



West Fresno Elementary School District

Financial Management

Comprehensive Review
June 2003

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FINANCIAL MANAGEMENT

SUMMARY OF PRINCIPAL FINDINGS AND RECOMMENDATIONS

Overview

During the course of the assessment review, several recurring issues were observed by the study team. All of these issues are further described in the specific assessment standards and evaluations that follow, but many of the issues crossed over several assessment areas. Thus, the purpose of this summary is to highlight those areas that especially need focus as part of a district improvement plan.

Based on work performed to date, it is clear that any formalized processes that may have been in place at the district no longer exist. Because of significant turnover in its staff, it is not clear how comprehensive or adequate any prior financial policies and procedures may have been. However, what is clear is that the conflict and controversy surrounding the board and the administration of the district during the past two years has left West Fresno essentially in the position to have to re-establish virtually all financial management policies, procedures, systems, and controls.

The situation is exacerbated by the fact that staff is either relatively new or does not possess extensive technical knowledge. The Business Manager, with the support of the Fresno County Office of Education, is attempting to establish procedures for many of the basic financial management functions. However, given the limitations of the staff and the day-to-day needs of operating the district, the Business Manager does not have the time or resources to develop and implement comprehensive policies and procedures or train the staff. Further, it appears that the Business Manager is filling the position on an interim basis and, therefore, a successor must be hired to effect and sustain significant and lasting change in how the district manages its finances.

With regard to the future hiring of a Business Manager for the district, the State Administrator will need to find an individual who has extensive technical knowledge and can be hands-on in performing the work. In addition, the Business Manager will need to be able to develop and implement comprehensive policies, procedures, and desk manuals in order to provide the basis for the appropriate management of the district's finances. Finally, the Business Manager will need to make a significant commitment to staff training, both initial and ongoing, to ensure that the district staff is able to properly perform its functions.

Preliminary areas affected by the lack of rigid and appropriate policies and procedures include:

- Budget development and monitoring
- Purchasing and accounts payable
- Accounts receivable and cash controls
- Categorical programs

The major challenges faced by the State Administrator in improving financial management include:

- Recruiting and retaining staff with the necessary technical skill
- Dedicating resources to develop policies and procedures and training staff
- Instilling a culture of professionalism throughout the staff
- Implementing changes that will be continued when the Governing Board regains its powers

Budget Development and Monitoring

The budget is the key document that correlates the district's educational goals and priorities with the financial resources available and budgeted to meet those goals. This document is the primary vehicle by which the district explains to staff, parents, and the community its financial plan for meeting educational goals. The budget is also the key document for controlling the district's finances and ensuring its fiscal solvency. Therefore, the development of the budget and its monitoring during the course of the fiscal year are two of the most important financial management activities that the district performs.

In general, the district's policies and procedures in these areas were minimal and did not meet the applicable standards. Therefore, the district will need to take extensive action to bring its policies and procedures up to standards.

Budget Development

The district essentially has no formal policies and procedures regarding budget development. Basically, the budget was a roll-over document prepared by the Business Manager with no process or procedures for other managers, the board, or the community to have input. As such, the district does not:

- Utilize a detailed budget calendar
- Have a formal technical process to identify/project enrollment, ADA, revenues, and expenditures
- Utilize budget development worksheets
- Have a community budget advisory committee
- Have board study sessions regarding the budget
- Correlate expenditures by site, program, or department to the educational goals

Therefore, the budget development process does not lend itself to community input, effective communication, or technical consistency and soundness.

Budget Monitoring

Given the district's deficit spending and the large variances between the P-2 projected year-end revenues and expenditures and actual revenues and expenditures, the prior budget monitoring was non-existent or ineffective at best. The district does not use position control or have formal budget transfer forms and only recently has begun to produce monthly budget reports and utilize encumbrance accounting. It still does not encumber payroll. Therefore, the current district procedures are not sufficient to ensure the accurate projection of revenues or sufficiently control expenditures. Without the implementation of comprehensive procedures to monitor revenues

and expenditures throughout the year, the district is in jeopardy of inadvertently overrunning its budget.

Accounting Policies, Procedures, and Controls

The key to monitoring and controlling the budget is the ability to produce accurate and timely financial information. Accounting policies, procedures, and controls are the tools used by districts to ensure that transactions are processed timely and accurately, financial information is reported appropriately and free from misstatement, and assets protected from theft or misappropriation. Due to the board conflict and turnover in staff, the district effectively has no formal accounting policies and procedures or internal controls. Further, staff has limited experience and/or limited technical expertise. As a result, the district has made numerous errors in processing and recording its financial transactions and has not been timely in filing its required reports. This situation makes the district susceptible to errors or omissions in financial management and reporting.

Currently, the Business Manager, supported by staff from the Fresno County Office of Education, is responsible for ensuring that all phases of financial management are performed correctly. However, this makes it difficult for the Business Manager to implement and formalize procedures and provide needed staff training.

Purchasing and Accounts Payable

Consistent with the district's general lack of policies and procedures, the purchasing and accounts payable functions are not governed by a formal process. Specifically, the district does not have:

- Formal purchasing procedures or a purchasing manual
- A purchasing manager
- An approved vendor list
- A receiving warehouse
- A receiving document/report
- Specific controls over putting vendors on the accounting system

While district size is a limiting factor for items such as having a purchasing manager and warehouse, overall the district has not implemented procedures to provide adequate control over these functions. In fact, the district pays invoices without having a receiving report that verifies the goods were actually received. Further, the district does not mark invoices as paid, and duplicate payments have occurred in the past. Therefore, the district needs to implement comprehensive procedures to provide adequate control over purchases and payments.

Cash and Accounts Receivable

Another area with significant procedural and control deficiencies is cash and accounts receivable. This area is of particular concern, as control and proper accounting for accounts receivable is crucial for budgeting and monitoring revenues. Further, cash is the asset most susceptible to theft/misappropriation. Weaknesses noted include:

- No formal policies or procedures for cash and accounts receivable
- Mail is distributed unopened to the Accounting Technician
- Checks are not logged by the receptionist

- Checks are not restrictively endorsed on the back
- Checks/cash are not recorded in a cash receipts journal
- Deposits are typically made only once a month by the Accounting Technician, who receives cash/checks and posts receipts to the general ledger
- No independent review/reconciliation of the bank statements is performed

It is imperative that the district implement procedures and controls in this area to ensure the accurate recording of revenue/receipts and to prevent theft/misappropriation of cash.

Categorical Programs

Given its demographics, the district has a high level of eligibility for categorical funds. These funds are crucial to providing the educational programs and support that the students need. Therefore, it is important that the district comply with all requirements related to program operations, expenditure restrictions, and reporting obligations.

Currently, all categorical management and oversight functions are done by one staff member. Further, while there is interaction between the categorical manager and the Business Manager, there are no formal policies and procedures regarding budget development, budget monitoring, budget revisions and transfers, program compliance, or program reporting. The great responsibility and large workload associated with managing all categorical functions, particularly without clear procedures, specific compliance guidelines, or a formal calendar of mandatory activities, put the district at risk of not meeting all requirements of the categorical programs. In fact, the district has had a significant number of findings related to state and federal programs in its audit reports. These instances of non-compliance put the district at risk of losing categorical funding and potentially being liable to repay categorical funds previously received. Accordingly, this is a significant area that the district needs to address.

Technology and Management Information Systems

Given its small size and limited resources, both the district's need and ability to make major changes to its management information systems is minimal. The district currently utilizes the Fresno County Office of Education's system for its basic accounting and administrative management functions. This system is more than adequate to meet the district's needs and addresses those needs in a cost effective manner. However, the district does not fully utilize all system modules or capabilities. As a result, many functions and processes that could be automated through the county system are done manually. Such manual processes typically lack strong internal controls and reduce the district's efficiency and accuracy in processing its financial transactions. Therefore, the district should work with the county to completely implement the current system. The district should also request that the county provide ongoing training and support.

Improvement Plan Development

In developing the financial management assessment and improvement plan, the review team performed the following:

- Established expectation standards in each area of financial and business management areas of the district. The standards reflect legal and professional obligations, and are intended to comprehensively identify expectations of district delivery.

- Designed appropriate measurement tools that can be used to evaluate the progress of the district toward each standard.
- Based upon extensive fieldwork, developed findings of district implementation against each standard. In some cases, the findings are very extensive, since they relate to many different facets of the standard, while others are more specifically focused on a narrow standard obligation.
- Established recommendations that must be implemented to complete the district's improvement plan. The recommendations reflect the review team's judgment regarding steps that the district should take in order to meet the district standard.

The review team will visit the district regarding the implementation of these assessment standards in six-month increments over the course of the next year. Numerous assessment areas are specifically identified for follow-up review, and reviews will be conducted in November 2003, and six months thereafter. It is hoped that the follow-up assistance will be helpful to the district in ensuring that a focused review of assessment practices is undertaken.

1.1 Internal Control Environment—Integrity and Ethical Values

Professional Standard

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. (SAS-55, SAS-78)

Sources and Documentation

1. Discussions with the State Administrator and staff
2. Review of board policies

Findings

1. The district does have board policies covering personnel practices and employee conduct. Issues addressed include general hiring policies, requirements for criminal records checks, employment of relatives (conflict of interests), and code of ethics. However, the policies are old, typically dating from 1990.

In addition, the policies are relatively generic, and do not address fiscal responsibility and integrity. Further, the conflict-of-interest policies are not extensive, cover only four specific situations, and only specifically preclude one activity—the supervision of an employee by his or her spouse.

The code of conduct addresses several topics, but does not address conflicts of interest, financial transactions, personal relationships, or fiscal responsibility to the district.

2. The district does not have a board policy requiring conflict-of-interest statements. Currently, neither board members nor management staff/fiscal personnel have signed conflict-of-interest statements.
3. As noted in the balance of the most recent audit report, a number of internal control weaknesses were noted. Clearly, this indicates an inadequate control environment at that time.

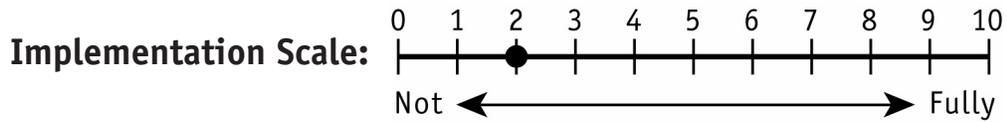
Recommendations and Improvement Plan

1. The district needs to implement comprehensive accounting policies and procedures to ensure that transactions are properly and timely processed, recorded, and reported.
2. The district needs to recruit and hire staff with sufficient knowledge, skills, and experience to properly process, record, and report financial transactions. Employees should be evaluated annually and given proper training and supervision to ensure transactions are correctly recorded and reported.
3. The district should revise/update its board policies to provide clearer and more detailed statements of its conflict-of-interest policy and code of ethics. To the extent possible, the policies should provide clear and specific guidance on potential conflicts of interest for both employees and board members. The code of ethics should be ex-

panded to encompass the issue of conflicts of interest, and fiduciary responsibility and stewardship of district assets and resources. These policies should also be consistent with current law and regulations.

4. The board/district should adopt a policy requiring board members and management staff to sign conflict-of-interest statements, consistent with the revised board policies. The disclosure statement should provide some level of information about financial interests, known or potential conflicts, or disclaimer of any conflicts. These statements should be updated/signed annually and maintained on file.

Standard Implemented: Partially



1.2 Internal Control Environment—Governing Board and Audit Committee Participation

Professional Standard

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]

Sources and Documentation

1. Interview with the State Administrator
2. Review of board minutes
3. Review of board policies

Findings

1. The board minutes from April 11, 2002, identify a board action to adopt a district policy establishing an audit committee. However, the minutes are not clear whether the motion carried.
2. Review of board policies do not include a policy regarding an audit committee.
3. Based on discussion with the State Administrator, it does not appear that the audit committee was ever established or, if established, took any action.
4. Currently, the district does not have an audit committee.

Recommendations and Improvement Plan

1. The board is not directly responsible for risk management. Management has that responsibility. But the board needs to be certain that the responsibility is carried out effectively, proactively, and continuously. An audit committee can fill that need by ensuring that the Governing Board is kept informed on risk uncovered by the audit function.
2. Form a standing audit committee based on the following considerations:
 - a. Reporting lines: The audit committee would exist at the pleasure of the district's Governing Board and/or State Administrator. Organizationally, the committee stands apart from all other district departments and functions. Any internal auditors, whether district employees or contracted audit firms, should report to the audit committee on a regular basis.

The Governing Board and State Administrator should establish a charter and bylaws for the audit committee that define: (1) functions and objectives, (2) how members are appointed, (3) terms for members, (4) voting and quorum requirements, and (5) how the members are to involve and communicate with district management and the Governing Board.

- b. Composition: Typically an audit committee is comprised of five to seven people. However, given the small size of the district and community, this number may be reduced to three to five members. Ideally, committee members should have busi-

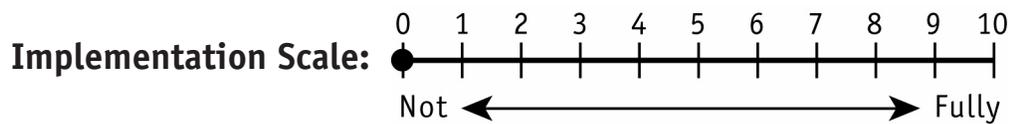
ness or legal backgrounds. While the committee may include members from the district, those district members should not dominate it. Rather, to ensure independence, the committee should have a majority of its members from outside the district.

In accordance with district policy, de minimus compensation and expense reimbursements may be given to committee members.

- c. The committee's charge: Typically the audit committee's charge is to:
 - (1) Oversee the independent audit and reporting process. This includes the selection of the independent auditor, preferably through a bid process that focuses primarily on qualifications before price.
 - (2) Ensure timely attention is paid to control and compliance weaknesses. The external and internal auditors are required to communicate all findings to the committee. Management is responsible for responding to the finding as part of the resolution process.
 - (3) Encourage legal and ethical conduct of management and employees through the audit process. The audit committee, through its assignments to internal audit staff or by its evaluation of external audit findings, should hold the board, management, and staff accountable for adherence to board policy regarding legal and ethical conduct.
 - (4) Increase confidence in the financial reporting process. The audit committee helps to ensure that the financial reports are adequately reviewed and accurately stated, as verified by the auditors.
 - (5) Provide an annual report to the Governing Board, State Administrator, and management. The report should identify significant issues related to the financial statements, the annual audit and internal audits (including findings), and the audit committee's recommendations.
- d. Frequency of meetings: There are obvious times during the year when the audit committee should meet, such as:
 - (1) To select the independent auditor. This may not be an annual task, since most agencies have multiyear contracts for audit services.
 - (2) To meet with the independent auditor to review the audit findings. This is an annual task that includes followup on prior audit findings.
 - (3) To meet with management regarding the audit findings and resolutions resulting from external and internal audits.
 - (4) To meet with the internal auditor to make annual work assignments and to review the internal audit reports.

