocols. Open purchase orders may be used if controlled by limiting the employees authorized to make the purchase and the amount.	6	NR	NR	
18.5	Materials and equipment/tools inventory should be safeguarded from loss through appropriate physical and accounting controls.	9	NR	NR	

Financial Management

Standard to be addressed		June 2003 Rating	Dec. 2003 Rating	June 2004 Rating	Focus for Dec. 2004
18.6	District-owned vehicles should be used only for district purposes. Fuel should be inventoried and controlled as to use.	7	NR	NR	
18.7	Vending machine operations are subject to policies and regulations set by the State Board of Education. All contracts specifying these should reflect these policies and regulations. An adequate system of inventory control should also exist. [EC 48931]	6	NR	NR	
18.8	Capital equipment and furniture should be tagged as district-owned property and inventoried at least annually.	0	1	1	<input type="checkbox"/>
18.9	The district should adhere to bid and force account requirements found in the Public Contract Code (Sections 20111 and 20114). These requirements include formal bids for materials, equipment and maintenance projects that exceed \$59,600; capital projects of \$15,000 or more; and labor when the job exceeds 750 hours or the materials exceed \$21,000.	5	NR	NR	
18.10	The district should adhere to bid and force account requirements found in the Public Contract Code (Sections 20111 and 20114). These requirements include formal bids for materials, equipment and maintenance projects that exceed \$59,600; capital projects of \$15,000 or more; and labor when the job exceeds 750 hours or the materials exceed \$21,000.	5	NR	NR	

Financial Management

Standard to be addressed		June 2003 Rating	Dec. 2003 Rating	June 2004 Rating	Focus for Dec. 2004
19.1	In order to accurately record transactions and to ensure the accuracy of financial statements for the cafeteria fund in accordance with generally accepted accounting principles, the district should have adequate purchasing and warehousing procedures to ensure that: 1. Only properly authorized purchases are made consistent with district policies, federal guidelines, and management direction. 2. Adequate physical security measures are in place to prevent the loss/theft of food inventories. 3. Revenues, expenditures, inventories, and cash are recorded timely and accurately.	8	NR	NR	
19.2	The district should operate the food service programs in accordance with applicable laws and regulations.	8	NR	NR	
20.1	In the process of reviewing and approving charter schools, the district should identify/establish minimal financial management and reporting standards that the charter school will follow. These standards/procedures will provide some level of assurance that finances will be managed appropriately, and allow the district to monitor the charter. The district should monitor the financial management and performance of the charter schools on an ongoing basis, in order to ensure that the resources are appropriately managed.	0	0	0	<input type="checkbox"/>
21.1	The district should have procedures that provide for the appropriate oversight and management of mandated cost claim reimbursement filing. Appropriate procedures would cover: the identification of changes to existing mandates; training staff regarding the appropriate collection and submission of data to support the filing of mandated costs claims; forms, formats, and time lines for reporting mandated cost information; and review of data and preparation of the actual claims.	4	NR	NR	

The identified subset of standards appears in bold print.

NA not applicable
☐ targeted for review

Financial Management
 NR not reviewed

Financial Management

Standard to be addressed		June 2003 Rating	Dec. 2003 Rating	June 2004 Rating	Focus for Dec. 2004
22.1	The district should actively take measures to contain the cost of special education services while still providing an appropriate level of quality instructional and pupil services to special education pupils.	5	NR	NR	