5. Committee authority: Any organization brings with it various political realities and the potential for misdirected agendas. While there is the potential for the committee to overstep its delegated powers, the committee process in its nonpublic setting involves, by nature, more “behind the scenes” work. Thus, the committee has the responsibility to sift through the facts for accuracy and, as appropriate, offer management an opportunity to act on the facts or even resolve the issues.

Standard Implemented: Not Implemented



1.3 Internal Control Environment—Administration’s Philosophy and Operating Style

Professional Standard

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)

Sources and Documentation

1. Interviews with the State Administrator and Business Manager
2. Review board minutes regarding fiscal issues

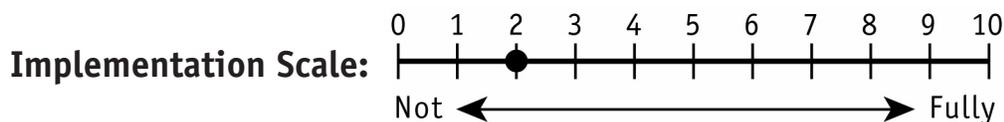
Findings

1. The Governing Board currently has advisory status only. All decisions are made by the State Administrator. There currently is no working relationship between the board and the State Administrator, or between the board and staff. The working relationship between the staff and the State Administrator appears good.
2. This district must, however, face considerable fiscal realities in the operation of its budget. The district will have an operating deficit for the current fiscal year and has a State Administrator as a consequence of the state loan obligations that the district has to the state.
3. The district benefits from the supervision of the State Administrator.

Recommendations and Improvement Plan

1. There are no recommendations to the district at this time. The district is in transition under the State Administrator. The current environment has improved with a focus on hiring competent staff, training staff, and fiscal responsibility. The district needs to maintain the environment focusing on competency and accountability. Ultimately, the environment will need to carry over to when the district is transitioned back to board control.

Standard Implemented: Partially



1.4 Internal Control Environment—Organizational Structure

Professional Standard

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)

Sources and Documentation

1. Organization Chart
2. Interviews with the State Administrator and Business Manager

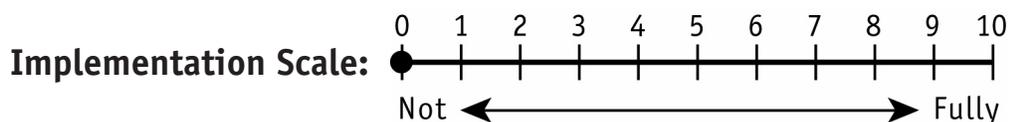
Findings

1. The district does not currently have a formal organizational chart. Although the district is small and has limited management and administrative staff, good internal control dictates that lines of responsibility and authority should be clearly delineated. This is particularly important as the most recent audit report identified lack of skill and supervision as contributing to many of the control deficiencies identified.
2. Given the recent instability, the district needs to bring accountability to staff, and to ensure that such accountability is maintained when the district is returned to local control. The current lack of a formal organizational structure and lines of responsibility and authority foster an environment that does not establish accountability and increases the likelihood that errors or irregularities could occur.

Recommendations and Improvement Plan

1. The district should establish a formal organizational chart. This chart should establish clear lines of responsibility and authority. Further, this structure should be used to establish employee accountability and supervisory review.
2. As the organizational structure is developed and implemented, it should be consistent with the job descriptions that the district is currently developing.
3. The organizational structure should be reviewed and updated annually, and approved by the State Administrator/Superintendent.

Standard Implemented: Not Implemented



1.5 Internal Control Environment—Evaluation of Job Requirements and Employee Skills

Professional Standard

Management should have the ability to evaluate job requirements and match employees to the requirements of the position. (SAS-55, SAS-78)

Sources and Documentation

1. Job Descriptions of all business and operational staff
2. Interviews with the State Administrator, Business Manager and Personnel Analyst

Findings

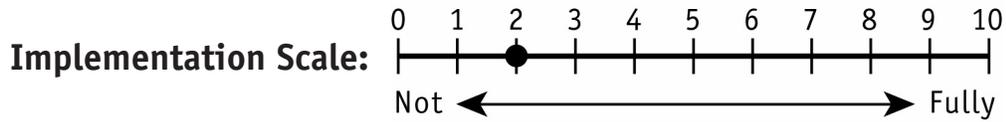
1. Employee job descriptions are in the process of being developed. Previously, there were no formal job descriptions.
2. Board Policy 4315(a) calls for adequate supervision and evaluation of employees. Board Policy 4316 calls for a one-year probation for all classified employees, upon hiring or promotion. However, in practice the district has not implemented procedures to ensure that employees are given performance evaluations at least annually.
3. In reviewing a sample of employee personnel files, 42 percent did not have employee evaluations in the files. For those employees that did have evaluations, all were two years old or older. In fact, one employee's last evaluation was more than 11 years ago.
4. The district does not have standard employee evaluation forms. Different forms were used for the various evaluations used, with little consistency to the rating scale or attributes evaluated. In addition, the evaluations were not effective for identifying areas for employee improvement and professional growth, and using such information for subsequent evaluations.
5. Supervisors and managers are not trained in proper evaluation techniques, and are not held accountable for evaluating employees

Recommendations and Improvement Plan

1. The district needs to complete the development of job descriptions for all positions. Once these job descriptions are developed, they should be reviewed and adopted by the State Administrator.
2. Once adopted, each employee should receive a copy of his or her job description, and supervisors should review the job description, job requirements, and expectations with each employee.
3. The district should adopt standardized performance evaluations/evaluation forms, tailored for various job classifications. The evaluations should include discussion of areas for improvement, as well as professional development.

4. The district should implement a training process on evaluation methods for all district classified managers.
5. The district should implement a tracking system to ensure that all employees receive an annual performance appraisal. In addition, the supervisor's performance appraisal should include an evaluation of whether employee appraisals are being done appropriately and timely.

Standard Implemented: Partially



1.6 Internal Control Environment—Hiring Policies and Practices Governing Financial Management and Staff

Professional Standard

The district should have procedures for recruiting capable financial management and staff, and for hiring competent people. (SAS-55, SAS-78)

Sources and Documentation

1. Interview with the State Administrator
2. Interview with the Business Manager
3. Review of employee job descriptions

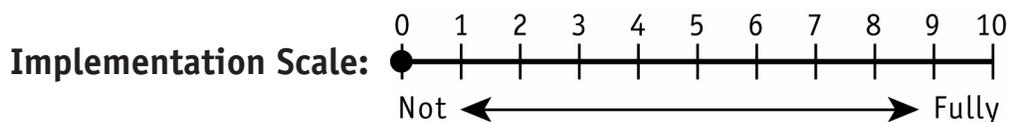
Findings

1. The district has not yet finished developing comprehensive job descriptions for financial and administrative staff.
2. The district has no policy or procedures on recruitment and hiring for financial and administrative staff.

Recommendations and Improvement Plan

1. The district should finish developing formal job descriptions for all financial and administrative positions.
2. The district should formalize the organizational chart to clearly delineate responsibilities and authorities for all positions.
3. The district should establish a procedure and process for the filling of positions. Aggressive recruitment efforts should be undertaken and advertising should be done beyond just the local newspapers.
4. Personnel for all positions should be selected based upon demonstrated employee skills, education, and experience in order to ensure hiring based upon the best-qualified personnel.
5. The district should evaluate its compensation to ensure that, to the extent possible, it is competitive in the labor market to help attract highly skilled staff.

Standard Implemented: Not Implemented



1.7 Internal Control Environment—Responsibility for Fraud Prevention and Detection

Professional Standard

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

Sources and Documentation

1. Board policy
2. Discussion with the State Administrator

Findings

1. There are no formal board policies that address the issue of fraud. The district does have policies addressing conduct and ethics, but does not specifically address fraud.

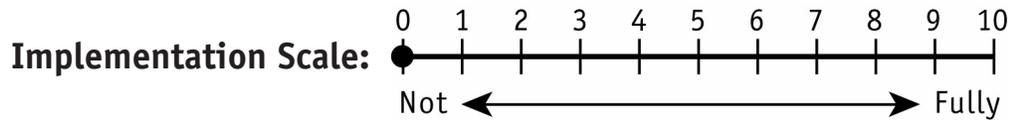
Recommendations and Improvement Plan

1. The district should adopt a policy regarding fraud. It should state that it is the policy of the Governing Board to effect the development of controls that will aid in the detection and prevention of fraud, impropriety, or irregularity within the district. The intent of the board should be to promote consistent organizational behavior by providing guidelines and assigning responsibility for the development of controls and conduct of audits/investigations.
2. The policy needs to apply to any actual or suspected fraud, impropriety, or irregularity involving employees, as well as consultants, vendors, contractors, employees with outside agencies, and/or any other parties with a business relationship with the district.
3. The policy should place responsibility on management personnel for the detection and prevention of fraud, improprieties, and other irregularities involving district resources. Each member of the management team should be familiar with the types of improprieties that might occur within his/her area of responsibility, and be alert for any indication of irregularity.
4. The accompanying administrative regulations should clearly define what are considered to be acts of fraud, improprieties, and irregularities. They should also define investigative responsibilities. Typically, it is the primary responsibility of the internal auditor to investigate all suspected fraudulent acts as defined by the policy. However, as the district is not large enough to support a full-time internal auditor, it should contract on an as-needed basis with outside auditors to perform internal audits/fraud examinations. If the investigation substantiates that fraudulent activities have occurred, the contract internal auditor should issue a report to appropriate management personnel and to the audit committee.
5. The administrative regulations should also include a statement on confidentiality. The results of any investigation should not be disclosed or discussed with anyone other

than those individuals who have legitimate need to know. This is important in order both to avoid damaging the reputations of those suspected of misconduct but subsequently found innocent of any wrongdoing, and to protect the district from potential civil liability.

6. Reporting procedures need to be clearly outlined in the administrative regulations. Great care must be taken to avoid mistaken accusations or alerting suspected individuals that an investigation is in progress.

Standard Implemented: Not Implemented



2.1 Inter- and Intra-Departmental Communications—Timing, Content and Quality of Communications

Professional Standard

The business and operational departments should communicate regularly with staff, sites, and all user departments regarding their responsibilities for accounting procedures and internal controls. The communication 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 communicate 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).

Sources and Documentation

1. Interviews with the State Administrator, Business Manager, Director of Management, Operations, and Transportation, and the Director of Food Services
2. Review of procedures manuals for business and support departments

Findings

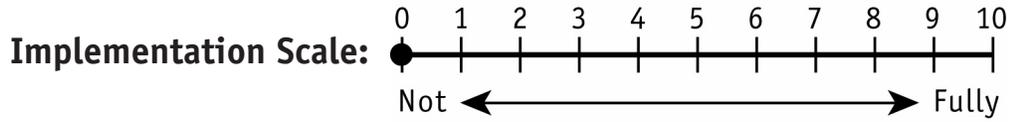
1. The business and support departments do not have policies and procedures manuals. When monthly budget documents are sent, a mandatory response cover sheet is included to verify that the budget printout accurately reflects the status of the site, department, or central office budget.
2. Business Division bulletins are routinely sent whenever changes in procedures occur or when issues of high importance occur to reflect the updated information or any action that may be necessary.
3. It appears that some level of communication occurs between the business and support departments and the sites. Some of the communication is written/formal; however, it appears that most communication is informal (unwritten) and on an ad-hoc basis. While the district and administrative structure is very small, given the past lack of accountability and errors in the processing and recording of transactions, it is important that a consistent and formal process for communication be established.

Recommendations and Improvement Plan

1. The district should develop procedures manuals for the business and support functions. These manuals would function as a training tool for staff, help to ensure the accurate and appropriate discharge of job duties, and provide for some level of continuity in the case of staff turnover.
2. The district should establish formal methods of communicating periodic financial information and other periodic information to managers of support departments, principals, and program managers. Open and ongoing communication is integral to creating an environment of cooperation and trust.

3. The district should formalize the process for communicating changes in policies and procedures related to financial management and reporting. In addition, the Business Office should provide training to staff at sites and in other departments to ensure that such changes are understood and properly implemented.

Standard Implemented: Not Implemented



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 communication 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.

Sources and Documentation

1. Governing Board minutes and agenda materials
2. Discussions with the State Administrator and Business Manager

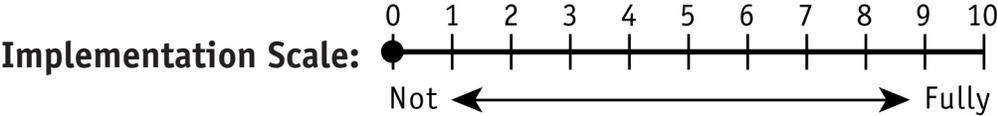
Findings

1. The board is not currently exercising any authority over the operation of the district.
2. Based on prior board agendas and minutes, financial items, such as budget transfers, were periodically discussed at board meetings. It does not appear that they were given any particular priority. In addition, the amount of information contained in board agendas and minutes was minimal.
3. It appears that detailed financial information was only presented to the board at the interim reporting periods. Further, interim reports were not always presented to the board before being submitted to the county.
4. The district does not have a Governing Board community budget, audit, and/or financial advisory committee.

Recommendations and Improvement Plan

1. Although the board does not currently exercise any control over district operations, the district should adopt policies and procedures requiring that budget and financial information be presented monthly. The periodic updates should include issues that will have an effect on district finances, as well as routine budget reports on the status of the general fund and categorical programs.
2. While the board is not exercising control, the district should explore methods of communicating financial issues to the community and staff via a “Fingertip Facts” pocket document, a user-friendly version of the district budget, the various district newspapers, the local newspaper, site newsletters, and the district Web site.
3. The district should establish a Finance/Audit Advisory Committee from members of the various communities within the West Fresno Elementary School District.

Standard Implemented: Not Implemented



2.3 Inter- and Intra-Departmental Communications—Budget Presentation

Professional Standard

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.

Sources and Documentation

1. Governing Board minutes and agenda materials
2. Discussions with the Business Manager
3. Review of budget documents developed for the Governing Board and general public review

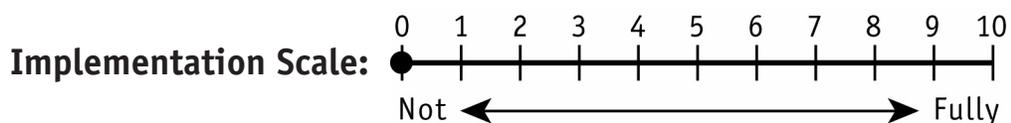
Findings

1. The fiscal documents presented to the Governing Board, while explained in detail to the board, would not be very clear to the general public.
2. Documents available to the general public are limited, at best.
3. No communication document has been developed to provide the public with simple base information regarding district finances.
4. Budget review, audit, and finance committees have not been established.

Recommendations and Improvement Plan

1. The Governing Board should appoint a community-based finance/audit committee that could have as part of its responsibilities the process of budget and audit review.
2. Communication with the community should be established. “Fingertip Facts,” a user-friendly version of the district budget, should be made available to the public at board meetings and school sites, and summary information about the budget should be dispensed with school communications.
3. The district should consider establishing a budget advisory committee to encourage broader community participation in the process and to obtain community input.

Standard Implemented: Not Implemented



2.4 Inter- and Intra-Departmental Communications—Interest and Response by the Governing Board

Professional Standard

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.

Sources and Documentation

1. Governing Board agendas and minutes
2. Discussions with the State Administrator

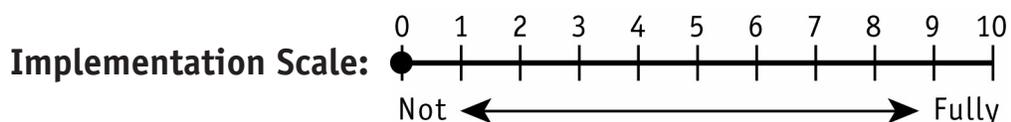
Findings

1. The board is not currently exercising any power and is not meeting on a regular basis.
2. Based on prior board agendas and minutes, while financial items, such as budget transfers, were periodically discussed at board meetings, it does not appear that they were given any particular priority. In addition, the amount of information contained in board agendas and minutes was minimal.
3. The Second Interim Report was presented at the March 21, 2001, Governing Board meeting, which is six days beyond what is called for in the Education Code.
4. The information presented was discussed by the Governing Board. However, while the deficit was identified, there was no attempt to describe the steps being taken to eliminate the deficit.

Recommendations and Improvement Plan

1. When the board returns to exercising control over the district, by policy it should establish that business/finance items of the district should be placed immediately behind the consent agenda to ensure that appropriate action is taken early in the Governing Board meeting.
2. All business reports should be delivered to the Governing Board in a timely fashion.
3. Plans for deficit elimination need to accompany the interim reports.
4. The fiscal office should provide multiyear projection information as part of the board presentations at least annually.

Standard Implemented: Not Implemented



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.

Sources and Documentation

1. Board policy
2. Discussion with the State Administrator

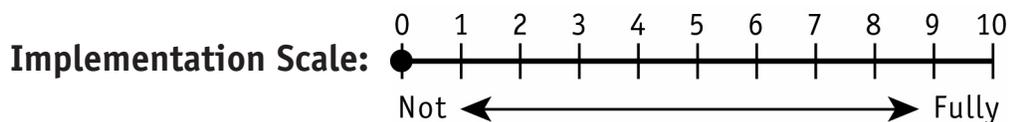
Findings

1. There are no formal board policies that address the issue of fraud. The district does have policies addressing conduct and ethics, but do not specifically address fraud.
2. The district does not have a formal or communicated method for staff and community members to report suspected illegal acts by board members, management, or staff.

Recommendations and Improvement Plan

1. The district should adopt a policy regarding fraud. It should state that it is the policy of the Governing Board to facilitate the development of controls that will aid in the detection and prevention of fraud, impropriety, or irregularity within the district. The intent of the board should be to promote consistent organizational behavior by providing guidelines and assigning responsibility for the development of controls and conduct of investigations. (See Professional Standard 1.7)
2. The district should consider implementing a secure method for individuals to report suspected instances of fraud or inappropriate behavior.

Standard Implemented: Not Implemented



3.1 Staff Professional Development—Training Programs and Plans

Professional Standard

Develop and use a professional development plan, e.g., training business staff. The development of the plan should include the input of 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.

Sources and Documentation

1. Interview with the State Administrator
2. Interview with the Business Manager
3. Review of sample personnel files
4. Review of Classified Bargaining Unit Contract

Findings

1. Based on discussions with the State Administrator and Business Manager, there is not currently any annual staff development plan. The district is in the process of working with outside consultants to develop a plan to cover certificated staff and classroom aides. It does not appear that the plan will cover Business Office staff.
2. Given the small size of the district, there is no separate staff development office/function or formal program. Staff development planning is done through the cabinet and State Administrator.
3. Personnel files indicate some maintenance of training information, but the training appears to date back many years. It was not clear how or why the training was initiated. That is, there is no information as to whether the training was required by the job at the time or for career development. It did not appear that training was related to needs or goals identified in a performance evaluation. Further, the personnel files do not typically identify the training needs or professional development plan for the upcoming year.
4. The contract with classified staff addresses training and professional growth only in regards to the requirement for the district to pay for training, testing, and the related materials for items that are job required or job related. The contract does not identify any annual training requirements, goals, or process for identifying training needs.

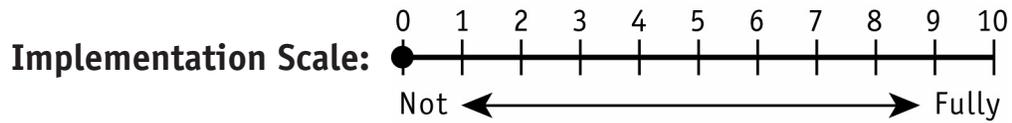
Recommendations and Improvement Plan

1. Given the small size of the district and the relatively small size of the classified staff, it is not economically feasible to have a separate staff development function for classified staff development. However, each classified manager should establish a listing/catalog of training that employees should take. The listed training should be identified as legally mandated, job-required by position, job-related/career development.
2. Employee evaluations should be done annually and should include the employee developed individual training plan, as well as the supervisor's identified training needs.

The training plans should be correlated to the training catalog and employee evaluation. Subsequent evaluations should address the completion of identified training needs and document updated plans.

3. Documentation of successful completion of all training should be maintained in the employee's personnel file, with a copy retained by the employee.

Standard Implemented: Not Implemented



3.2 Staff Professional Development—Training Programs for School Site/ Department Staff by Business Staff

Professional Standard

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.

Sources and Documentation

1. Interviews with the State Administrator
2. Interviews with the Business Manager
3. Interviews with school site secretarial staff
4. Interviews with business and attendance accounting staff

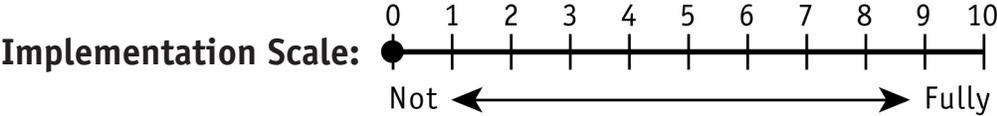
Findings

1. The Business Office does not have a formal plan or annual process to provide training on general business and accounting issues, attendance accounting, or ASB procedures. It appears that training is informal and done on an as-needed basis. That is, unless staff request training or some event occurs (such as an audit) that identifies a need for training, there has been no ongoing, systematic, and formalized process to identify or address training needs.

Recommendations and Improvement Plan

1. The district should implement a formal process for annual training for Business Office staff. The Business Manager should develop an annual staff development plan for both business and nonbusiness personnel regarding procedures to be followed for sound internal control. The planned program should include all business and operational functions for sites and the business department, as well as the changes that have been made annually to those functions. The plan should include, but not be limited to, the following:
 - a. Changes that have occurred in accounting codes, especially the SACS program currently being put in place for utilization in 2003-04.
 - b. Any changes in forms, procedures, and activities related to staffing, purchasing, and/or budget allocations.
2. The district should implement policies and procedures so at the start of every school year, the business staff provides training to the principals, site secretaries, department managers, and program managers regarding business- and accounting-related topics. Items covered should include the purchasing process, attendance accounting, ASB procedures and accounting, changes in account codes, and changes in laws and programs.

Standard Implemented: Not Implemented



3.3 Staff Professional Development—Progress Toward the CASBO or ASBO Certification Programs

Professional Standard

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.

Sources and Documentation

1. Interview with the State Administrator
2. Interviews with the Business Manager

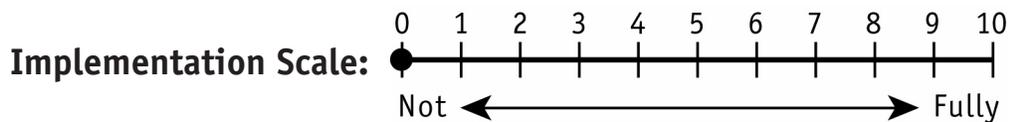
Findings

1. No one in the Business Division has started the CASBO or ASBO certification programs.

Recommendations and Improvement Plan

1. It is recommended that the current Assistant State Administrator for Business and the Assistant State Administrator for Operational Support Services begin the process of certification through the California Association of School Business Officials.

Standard Implemented: Not Implemented



4.1 Internal Audit—Policies and Procedures Governing Internal Audits

Professional Standard

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.

Sources and Documentation

1. Review of board policies
2. Discussions with State Administrator and Business Manager

Findings

1. The district does not have an internal auditor and, given its small size, likely cannot support a full-time internal audit position.
2. The district does not have an audit committee.

Recommendations and Improvement Plan

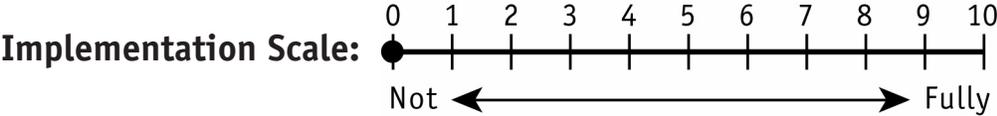
1. Although the district is quite small, given its history of administrative problems and irregularities, the board should adopt policies requiring the establishment of an audit committee and providing authority for an internal audit function. However, as the district is relatively small, it should consider contracting for internal audit services on an as-needed basis.

Alternatively, the district could establish a contract with an independent accounting firm to provide some fixed dollar amount of internal audit services. This would then allow the State Administrator or audit committee to identify high-risk areas or issues of concern for review and prioritize the various projects. The contractor would submit a budget under the contract for each audit, working through the projects in priority order. Projects not accommodated within the current year's budget could then be carried over to the next year and reprioritized, with the new projects added.

A strong independent internal audit function can:

- a. Strengthen the internal control system.
 - b. Improve public image by identifying and resolving problems before they become large, public issues.
 - c. Provide review of high-risk areas like student body funds, cafeteria funds, attendance accounting, and payroll.
 - d. Identify inefficiencies and update policies and procedures.
 - e. Keep the State Administrator and/or Governing Board up to date on areas of risk.
2. The internal audit function, whether performed by district staff or a contractor, should report to the State Administrator and/or audit committee. This provides for sufficient oversight, while allowing the function to maintain its independence.

Standard Implemented: Not Implemented



4.2 Internal Audit—Organization Structure and Frequency of Internal Audit Functions

Professional Standard

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.

Sources and Documentation

1. Board policy
2. Interviews with the State Administrator

Findings

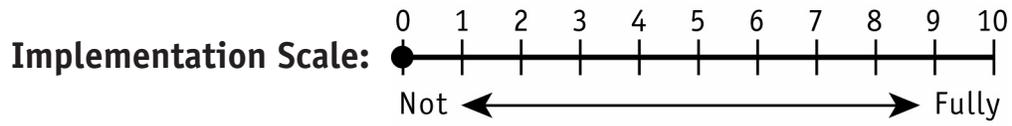
1. There are no board policies relating to the internal audit function.

Recommendations and Improvement Plan

1. Accountability pressures demand that today's school districts squeeze the most they can from all their resources—and the internal audit process clearly is among the most critical. In addition to their responsibility for assessing and recommending internal controls, internal auditors' skills in risk management and their broad-based perspective on the organization uniquely position them as a valuable resource for strong governance.
2. It is recommended that the district formally establish the internal audit function in the district. Board policy and administrative regulations should include:
 - a. That it is the policy of the Governing Board to provide an internal auditing activity as a means of supplying management personnel at all levels with information to control the operations for which they are responsible.
 - b. That internal auditing is an independent appraisal activity established within the district to examine and evaluate its activities.
 - c. That it is the objective of internal auditing to assist members of the district in the effective discharge of their responsibilities by furnishing them with appraisals, recommendations, counsel, and information concerning the activities reviewed and by promoting effective control at a reasonable cost.
 - d. That authorization is granted for full and complete access to any of the district's records, physical properties, and personnel relevant to a review.
 - e. That the internal auditor has no direct responsibility or any authority over any of the activities or operations reviewed. The internal auditor should not develop and install procedures, prepare records, or engage in activities that would normally be reviewed by internal auditors. The internal auditor may monitor the development of new procedures and provide recommendations when necessary.
 - f. The scope of internal auditing should encompass the examination and evaluation of the adequacy and effectiveness of the district's system of internal control and the quality of performance in carrying out assigned responsibilities.
 - g. That a written report shall be prepared and issued following the conclusion of each audit and distributed to the State Administrator and/or executive management and the board. That the department or site receiving the report write a re-

sponse to the State Administrator indicating what actions were taken with regard to the specific findings and recommendations in the internal audit report.

Standard Implemented: Not Implemented



4.3 Internal Audit—Organization and Management of Internal Audit Functions

Professional Standard

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

Sources and Documentation

1. Interview with the State Administrator
2. Review of board policies
3. Review of job descriptions

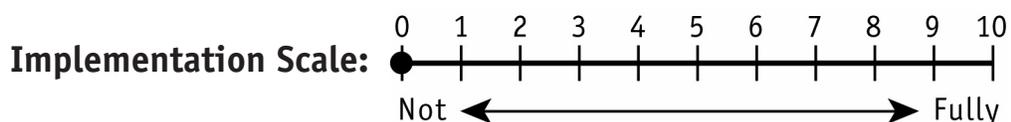
Findings

1. There are no formal board policies relating to the internal audit function. In addition, the district does not use an audit committee.
2. As there is no internal auditor function, there is no job description or statement of minimum qualifications.

Recommendations and Improvement Plan

1. The board should adopt policies establishing the internal audit function for the district.
2. The duties of the Internal Auditor should include:
 - a. Serving as liaison to the State Administrator and Business Manager, and ultimately the Superintendent, audit committee, and Governing Board.
 - b. Preparing an annual audit plan for projects identified by the State Administrator and/or audit committee
 - c. Scheduling work and coordinating with the other departments.
3. The internal auditor should present reports to the State Administrator and/or audit committee or the Governing Board. In addition, the internal auditor should provide periodic progress reports for projects currently in process.
4. The audits should follow standards established by the Institute of Internal Auditors (IIA). In addition, the internal auditor should provide draft reports to the department/sites/programs being audited in order to obtain comments and additional information. If draft findings are not resolved, the department's comments should be included in the final report.

Standard Implemented: Not Implemented



4.4 Internal Audit—Follow Up and Response to Internal Audit Findings

Professional Standard

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.

Sources and Documentation

1. Interviews with the State Administrator and Business Manager
2. External Audit Reports

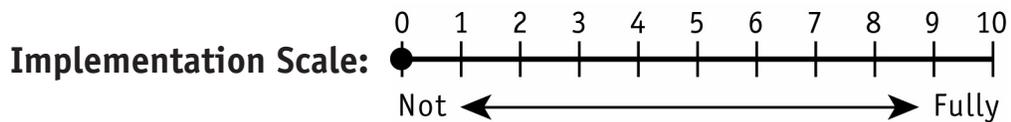
Findings

1. As the district does not have an internal audit function, it does not have a standardized process for reporting internal audit findings to the Governing Board.
2. The Business Manager is responsible for coordinating audit finding follow-up.

Recommendations and Improvement Plan

1. The district/Governing Board should adopt policies establishing audit finding follow-up and resolution. Those policies should also establish the process:
 - a. For the internal auditor to provide a draft report on findings.
 - b. For management to respond to and address findings.
 - c. For the internal auditor to evaluate management's response and modify the report as appropriate.
 - d. For the inclusion of management's response in the final report for any unresolved findings.
 - e. For reports to be presented to the audit committee/board.
 - f. For the internal auditor to make a follow-up report to the audit committee regarding resolutions of findings.

Standard Implemented: Not Implemented



5.1 Budget Development Process (Policy)—Board Leadership and Budget Participants

Professional Standard

The budget development process requires a policy-oriented focus by the Governing Board to develop an expenditure plan, which 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.

Sources and Documentation

1. Interviews with the State Administrator
2. Interviews with the Business Manager
3. Review of the district budget document

Findings

1. The district does not have specific policies that are to be followed in the development of the expenditure plan. The budget appears to be a rollover budget with little information available regarding how various budget priorities are identified and amounts determined.
2. In the past, the district has had some general statement of mission contained in board policies. However, it does not appear that the general/generic statements were specifically/clearly linked to the financial information contained in the budget and presented to the Governing Board for adoption.
3. The district does not have formulas and ratios developed for budgeting expenditures or allocating resources.

Recommendations and Improvement Plan

1. Budget development is a dynamic process that integrates the educational goals of the district with a finite amount of revenue. The budget is a policy document, as well as a fiscal document, that allocates limited and valuable resources to best meet the identified educational goals. The budget establishes the expenditure practices of the district and provides the road map for management and staff to follow during the course of the year. Once a sound budget has been developed, the document and actions that follow should reflect the district's educational philosophy and priorities carried out within the financial parameters and constraints laid out by the budget. In order to ensure that the financial budget is in line with the educational goals, the district should:
 - a. Include in the budget document a discussion identifying the educational goals and linking the expenditures by programs and/or departments to the stated strategic priorities and educational goals. This will help to clarify for the board and other interested parties how the district's expenditure plan addresses the strategic priorities and educational goals.
 - b. Have the State Administrator/Governing Board adopt policies that clearly establish the responsibilities of the Superintendent, Business Manager, and other

district administrators/managers to develop the budget. The policies should also address the formation of a community budget advisory committee and board study sessions regarding the pending budget to be adopted.

- c. Have the State Administrator/Governing board include in adopted policies the requirement to use formulas and ratios in budgeting expenditures and allocating resources. Such items should be documented and used to explain and support the budget information provided to board members during board budget study sessions.

As it is not possible to implement any of the recommendations for the 2003-04 fiscal year, the district should take steps to develop, adopt, and implement changes for the 2004-05 budget year. The schedule for implementation should be:

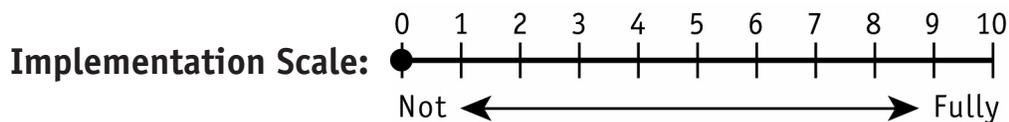
July–September 2003: Developing and adopting policies and identifying educational goals and priorities.

October–December 2003: Identifying/developing formulas and ratios to be used in preparing the budget. In identifying and developing these formulas and ratios, district staff should review state law, contractual obligations, and standards identified by professional organizations such as CASBO, ACSA, etc. These items should be reviewed and approved by the State Administrator.

January–March 2004: Establishing charter for budget advisory committee, including responsibilities, time lines, number of members, reporting responsibilities, identifying potential candidates for committee, evaluating and selecting potential committee members, and providing training for budget committee members.

April–June 2004: Developing budget, applying ratios and formulas, holding budget advisory committee meetings, and holding board study sessions.

Standard Implemented: Not Implemented



5.2 Budget Development Process (Policy)—Input from District and Community Interests

Professional Standard

The budget development process should include input from staff, administrators, the board and community.

Sources and Documentation

1. Discussions with the State Administrator
2. Discussions with the Business Manager
3. Review of the budget process/procedures
4. Review of budget documents

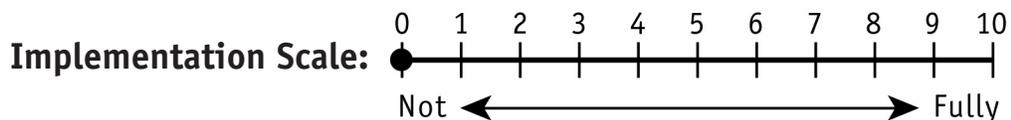
Findings

1. With the removal of the Governing Board, the installation of the State Administrator, and turnover in staff, a formal budget development process does not exist. There are no documented budget development policies or processes, and prior budgets were rolled over. The district has not established/does not utilize basic budget development techniques such as:
 - a. Providing budget/accounting workshops to assist all principals, secretaries, department managers, and project administrators in reviewing and analyzing current accounts and projections, and preparing for budget development.
 - b. Distributing budget bulletins with budget formulas identified for books, supplies, and instructional materials on a per-pupil allocation basis.
 - c. Providing budget development worksheets to assist and formalize the processes to be used by department managers and site administrators in preparing their draft budgets.
 - d. Utilizing budget information developed by responsible administrators/managers in accordance with guidelines and budget worksheets.
2. The Business Manager is responsible for developing the preliminary budget. There is no policy or formal mechanism to provide for updates or interim reports regarding the development of the budget to the State Administrator/Superintendent/Governing Board.
3. The district does not have a policy providing for Governing Board study sessions regarding the proposed budget that are open to the public. In addition, the Governing Board only held one public hearing regarding the proposed budget.
4. Currently, the budget is then submitted to the State Administrator for review and approval.
5. The adopted budget is submitted to the Fresno County Office of Education and the California Department of Education.

Recommendations and Improvement Plan

1. The district should adopt and carry out policies that:
 - Involve principals and department managers in developing the budget.
 - Require the Business Manager to develop budget development worksheets and establish formulas and ratios for making budget projections and allocation.
 - Provide for the Business Manager to provide training/workshops to principals, department manager, and other staff involved in budget development regarding current-year budget status, and how to prepare budget information using formulas, ratios, and worksheets.
 - Require the Business Manager to develop annually by September 30 of each year, a budget development plan/calendar and present the calendar to the State Administrator/ Superintendent for approval.
 - Require the budget calendar to include provisions regarding periodic status reports to the State Administrator/Superintendent.
 - All items should be implemented for the 2004-05 fiscal year. The policies should be developed during the first quarter of the 2003-04 fiscal year. The Business Manager should develop the budget calendar and formulas, worksheets, and training materials during the second quarter of 2003-04. The staff training should be provided in the third quarter of 2003-04, and progress reports should be provided to the State Administrator/Superintendent monthly.

Standard Implemented: Not Implemented



5.3 Budget Development Process (Policy)—Policies and Regulations

Professional Standard

Policies and regulations exist regarding budget development and monitoring.

Sources and Documentation

1. Discussions with the Business Manager
2. Review of the budget policies and procedures
3. Review of budget documents

Findings

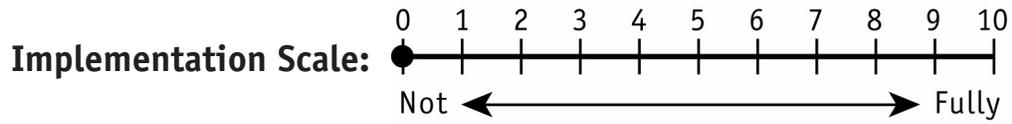
1. The Governing Board has general policies that require the district to comply with budget deadlines as prescribed by law.
2. The Governing Board policies call for the appropriate reviews and monitoring as prescribed by law.
3. There are no detailed policies beyond compliance with minimum legal requirements.
4. Budget adjustments were taken to the board only sporadically and the only formal submissions of revisions are at the interim reporting periods. Currently, while there is no formal policy regarding budget adjustments/revisions, the State Administrator requires monthly budget reports.
5. The budgets are essentially rolled from one year to the next.
6. The development of the budget is essentially done by the Business Manager, with minimal input, control, or responsibility for budget development or monitoring on the part of the principals, and department/program managers.
7. The district does not use position control or staffing formulas to establish the personnel portion of the budget. No formulas or ratios were provided to document the discretionary portion of the budget.
8. The Governing Board does not have a budget, financial and/or audit committee.

Recommendations and Improvement Plan

1. Given the district's fiscal problems, the State Administrator should implement and the board should ultimately adopt policies that require a budget report to be provided at least monthly. This item should be implemented immediately.
2. The district should adopt policies that require all budget transfers to be provided as informational items to the State Administrator/board monthly, and require all budget revisions to be brought to the State Administrator/board for approval. This item should be implemented immediately.

3. The State Administrator/district should establish a citizen budget/finance/audit committee.
4. The district should put all its personnel/staffing on the county's position control system as soon as possible, but no later than the 2004-05 fiscal year.

Standard Implemented: Not Implemented



5.4 Budget Development Process (Policy)—Budget Allocation Formulas

Professional Standard

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.

Sources and Documentation

1. Review Governing Board policies relative to budget development
2. Review public budget document for identification of assumptions/formulas used in developing the budget
3. Interview with Business Manager
4. Board meeting minutes

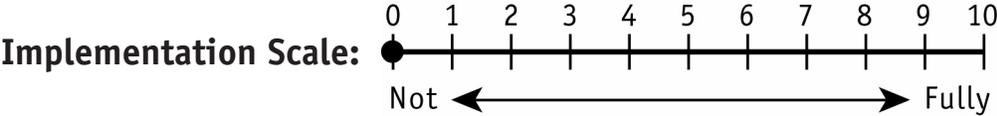
Findings

1. The district does not use standard formulas for allocating school site funds and books and supply money.
2. Once allocated to school sites, there is no beginning-of-school adjustment or leveling of personnel staffing.
3. The district has only general, superficial Governing Board policies and no formal written procedures regarding budget preparation.

Recommendations and Improvement Plan

1. The State Administrator/Governing Board should adopt policies requiring the use of standard formulas for allocating site funds and supplies money. The policy should require the Business Manager to develop the formulas, and present them to the State Administrator/Governing Board during status briefs and board study sessions regarding budget development. In addition, the policies should require the Business Manager to develop formal budget development procedures. These policies should be adopted and the related procedures and formulas developed by January 2004, for use in preparing the 2004-05 budget.
2. The State Administrator/Governing Board policies for budget allocation should also include provision for revisions to the budget, programs, or allocations based on actual/updated information. The policies should require that any such changes be brought to the State Administrator/Governing Board monthly. These policies should be developed and implemented for the 2003-04 fiscal year.

Standard Implemented: Not Implemented



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.

Sources and Documentation

1. Discussions with the business administrative staff
2. Review of the budget policies and procedures
3. Review of budget documents

Findings

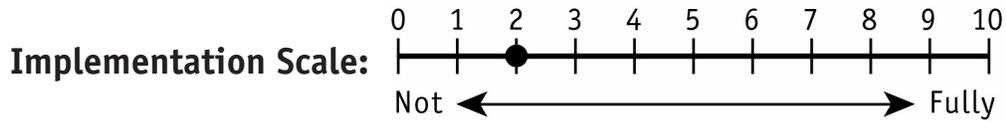
1. The district does not have a formal process to analyze resources and allocations. Rather, the nature, timing, and depth of analysis is determined solely by the Business Manager.
2. The Governing Board has adopted only a general mission statement.
3. The Governing Board has not adopted strategic/educational priorities on which the budget is to be developed.
4. The Governing Board did not hold budget study sessions to consider public input. Formal hearings are limited to those required by law.
5. The Governing Board has not established a fiscal review or budget advisory committee for financial review of the district's operation.
6. The budget does not correlate the educational priorities of the district to the spending plan presented in the budget document.
7. In the past, there does not appear to have been any emphasis on budget analysis, monitoring, projection, or revision.

Recommendations and Improvement Plan

1. The State Administrator/Governing Board should establish educational priorities for the district. These priorities should be identified in the budget, and the spending plan should document how it supports the attainment of the identified educational priorities.
2. The State Administrator/Governing Board should consider the establishment of a citizens' fiscal review or budget advisory committee to provide for a financial review of the district's operation.

3. Procedures should be put in place to monitor the expenditures of the district, both unrestricted and restricted, to review and monitor the relationship between the stated educational priorities and the budget spending plan.
4. The district should consider adding staff to the fiscal division to improve the ability of the Business Manager to delegate certain aspects of the school district fiscal operations.

Standard Implemented: Partially



5.6 Budget Development Process (Policy)—Policy Methodology Used to Build the Preliminary Budget

Professional Standard

The district should have a Governing Board budget development process (policy) as it relates to the development of expenditure policies.

Sources and Documentation

1. Review of Governing Board policies
2. Interviews with the State Administrator and business managers

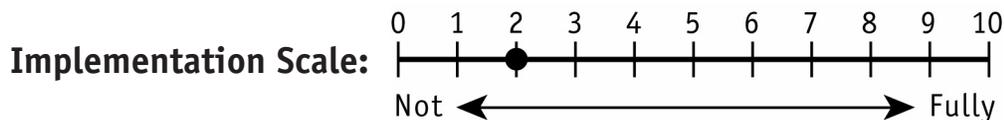
Findings

1. The Governing Board has general policies related to budget development and expenditures. The policies require budget controls; prohibit deficit spending; require the use of purchase requisitions, purchase orders, and/or contracts, and require that expenditures must have funds verified and authorized by the Business Office.
2. The district does not have formal procedures implementing the general Governing Board policies.

Recommendations and Improvement Plan

1. The district should develop procedures that implement/integrate the general board policies within the budget development process.

Standard Implemented: Partially



5.7 Budget Development Process (Policy)—Distribution of Categorical Funds

Professional Standard

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.

Sources and Documentation

1. Interview and discussion with district officials, including the Director of Categorical Programs and the Business Manager
2. Review of district annual financial reports, including the 2001-02 audit

Findings

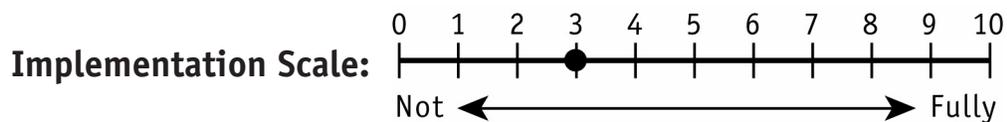
1. The Director of Categorical Programs develops the district's categorical budget. The Business Manager inserts the categorical revenues and expenditures into the total district budget for final presentation to the board.
 - a. The Director of Categorical Programs monitors all pertinent filing and reporting dates, and prepares all required reports.
 - b. All categorical grant and entitlement letters go to the Director of Categorical Programs. The director then informs the Business Office.
 - c. The State and Federal Programs office reviews all personnel and purchasing requisitions for budget availability, coding, and program compliance purposes only.
 - d. Site allocations are calculated by the Director of Categorical Programs. Sites have not had school site councils in the past. However, councils were established in October 2003. It is not clear whether procedures or forms are provided to the councils to assist in the preparation of their budgets.
 - e. The Director of Categorical Programs monitors program budgets monthly.
 - f. The Director of Categorical Programs identifies carryover funds and provides the information to the Business Office. Other state and federal fund carryover is allocated based on program need.
 - g. The most recent audit identified numerous findings related to the operation of the categorical programs.

Recommendations and Improvement Plan

1. The Business Manager should be more directly involved in the budgeting of categorical revenues and expenditures.
2. Managers and staff should receive training in the various programs they manage or operate in order to raise awareness of requirements and prevent future audit findings.

3. The Business Manager should also review and approve categorical expenditures to ensure that there is adequate funding and that the expenditure is appropriate for the program.
4. The budgeting and expenditure of carryover funds should be reviewed by both the Business Manager and State Administrator to ensure that the expenditures are appropriate, and that those expenditures are addressing the district's greatest needs consistent with its educational priorities. A report should be provided to the State Administrator on the availability of any of these funds to be redirected in order to reduce the carryover and unused balances.
5. Management personnel evaluations should include a review of effective categorical program supervision and delivery.

Standard Implemented: Partially



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.

Sources and Documentation

1. Discussions with the Budget Director
2. Second interim reports
3. Audit reports
4. Review of board minutes

Findings

1. It does not appear that the budget and various revenue and expenditure accounts have been consistently monitored in the past two years.
2. It does not appear that monthly budget-to-actual summaries were developed or the projected ending balance consistently monitored. In addition, there were significant variances between projected revenues, expenditures, and net ending balances at second interim and actual revenues, expenditures, and net ending balances.
3. Based on review of the available board minutes, it does not appear that there were monthly budget updates presented to the board, nor were budget revisions consistently taken to the board.
4. The district is now starting to monitor revenues and expenditures monthly. It appears that the net ending balance is monitored only at interim reporting periods.

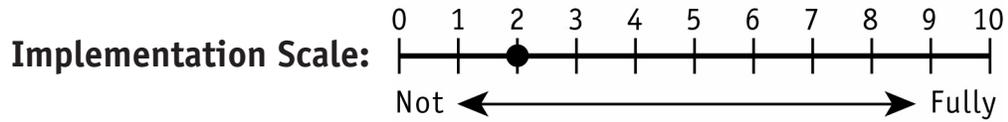
Recommendations and Improvement Plan

1. The district should continue to monitor revenues and expenditures monthly. In addition, the district should monitor the projected net ending balance to allow the State Administrator/Superintendent/Governing Board to be informed of what the projected year-end balance will be. As part of the monthly monitoring process, the Business Manager should prepare an analysis discussing 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 conditions.

With this information, expenditure decisions can be made or modified during the year so that the district does not deficit spend and can rebuild its ending balances. This item should be implemented immediately.

2. All budget transfers and budget revisions should be presented to the State Administrator/Superintendent/Governing Board at least monthly. Budget transfers may be presented for informational purposes, while budget revisions should be presented for approval.

Standard Implemented: Partially



6.1 Budget Development Process (Technical)—Technical Methodologies Used to Forecast Preliminary Budget Revenues and Expenditures

Professional Standard

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.

Sources and Documentation

1. Interviews with the Business Manager
2. J-390 Reports

Findings

1. The district does not have a formal procedures manual that documents the various steps in the budget development process, the specific staff members responsible for the steps, and the procedures to accomplish the individual tasks.
2. The district does not have a procedures manual for the two school sites and departments as they relate to accounting and budget issues.
3. The district does not utilize an online position control system. The district intends to begin using Fresno County Office of Education's position control system for the 2003-04 fiscal year. However, given the fact that the district has not used position control in the past, and employees do not have a good understanding of its function and operation, any transfer to the county's position control system is going to require significant training for district staff and significant support from the county.
4. The district tracks enrollment and the correlating ADA during the year. However, the district does not appear to do any monitoring or analysis of this information during the year. It is not clear how or if this information is used to project P-2 and annual ADA or to budget for subsequent years.
5. The district uses information from the state and county to estimate various financial variables needed for budget projections.

Recommendations and Improvement Plan

1. In order to strengthen the budget development process and make the budget document a stronger policy and management tool, the Budget Office should have a technical process to build the budget.
 - a. First, develop a detailed budget procedures manual for the Budget Office which:
 - Documents the budget process
 - Outlines the basic tasks to be performed and the responsible staff
 - Establishes standardized budget worksheets and checklists that communi-

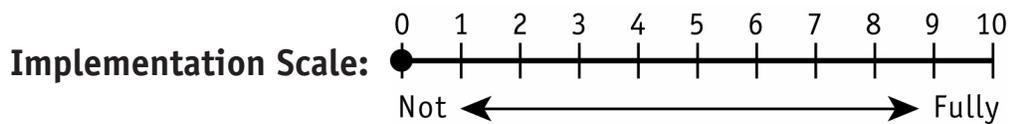
- cate budget requests, budget allocations, formulas applied, and guidelines
- Identifies the procedures, including the computations that need to be made, the assumptions that need to be developed, the sources of pertinent information, and the underlying logic for items such as:
 - The forecast of revenues
 - The verification and projection of expenditures
 - The identification of known carryovers and accruals
 - The identification of one-time sources and uses of funds.
 - Reasonable enrollment, ADA, and COLA estimates

Further, the process should be applied to all funds.

This type of reference material helps to increase the efficiency and accuracy of budget data prepared, and also provides a resource to maintain continuity in the case of staff turnover.

- b. The district should proceed with its planned implementation of Fresno County Office of Education’s position control module. In order for the implementation to be successful, the district will need to coordinate with the county to develop a project management plan that identifies key tasks, responsible parties, resources needed, and completion dates/milestones. Further, the district and county should coordinate to provide training and support to district staff that will use the position control system. The county and district should also be cognizant of password control for access to the system.
- c. The district should monitor enrollment and ADA on an ongoing basis throughout the year. Currently, the staff compiles information and run reports, but those reports are not distributed or analyzed. Enrollment and ADA information is crucial to projecting revenues for budget purposes—ensuring that the district receives all revenue limit and categorical revenues to which it is entitled—and staffing the schools in a cost-effective manner. This information can be used in developing strategies to maximize ADA and meet compulsory education requirements.

Standard Implemented: Not Implemented



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.

Sources and Documentation

1. Interview with the Budget Director

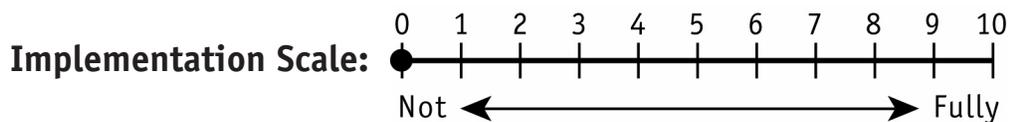
Findings

1. Per the Business Manager, the district does not have a formal budget development process and does not have a budget development calendar.

Recommendations and Improvement Plan

1. The district should establish a budget development calendar that identifies key activities and dates for budget preparation. Items to be included are:
 - Release of the Governor’s budget and analysis of impact on district
 - Projection of enrollment and ADA
 - Distribution by Business Office of budget development packages to sites and departments
 - Dates for completion of preliminary budget worksheets by sites and departments
 - Dates for Budget Advisory Committee meetings
 - Revisions to preliminary budget for information contained in Governor’s May Budget Revisions
 - Dates for board budget workshops/study sessions
 - Dates for public hearings.

Standard Implemented: Not Implemented



6.3 Budget Development Process (Technical)—Standardized Budget Worksheets

Professional Standard

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

Sources and Documentation

1. Interview with the Business Manager

Findings

1. The district basically does not involve sites or departments in the development of the budget, nor does it use standardized forms for budget development either within the Business Office or at the site/department level.

Recommendations and Improvement Plan

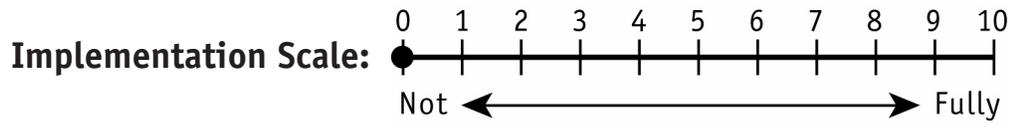
1. The district should involve the sites and program/department managers in the development of the budget. Involving these administrators/managers in developing their budgets is the first step to getting them to be actively responsible for managing and monitoring their budgets. To facilitate this transition, the Business Office should provide training and support to these administrators and managers. This collaborative budget development is intended to provide budgets that maximize revenues, minimize expenditures, effectively deliver required services, and provide stronger budget monitoring.
2. The district should develop budget worksheets that assist administrators/managers prepare the categorical/discretionary portions of their budgets, within the parameters provided, while giving needed information to the Business Office in the needed format. The budget worksheets or packets provided to sites and departments for their budgets should include:
 - Three-year history of the site's/department's budget, including a comparison of the current-year budget to actuals
 - List of current contracts by department
 - Listing of current-year authorized and filled positions by department
 - Proposed budget based on prior-year history
 - Forms for requesting budget augmentations

To assist principals or program managers in preparing their budgets, the Business Office should provide a major strategies funding source matrix. This is a matrix or grid that identifies the major educational/operational priorities as determined by the State Administrator/Governing Board and identifies the various funding sources available to fund the activities covered by each priority.

Using the worksheets and allocation formulas provided by the Business Office, each site/department should develop its own budget. This includes allocating funds between object lines and providing the required staffing for each funding source. The

budget documents, along with the school site plan or other supporting documentation, are submitted to the district office for inclusion in the budget.

Standard Implemented: Not Implemented



7.1 Budget Adoption, Reporting, and Audits—Budget Adoption and Reporting: Statutory Time Lines and Procedures

Professional Standard

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))

Sources and Documentation

1. Discussions with the Business Manager
2. Board meeting minutes
3. Adopted district budget

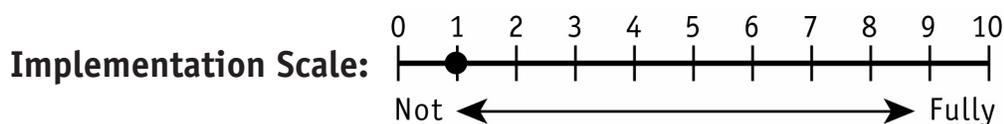
Findings

1. The review team was unable to tell from the board meeting minutes whether the district adopted the 2002-03 budget within the statutory time line as required by the Education Code. In addition, the district did not meet the deadline for filing its budget with the County Superintendent of Schools.
2. For fiscal year 2000-01, it appears that the district filed its budget with the County Superintendent of Schools in a timely manner.

Recommendations and Improvement Plan

1. The district needs to adopt policies requiring adherence to Education Code requirements regarding the filing of its budget with the County Superintendent of Schools.
2. The district needs to ensure that reporting deadlines as outlined in the Education Code are met.
3. The district needs to maintain and retain agendas and minutes for all board meetings in order to comply with legal requirements.

Standard Implemented: Partially



7.2 Budget Adoption, Reporting, and Audits—Budget Revision Upon Adoption of State Budget

Professional Standard

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))

Sources and Documentation

1. Board minutes
2. Discussions with the State Administrator and Business Manager

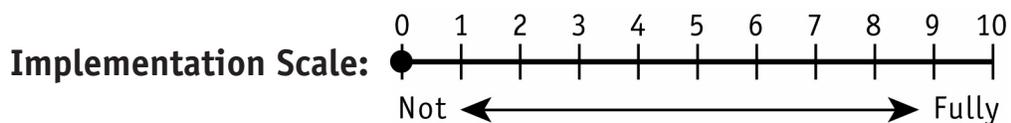
Findings

1. The agendas and minutes from Governing Board meetings were not available.
2. Due to staff turnover, staff could not provide us with information documenting that the budget was revised or that such revisions were made available for public review.

Recommendations and Improvement Plan

1. The district needs to adopt policies and procedures that ensure that Education Code requirements regarding budget revisions and public review of those revisions are met.
2. The district needs to ensure that agendas and minutes are prepared and retained for all Governing Board meetings.

Standard Implemented: Not Implemented



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.

Sources and Documentation

1. The district's adopted budget and interim reports
2. Discussions with the Business Manager

Findings

1. The district submitted a budget that was not satisfactory based on the County Office of Education's review. Accordingly, the county appointed the Fiscal Crisis Management and Assistance Team (FCMAT) to act as fiscal advisor for the district.

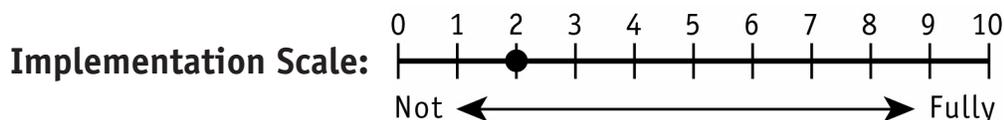
FCMAT closed the district's books for the 2001-02 fiscal year and revised the 2002-03 fiscal year budget. In addition, FCMAT filed the first interim report for the district. That interim report had a negative certification, and was accepted by the County Office of Education.

2. In conjunction with the State Administrator, the County Office assigned a new Business Manager to oversee the district's accounting functions. The district's Business Manager filed the second interim report. There are no specific policies and procedures related to the AB 1200 processes. Rather, the Business Manager assembled the information and prepared the interim report. This report, which had a negative certification, was accepted by the County Office of Education.

Recommendations and Improvement Plan

1. As the district's original budget did not meet the criteria and standards and the district filed a negative certification for its second interim report, the State Administrator and the Business Manager need to establish a budget calendar and related procedures to ensure that the budget and interim reports are appropriately prepared and timely filed.

Standard Implemented: Partially



7.4 Budget Adoption, Reporting, and Audits—Budget Adoption and Reporting: Completion and Filing of Interim Reports

Professional Standard

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

Sources and Documentation

1. The district's first and second interim reports
2. Discussions with the district's Business Manager

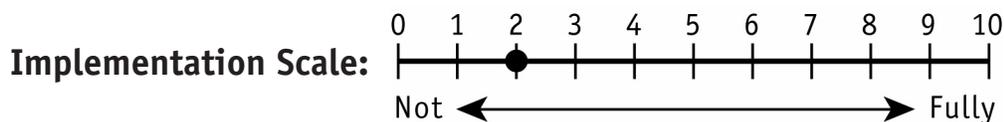
Findings

1. The district filed a negative interim report in the two prior reporting periods.
2. The district filed one of its reports late.

Recommendations and Improvement Plan

1. The district needs to complete its interim reports in a timely manner. Therefore, in order to ensure the timely filing of its interim reports, at the beginning of each year the district should identify milestones prior to the due dates for each report. This will allow the State Administrator/Governing Board adequate time to review and approve the interim reports prior to submission to the county.
2. A multiyear projection report should accompany all interim reports, showing that the district can sustain its budget projections.

Standard Implemented: Partially



7.5 Budget Adoption, Reporting, and Audits—Governmental Accounting Standards Statement No. 34—Policy and Procedures

Professional Standard

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.

Sources and Documentation

1. Review district policies and procedures
2. Interview with the Business Manager

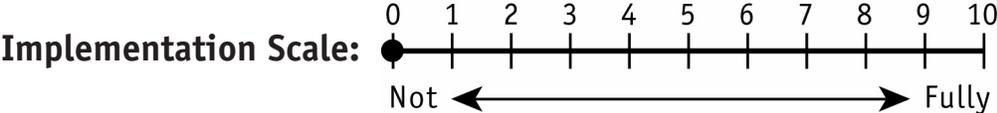
Findings

1. The district has not developed a policy and procedure to date regarding GASB 34. This accounting statement requires state and local government agencies to develop policies and procedures to ensure that the information that is required for inclusion in the new reporting model is captured and available for the annual audit. This statement includes a three-year phase-in period based on revenues for the district, which begins June 30, 2003, for West Fresno Elementary School District.
2. No implementation schedule has been developed by the district to date. A training schedule has not been established for district personnel regarding GASB 34.
3. In its response to the 2001-02 audit, the district stated that it was having an inventory and appraisal of its assets performed to meet GASB 34 requirements. However, the status of any such inventory and appraisal is not known at this point in time.

Recommendations and Improvement Plan

1. The district should develop an implementation schedule for accomplishing the requirements of GASB 34. The schedule will ensure that issues regarding the implementation of this statement are addressed before July 1. The policy and procedure should be established before the blanket inventory is completed. This will decrease the risk that there are missing items between the time the inventory is completed and the district begins tracking items, simultaneous with the completion of the inventory to meet compliance with GASB 34. The capitalization threshold amount, a locally designated amount, will include items to be capitalized and depreciated over the life of the asset for reporting purposes.
2. The district should work with the County Office of Education to determine if the recording and tracking of asset data can easily and effectively be accomplished on the county system. If not, the district will need to either utilize separate stand-alone software or a spreadsheet-based process to track assets.
3. A training schedule should be developed by the district to include anyone involved with purchasing items that will fall into the category of items meeting GASB 34 or Education Code Section 35168, which mandates an inventory of equipment items over \$500.

Standard Implemented: Not Implemented



7.6 Budget Adoption, Reporting, and Audits—Fund Balance Projections

Professional Standard

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.

Sources and Documentation

1. District's second interim reports
2. Monthly budget reports
3. Audit report

Findings

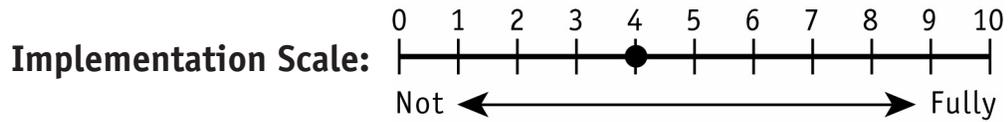
1. The Business Manager has just started getting monthly budget reports.
2. The monthly reports document the working budget, current month transactions, year-to-date totals (amount and percent of budget) transactions, encumbrances, unencumbered balance (amount and percent of budget), and beginning and ending balances.
3. It does not appear that the district has procedures to identify/evaluate changes in projected revenues or expenditures monthly. There also are no formal procedures or consistent practices that summarize changes in revenues or expenditures, particularly changes between object codes, for presentation to the Governing Board for its information, comment, and appropriate action.
4. There was a large difference between the ending fund balance and the second interim projections. The variance appears to have resulted from inaccurate budget projections and inadequate budget monitoring and expenditure controls. For example, federal and state categorical revenues were significantly overstated, while variance expenditures were understated. Overall, there were variances in both directions in the expenditure accounts. Further, the district appeared to have originally budgeted a deficit, which worsened during the course of the fiscal year. However, it does not appear that significant affirmative steps were taken to address the projected budget deficit.

Recommendations and Improvement Plan

1. The district should continue to monitor the budget monthly. The monitoring should include identification of items that affect projected revenues or expenditures. Further, the monthly budget analysis should include discussion of whether revenues and expenditures are consistent with the projection assumptions.
2. The district should implement policies and procedures to provide monthly budget reports to the State Administrator/Governing Board. The budget report should indicate whether the monthly reports are consistent with projection assumptions or the assumptions are being revised. The effect of any changes in budget assumptions should be clearly identified and explained. Also, where there are budget transfers or budget revisions, those items should be presented to the State Administrator/Governing Board for review and/or approval monthly.

3. The district should implement procedures that prevent site/program/object budgets from being overspent. Budgets should only be increased beyond the original budget where there are sufficient funds to be transferred from other programs/sites/objects/accounts, and such transfers have been approved by the State Administrator/Superintendent/Governing Board.

Standard Implemented: Partially



7.7 Budget Adoption, Reporting, and Audits—Audit Administration and Resolution: Arranging for Audit

Professional Standard

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

Sources and Documentation

1. Discussions with the State Administrator and Business Manager

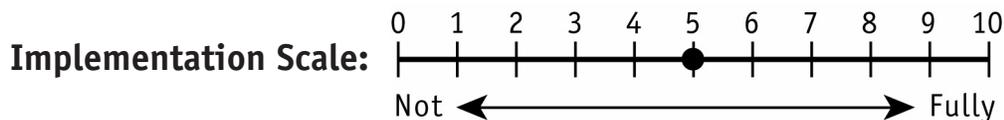
Findings

1. In previous years, the district has complied with Education Code requirements.
2. Currently, as a result of the state loan to the district, the State Controller’s Office performs the external audit for the district so, by operation of law, the district complies with this requirement.
3. The district does not have specific procedures that require compliance with the provisions of Education Code Section 41020.

Recommendations and Improvement Plan

1. The district should implement policies and procedures requiring compliance with Education Code Section 41020 regarding arranging for the annual audit.

Standard Implemented: Partially



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

Professional Standard

Standard management practice dictates the use of an audit committee.

Sources and Documentation

1. Discussions with the State Administrator
2. Board policies

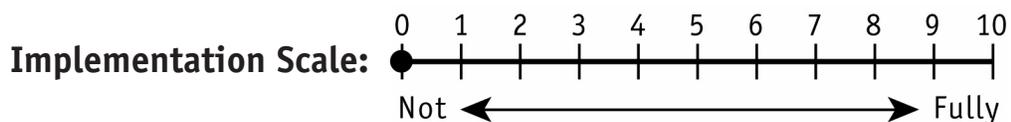
Findings

1. The district does not have an audit committee.

Recommendations and Improvement Plan

1. The State Administrator/Governing Board should establish an audit committee that provides ongoing, independent oversight and advice to the district regarding fiscal management issues. The State Administrator/board should:
 - a. Adopt a resolution to establish an audit committee. The resolution should establish the charter and bylaws, and define:
 - (1) The functions/objectives of the committee.
 - (2) How members are appointed.
 - (3) Terms for the committee members.
 - (4) Voting and quorum requirements.
 - (5) The desired technical knowledge expected of committee members.
 - (6) The criteria for evaluating and selecting committee members.
 - b. Advertise for audit committee members in local and regional newspapers.
 - c. The audit committee should be composed of members from both the district and the larger community. The members should come from careers in pertinent areas such as law, banking, finance, education, and accounting. The committee may include board members or other district employees, but should not be dominated by district employees.
 - d. The audit committee should be responsible for selecting the auditor (after the state loan is repaid), reviewing the audit report, reviewing and evaluating the district's response, and suggesting corrective action plans for any audit findings. In addition, the audit committee should direct the activities of the internal auditor, and review the reports of the internal auditor.

Standard Implemented: Not Implemented



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

Professional Standard

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

Sources and Documentation

1. The district's audit report
2. The district's Corrective Action Plan provided to the County Office of Education

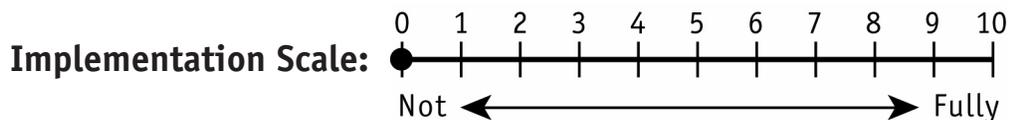
Findings

1. No information was provided documenting that a comprehensive corrective plan was prepared and submitted as required by Education Code Section 41020.

Recommendations and Improvement Plan

1. The district should implement policies and procedures to ensure that it is timely in filing a corrective action plan for all findings identified in its annual audit report.

Standard Implemented: Not Implemented



7.10 Budget Adoption, Reporting, and Audits—Audit Administration and Resolution: State Reporting

Professional Standard

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

- J-200 series (Education Code Section 42100)
- J-380 series—CDE procedures
- Attendance reports (Education Code 41601 & CDE procedures)

Sources and Documentation

1. Discussions with the district's Business Manager
2. The district's interim financial reports
3. Information provided by the County Office of Education

Findings

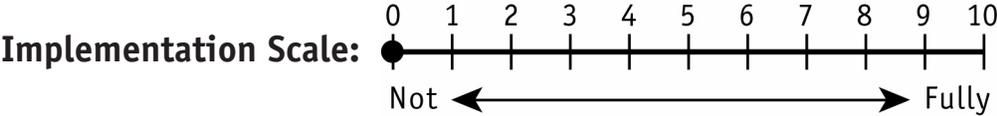
1. The majority of the district's state financial reports have been filed late in the current or prior year. Some reports were only a few days late; however, some have been late by as much as four months. The following filing dates were noted:

Report	Due Date	Date Received by FCOE
2001-02 J200 Budget	7/01/01	6/25/01
2002-03 J200 Budget	7/01/00	11/22/02
2001-02 J200 Unaudited Actuals	9/13/02	12/19/02
2001-02 J380 Program Cost	9/13/02	1/27/03
2001-02 J18/19 P1	1/15/02	1/16/02
2002-03 J18/19 P1	1/15/03	1/17/03

Recommendations and Improvement Plan

1. The district needs to implement procedures to ensure that the accounting periods are closed in a timely manner to allow the state's J reports to be prepared and submitted on time. In order to achieve this goal, the district must require that transactions be processed on a timely basis throughout the year. The district's current financial system has many functions that are not automated, requiring a great deal of time-consuming manual intervention. Automating the functions of budget availability and account code verification, position control, and purchase requisitioning will increase the accuracy and timeliness of financial information. In addition it will relieve the accounting/budget staff from these processing functions and allow them more time for monitoring and analysis of financial information for the preparation of timely state reports.

Standard Implemented: Not Implemented



7.11 Audit Review—Timeliness of Audit and Audit Review

Professional Standard

Education Code Section 41020(c)(d)(e)(g) establishes procedures for local agency audit obligations and standards. Pursuant to Education Code Section 41020(h), the district should submit to 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."

Sources and Documentation

1. Review board policy
2. The district's Audit Report
3. Discussions with the State Controller's Office

Findings

1. The district does not have a board policy regarding the timely filing of its annual audit with the County Office of Education, the State Department of Education, and the State Controller's Office.
2. The district's 2001-02 audit report was not completed by the December 15, 2002 filing deadline. Its independent auditor's report, which coincides with the last day of fieldwork, was dated December 18, 2002, three days after the filing deadline. In that report, the auditors disclaimed an opinion on the district's financial statements. Note: The auditors also disclaimed an opinion on the district's prior-year financial statements.

Education Code Section 41020.2(a) indicates that, if the district has a delay in filing the annual audit report, it may file an extension, contract with another qualified certified public accountant to complete the audit in a timely manner, or request that the State Controller's Office investigate the situation. An extension was filed before December 15, 2002, allowing the district until January 31, 2003, to file its audit report.

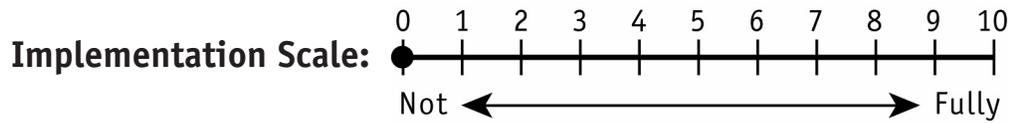
However, the district did not file its audit report with the State Controller's Office until February 28, 2003, one month past the extension date.

Recommendations and Improvement Plan

1. The district should adopt policies requiring it to meet Education Code requirements regarding the timely filing of its annual audit.
2. If the district will not meet the filing requirement, it should continue to request an extension of time to file its audit report. However, the district should work with its auditors to ensure that the filing date is met. If the filing date is not met, the Superintendent could be subject to sanctions.

3. The district should initiate early and ongoing communication with its auditors—now the State Controller’s Office—to facilitate the audit process and ensure the timely completion.
4. All of these steps should be taken immediately in order to ensure that the district meets all requirements for the audit of the 2002-03 fiscal year.

Standard Implemented: Not Implemented



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.

Sources and Documentation

1. Financial reports of budget to actual activity, including encumbrances
2. Interviews with business staff and Business Manager

Findings

1. When purchase requests are submitted, the Business Office reviews for available funding. If funding is available, the purchase request is forwarded to the State Administrator for review and approval. Once approved, the accounting technician enters a purchase order number and encumbers the funds. The funds remain encumbered until either a payment is made or the order is canceled.
2. The purchasing system is not integrated with the budget and accounting modules and, as a result, availability of funds must be verified manually. Board policy precludes budget overruns only if funds are available for transfer to cover the overrun. Currently, the policy is enforced. However, it is not clear that this policy was enforced and funding verified in the past.

Also, while the district is currently encumbering items, staff stated that the district has only recently begun to use encumbrance accounting.

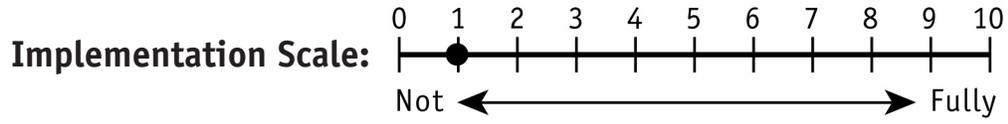
3. If adequate funds are not available, the Business Manager will inform the initiating site/departments that they must submit a budget transfer form to transfer money into the account. This is a manual process where a budget transfer form is prepared, approved, and sent to the Business Manager for processing and the State Administrator for approval.
4. The purchasing system is not being fully utilized in a manner that provides full online control and efficiency. Most of the procurement process is handled manually. As a result, budget and account code verification is cumbersome, time consuming, and vulnerable to timing differences.
5. Salaries and benefits are not encumbered. They are expensed after each payroll run. The district does not use the online position control system. Further, it appears that the district is not monitoring/projecting salary expense, which makes salary and benefit accounts vulnerable to overexpenditure. Substitute calling and reconciling substitute time sheets are manual processes.

Recommendations and Improvement Plan

1. The district is supposed to convert to the fully integrated, SACS-compliant Fresno County system for the 2003-04 fiscal year. In this conversion, the district should implement all the modules, including the online requisition and budget transfer processes for sites and departments. This will enhance the timeliness of financial information, increase efficiency, and provide an enhanced control environment.
2. A properly implemented, fully integrated system will automatically verify fund availability and account coding when the site/department/program prepares the requisition. If funds are not available, the system should have a hard reject that would require a budget transfer before processing. This transaction will also pre-encumber the funds immediately to avoid timing difference problems. In addition, the approval process would be online, thus avoiding the time delays in mailing paper back and forth between offices for approval.
3. The district should fully implement the county system, which should facilitate the process and strengthen control. Using the county system, when the purchase order is prepared, it should reference the online requisition and bring forward the needed information, which would eliminate the need for paper forms and online entries. When completed, the purchase order would liquidate the pre-encumbrance and fully encumber the funds. Budget and account code verification would not need to be manually verified by district office personnel, as fund availability and account code verification would all be automated.
4. The district should implement position control and evaluate the costs/benefits of an automated substitute calling system that can interface with the district's/county's payroll system.
 - Properly interfaced, the system may provide many control features that will safeguard district funds. 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 to ensure that the correct expenditure line is charged.
 - For substitutes required to enable employees to attend workshops or conferences, it can assign a preapproved 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 subcalling, reconciling substitute time and pay, and absence tracking.
5. The district should implement 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 accounting technician should not pay any invoice unless it has a receiving report to verify receipt of the goods. The district

also should implement procedures to require that all payments be reviewed by the Business Manager and/or State Administrator, who should verify appropriate documentation.

Standard Implemented: Partially



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.

Sources and Documentation

1. Interview with the Budget Director
2. Review of financial reports

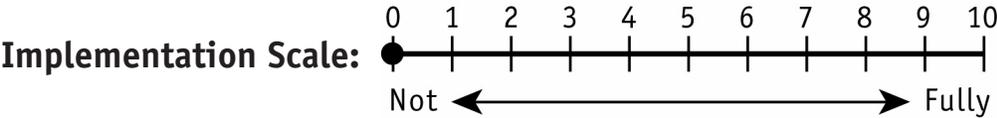
Findings

1. Previously, no monitoring of the budget was done monthly.
2. Currently, monthly budget reports are run that document the working budget, current month transactions, year-to-date totals (amount and percent of budget), encumbrances, unencumbered balance (amount and percent of budget), and beginning and ending balances. However, budget information is not provided to site administrators or department/program managers.
3. The purchasing function is not integrated with the budget/accounting modules and there is no automatic system verification of sufficient funds in the account for any given purchase. Rather, budget verification is a manual process.
4. The budget transfer process is manual. Further, there are no specific forms or documented procedures for budget transfer. Rather, the process is informal, done either on a verbal directive, or by e-mail or note.
5. The Budget Office is solely responsible for monitoring revenues, expenditures, and budget status. It does not appear that a monthly analysis of revenues, expenditures, and the related assumptions is performed to determine if the budgeted amounts are still appropriate. Budget revisions are infrequent, done at most at interim reporting periods.
6. The district does not project revenues and expenditures on a multiyear basis.

Recommendations and Improvement Plan

1. The district should make site administrators and department/program managers responsible for managing and monitoring their budgets. This would foster fiscal accountability in the managers and increase budget monitoring.
2. It is recommended that the district implement online requisitioning, budget monitoring, and budget transfer capabilities for the sites and departments. It is also recommended that the district implement a hard reject for lines where expenditures exceed budget. This would require the sites and departments to monitor their budgets online on a continual basis and ensure that spending patterns are appropriate. Administrators/managers would then be required to initiate an online budget transfer, which would be done before the expenditure occurred rather than after the fact and provide better overall control of the budget.

Standard Implemented: Not Implemented



8.3 Budget Monitoring—Budgeting and Monitoring of the Routine Restricted Maintenance Account

Professional Standard

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.

Sources and Documentation

1. District's adopted budget
2. Interview with Acting Business Manager

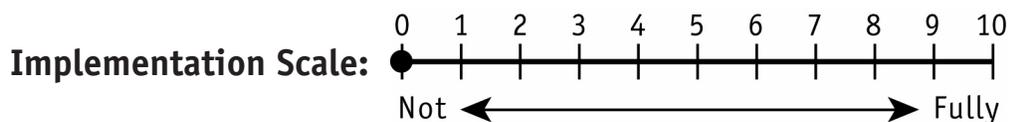
Findings

1. The district received funding for the modernization programs two years ago. For the district to be eligible to receive state construction funding, the district certified that it would maintain the 3 percent routine restricted maintenance account.
2. The district does not have a budget established for the routine restricted maintenance account.

Recommendations and Improvement Plan

1. Education Code Section 17070.75(b)(1) requires the establishment of a restricted account within the general fund. The district is required to establish the account solely for the purpose of tracking the revenues and expenditures for facilities maintenance. Once restricted, the district would show a contribution to the routine restricted maintenance account. As required by the Education Code, it is recommended that the district formally restrict the routine restricted maintenance account.
2. The district should prepare a special budget document detailing the goals of and expenditures from the 3 percent reserve account.

Standard Implemented: Not Implemented



8.4 Budget Monitoring—Budget Revision Procedures

Professional Standard

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

Sources and Documentation

1. Board policy
2. Board minutes
3. Discussions with Acting Business Manager

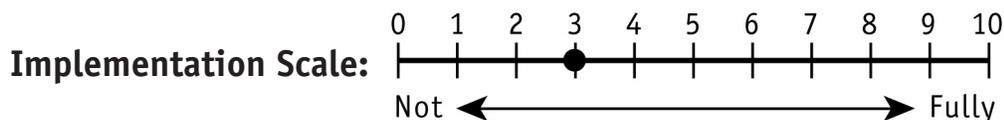
Findings

1. While the district approves the interim reports for the anticipated changes to the budget, no formal approval of the budget revisions to implement the changes was noted in the board minutes.
2. It could not be verified that budget revisions were made to the computer system based on the actions of any Governing Board documents.
3. Computer printouts did show some revisions to the budget, but the revisions were not traced back to source documents.

Recommendations and Improvement Plan

1. The district should establish board agenda items to approve budget revisions on a regular basis.
2. If the interim reports are to be used as part of the approval of any proposed budget revisions, the actual amounts to be approved should be provided to the board as a separate agenda item.
3. All budget revisions should be entered into the computer system, reflecting the dollar amounts as noted in the board approvals.

Standard Implemented: Partially



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.

Sources and Documentation

1. Interview with payroll staff

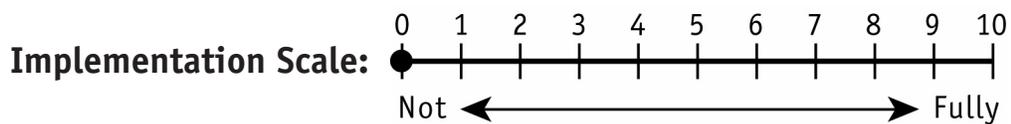
Findings

1. The district does not have a computerized position control system.

Recommendations and Improvement Plan

1. While some of the employees in the district may believe that there is no need for a computerized position control system due to the limited number of employees on the payroll, this is not true. It is important that position control be implemented so that payroll, human resources, and budget all have the same number of employees on the proper step and column of the salary schedules. This is most easily achieved by using an integrated position control system.
2. The district should begin discussions with the county to fully implement the position control system that is integrated with the human resources and financial computer system.

Standard Implemented: Not Implemented



8.6 Budget Monitoring—Revenue Limit and Special Education Calculations

Professional Standard

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.

Sources and Documentation

1. Copy of K-12 Revenue Limit Calculation
2. AB 602 SELPA Calculation

Findings

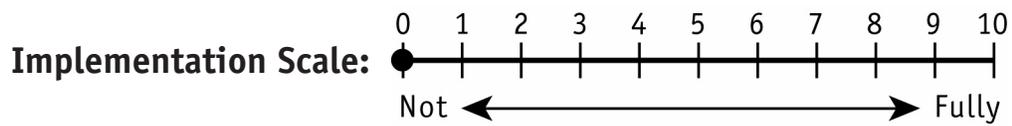
1. The Fresno County Office of Education provides the district with a summary revenue limit calculation.
2. The district does not perform a review of the revenue limit calculation to verify that the information provided by the district was used properly and that the calculation is accurate.
3. The county SELPA provides the district with the standard AB 602 calculation, which is a SELPA-wide calculation with the eventual per-district calculation. Based on the county's calculation, the district will receive approximately \$454,000 in state special education revenues.
4. The district does not review the special education calculation to verify that the information provided by the district was used properly and that the calculation is accurate.
5. The district has charter schools to which the district has to transfer revenues in lieu of property taxes. These transfers are required starting in August and continuing through July of the next year. The amounts of the transfers are adjusted with each certification of the state revenue limit apportionment.

Recommendations and Improvement Plan

1. The district should review and revise, if necessary, the revenue limit and special education calculations as soon as they are received from the county to make sure that all possible revenue sources are included and the information provided by the district was properly reported.
2. The district should review and revise, if necessary, the revenue limit and special education calculations as a part of the first and second interim report processes to adjust for any anticipated changes.
3. The district should review and revise, if necessary, the revenue limit and special education calculations once the first, second, and annual attendance reports are submitted to the county for any adjustments that may need to be made to the district budget.

4. The district should revise the budget as soon as either the revenue limit or special education calculations reflect material changes in revenues.
5. The district should monitor the changes of the amounts that need to be transferred to the charter schools as each principal apportionment is certified so that it reduces the likelihood of the district needing to invoice the charter schools for overpayments.

Standard Implemented: Not Implemented



8.7 Budget Monitoring—Site Reports of Revenues and Expenditures Provided

Professional Standard

The district should be monitoring the site reports of revenues and expenditures provided.

Sources and Documentation

1. Interview with the Business Manager
2. Review of budget reports

Findings

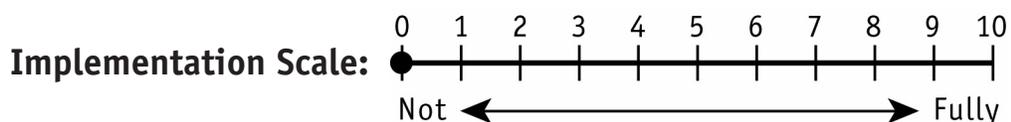
1. The district does not generate monthly budget and expenditure reports for each site and department.
2. The sites and departments do not have online access to the financial system.
3. Sites and departments basically are not responsible for managing/monitoring their budgets.

Recommendations and Improvement Plan

1. The district should make site administrators and department managers responsible for monitoring and managing their budgets. Fiscal administration should be an area evaluated for these employees in their annual performance reviews.
2. It is recommended that the district implement online purchasing and provide online access to budget and expenditure information for its sites and departments. This will allow budget managers immediate access to the most current information to make spending decisions. Along with the capability to view their budgets, it is recommended that the district allow access for online budget transfers. This will eliminate the time-consuming manual process currently in place. With security properly set up, the district can control the levels of approval required before acceptance of the transaction, limit processing capabilities by account code, and limit processing by dollar amount.

Absent these online processes, the Business Office should provide the sites and departments with periodic budget reports to allow the administrators/managers the information to monitor their budgets. These reports should be provided weekly, but no less frequently than monthly. If the reports are not provided frequently, administrators/managers will need to perform significant manual monitoring of their budgets, which is not efficient.

Standard Implemented: Not Implemented



9.1 Budget Communications—Communicating Policy

Professional Standard

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

Sources and Documentation

1. Discussions with the Business Manager
2. Review of budgeting policies and procedures
3. Review of budget documents

Findings

1. The district does not have formal budget development policies or procedures. It does not appear that site councils are significantly involved in the budget development process. There is a gap in community involvement at the Governing Board level without a standing community finance/audit committee.
2. The district does not have a community budget advisory committee.
3. The district holds only a single public hearing on the budget.
4. The budget document is a very technical document and is not user friendly. It is essentially comprised of financial reports. The budget does not provide meaningful explanation of the various budget components, does not correlate the budget with educational goals and priorities, and does not provide comparative information between multiple fiscal years.

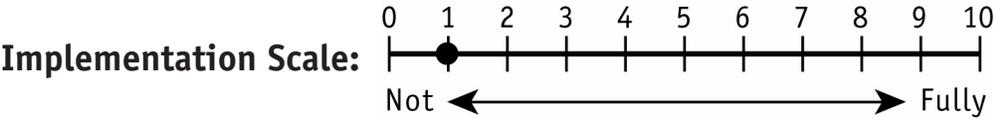
Recommendations and Improvement Plan

1. The district should develop a budget document for public distribution that provides information such as:
 - a. Pertinent financial information correlated to educational goals and priorities in a simple, less technical, user-friendly format.
 - b. Multiyear comparative data

The district should utilize the FCMAT/SSC User-Friendly Budget software, which provides formats and examples for developing the budget.

2. The district should implement a community budget advisory committee to allow for greater participation in the budget process.
3. If necessary to ensure that the public is sufficiently informed of the budget and its details, the district should consider holding multiple public hearings at which the budget is reviewed.

Standard Implemented: Partially



9.2 Budget Communications—Identification of One-Time vs. Ongoing Revenues and Expenditures

Professional Standard

Clearly identify one-time source and use of funds.

Sources and Documentation

1. Discussions with the Business Manager.
2. Review of budgeting policies and procedures
3. Review of budget documents

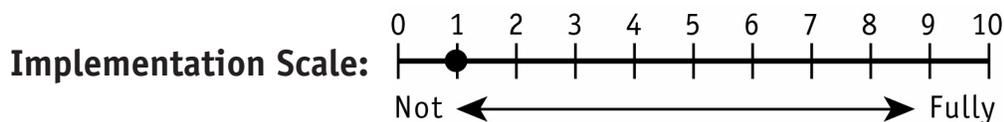
Findings

1. The budget document clearly outlines the unrestricted and restricted funds of the district.
2. The budget document does not clearly identify categorical allocations or effectively identify/discuss one-time sources and uses of funds.
3. There are no formal procedures or budget worksheets regarding the budgeting of categorical funds. Therefore, the sources of information regarding one-time revenues and expenditures and the reliability of the information cannot be assessed.

Recommendations and Improvement Plan

1. The district should develop formal procedures that clearly identify the administrator responsible for the categorical budgets and one-time revenues and expenditures. In addition, the procedures should identify the process for identifying one-time revenues and expenditures and the sources of information to be used in the process.
2. The district should consider developing and training the categorical program office in the monitoring of and responsibility for the financial accounting of all categorical programs.
3. One-time revenues and one-time expenditures should be clearly identified in the district budget.

Standard Implemented: Partially



10.1 Investments—Investment Policy and Quarterly Approvals

Professional Standard

The Governing Board must review and approve, at a public meeting and on a quarterly basis, the district's investment policy. (GC 53646)

Sources and Documentation

1. Review board policy
2. Interview the Business Manager
3. Review board minutes

Findings

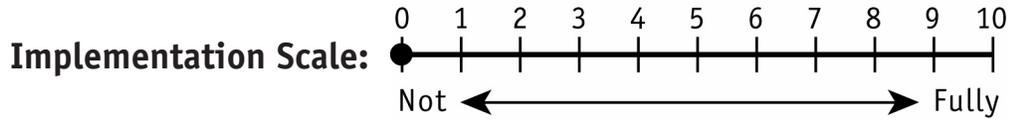
1. The board policies in 3430 identify the applicable law governing this area and restate Education Code 41018 regarding the Superintendent's authority to invest reserve and surplus funds. However, there is no statement of actual board policy or guidelines regarding investments or reporting of those investments.
2. District staff were not aware of any process to have investments approved quarterly. Further, review of available board minutes did not disclose any board agenda items or actions addressing the district investments.
3. The 2000-01 and 2001-02 audits report had a finding regarding the fact that the district does not have an approved investment policy nor does it report quarterly on the investment performance.
4. The district can claim time spent on preparing and providing investment information to the board as a mandated cost claim. The district can obtain reimbursement for the quarterly activity of providing this information to the board. Currently, this activity is only allowable for the annual preparation and reporting to the board.
5. The district has funds invested in stock mutual funds, which is not permitted by Government Code Section 53651.

Recommendations and Improvement Plan

1. The district should provide a quarterly report to the Governing Board per Government Code requirements and ensure that its communications regarding the investments of the district are appropriate and meet the needs of the district. In addition, the board should ensure that the investment of funds meets the district's objectives of safeguarding principal of funds, meeting liquidity needs, and generating a yield attaining or exceeding a market rate. A report is submitted to the district from the County Treasurer 30 days after the end of each quarter. The district should submit the summary information to the board at the board meeting following receipt of the investment information by the district from the County Treasurer. The board should verify that funds used for investment purposes are surplus funds and not funds that are required for the operation of the district within the next six-month period from the date of the investment report.

2. The district should maximize revenues in connection with allowable claims filed with the state of California for mandated costs. Time spent preparing and providing this information to the board is a legal reimbursement claim for the district. The claim for this time should be submitted to the mandated cost consultant quarterly for inclusion in reimbursement claim filed with the state.
3. The district should liquidate its holdings in the stock mutual funds and convert the amount to treasury bonds or other acceptable investments per the Government Code.

Standard Implemented: Not Implemented



11.1 Attendance Accounting—Accuracy of Attendance Accounting System

Professional Standard

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

Sources and Documentation

1. Review board policies
2. Review attendance accounting system records, including input documents and enrollment/attendance reports
3. Interviews with attendance staff at sample school sites
4. Review of independent audit reports

Findings

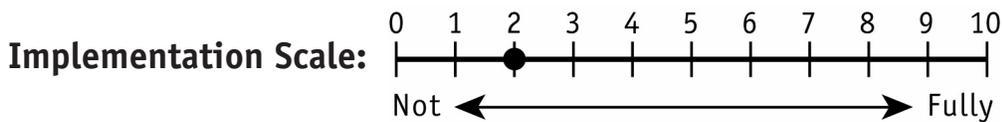
1. The district does not have a board policy regarding daily attendance.
2. There is a methodology in place for capturing attendance and reporting to the district office monthly. However, written policies and procedures are not in existence.
3. The SASI 3 software system is utilized by the district to record the attendance of students and report to the state on Form J18/19. Both elementary and middle school sites follow a negative attendance method for recording attendance for the regular education program. The school sites (K-8) record absences on the SASI 3 bubble forms (i.e., Attendance Form), which are completed manually and signed by the respective teachers at the sites. The SASI 3 bubble forms are submitted to the school office daily by the teachers. The school site personnel in turn submit the forms to the district office by 9:30 a.m. daily. The SASI 3 bubble forms are scanned on a daily basis, with some minor exceptions. The district runs reports from the SASI 3 system daily, weekly, and monthly. However, the reports are not sent to the school sites. As an administrative responsibility, it is prudent to review attendance patterns of students to determine truancy issues that may arise and address them in a timely manner. The school sites must rely on the district office for the monthly reports. Currently, neither the school sites nor the district office completes a monthly reconciliation.
4. The attendance office reconciles reports at P-1, P-2, and annually before submission of the reports to the state. The last two audit reports issued by the independent auditors noted findings in the area of difference between rosters and the computerized attendance system (SASI 3). Although the differences were not large, the state requires an amendment to the J18/19 if there is any difference in what was reported on the J18/19 to the state and what is validated during the audit process.
5. The district is currently utilizing a Kindergarten Retention Form that does not meet the state's compliance requirement. The Independent Audit Report dated June 30, 2001, included a finding on the noncompliance of the Kindergarten Retention Form. Specifically, the form is missing the following elements:

- Anniversary date
- Address and phone number for the parent/guardian
- Specific language in the form regarding California law

Recommendations and Improvement Plan

1. The board should adopt board policies and administrative regulations regarding daily attendance procedures.
2. The district should develop written procedures based on the board policy that is adopted and include the recommendations in this report. As a good business practice, the district should develop a desk manual for attendance procedures that follows board policy and administrative regulations and can be used as a source and training for personnel.
3. The district should guarantee that both the elementary and middle school sites have remote access to run reports from the SASI 3 system or have reports forwarded from the district office to the school sites at least monthly, if not weekly. Receiving reports weekly or monthly at the site level will assist with follow-up and accuracy of absences, decrease the risk of errors in the J18/19 reports submitted to the state, and maximize ADA for the district.
4. Both the elementary and middle school sites should perform a reconciliation of the daily attendance forms to the monthly reports that are submitted to the district office to ensure accuracy of the information submitted, reducing the time involved in making corrections in the system at a later date. The school sites have the supporting documentation for absences and, when an absence is in question early in the process, the documentation is readily available for verification.
5. The Kindergarten Retention Form should be updated immediately district-wide. Any students who will be retained for the 2002-03 fiscal year for 2003-04 should be notified and have the correct form signed by the parent/guardian in order to meet compliance with state statutes.

Standard Implemented: Partially



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.

Sources and Documentation

1. Review board policies
2. Review policies and regulations for independent study, home study, and inter/intradistrict agreements
3. Interview with Attendance Secretary at school site
4. Review independent audit reports

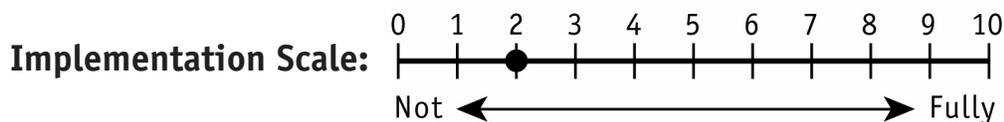
Findings

1. The district does not have board policies addressing the areas of inter/intradistrict agreements, independent study, and home and hospital. The district has copies of board policies that do not have definitive information regarding board adoption or date of adoption.
2. The district offers short-term independent study only for students for in elementary and middle school. Attendance is recorded using the SASI 3 system. A Master Agreement is utilized for all students and includes the required elements stated in Education Code Section 51747. In addition, there are two other forms: (1) Assignment Form, and (2) Certification of Completed Work Product, which must be completed before credit is given for ADA purposes.
3. Home and hospital is not a program that is offered through the district.

Recommendations and Improvement Plan

1. The board should adopt board policies and administrative regulations regarding independent study procedures to meet the requirements of Education Code Section 51747, which requires that a district adopt written policies in order to be eligible for state apportionment for this program.

Standard Implemented: Partially



11.3 Attendance Accounting—Enrollment of Students into Attendance System

Professional Standard

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

Sources and Documentation

1. Review policies and procedures
2. Enrollment input forms, including supporting documentation
3. Review of monthly reports
4. Interviews with attendance staff at school sites
5. Review of independent audit reports

Findings

1. The district does not have policies and procedures for elementary and secondary school sites to follow daily for recording attendance information. All attendance functions that are accounted for in the system are handled in the Attendance Office by one person. The registrations are handled at the school site offices on a manual form, which is then sent to the Attendance Office. The one designated person in the Attendance Office enters the students into the SASI 3 student system once all of the required paperwork is sent to the Attendance Office. Attendance forms are printed weekly from the SASI 3 student system. If a student is enrolled after the attendance forms are printed and distributed to the school site, then the student's name is manually written on the attendance form until the next week's attendance form is printed. The independent audit report for the last two years has noted discrepancies between the rosters at the school site and the computerized system.
2. Reports are not sent to the respective administrators at the school site level on a regular basis. Reports are available through the Attendance Office from the SASI 3 student system.

Recommendations and Improvement Plan

1. The district should develop policies and procedures regarding the recording of the attendance information into the SASI 3 student system. However, the district is in the middle of negotiations for a new student system. The SASI 3 student system will no longer receive support from the vendor for the SASI 3 student system because the software is outdated. SASI has upgraded its system to the SASIXP, which is used by many districts throughout the state of California, among other software applications that are available. It is not in the best interest of the district to continue utilizing a software application that will no longer be supported. It should be a number one priority for the district to determine if there is going to be an upgrade to SASIXP or an entire conversion and implementation to another software application. The district should weigh the pros and cons on any system that is reviewed and take into consideration the current fiscal crisis of the district. In the search for a new student system, district representatives should talk to other districts that have been on the student system of interest and some that have just converted. Representatives should discuss not only the operations and functionality, but the support once on the system.

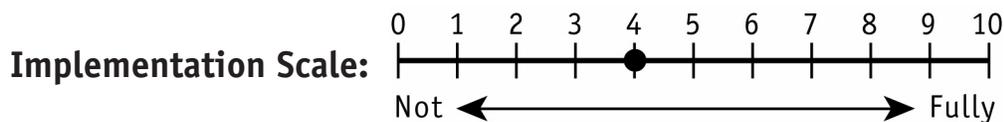
As the district goes through the process of reviewing different software applications, keep in mind that a fully integrated system with access to the student system at the site level may reduce the number of discrepancies in the attendance reports to the state. Anytime that human intervention is reduced, the risk of error will be reduced at close to the same rate. Currently, the information is manually entered twice, once on the form and once in the student system.

It is the responsibility of the administration to ensure that the information is entered into the system in an efficient, timely manner so that errors are minimized in the process of transferring information, allowing time for review and clearing of the information before submission to the state for reporting.

2. Additionally, written procedures for all staff to utilize as a resource will reduce the risk of errors. A handbook is needed that includes step-by-step instructions from the registration of a student through reporting to the state on the J18/19, including any of the required signatures and approvals. Specifically, a handbook should include attendance instructions, forms, attendance codes, attendance student system operations, enrolling or dropping a student, compulsory laws, Education Code requirements, etc. A separate handbook may be required for elementary and middle school procedures. The handbooks should be distributed at the beginning of each school year to the principals, vice principals, and school site secretaries as part of an in-service training to alleviate any inconsistency found throughout the district for the same positions at the different school sites.
3. A schedule of reports from the SASI 3 student system should be developed and followed regularly so that management decisions can be based on the most up-to-date information regarding enrollment and attendance data. The largest portion of the revenue that comes to school agencies is from average daily attendance (ADA). It is critical, given the district's financial position, that correct, accurate information is available in order to determine revenues for the remainder of this year and into the budget for 2003-04. There are many other funding sources that are based on enrollment and ADA as well.

In addition to the monthly reports generated by the SASI 3 student system, an additional report may assist administrators with identifying absence problems within a given school site. This report identifies absences as a percentage of the total days of attendance.

Standard Implemented: Partially



11.4 Attendance Accounting—Instructional Time Requirements

Professional Standard

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

Sources and Documentation

- 1. Review of School Site Council minutes
- 2. Interview with management of the Student Services Department
- 3. Review independent audit report

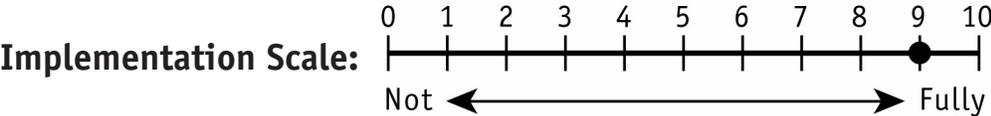
Findings

- 1. The district has one elementary school and one middle school on a common site, with the campuses logistically divided by grades K-5 and grades 6-8. The district does not utilize school site councils for approval of instructional minutes. A bell schedule is submitted to the district office by the school site administrators who determine the bell schedules and verify the accuracy of the respective schedules. There have been no findings in the independent audit report for the last two years.

Recommendations and Improvement Plan

- 1. The district has met the professional standard in this area.
- 2. Maintaining compliance in this area is critical, since funding could be reduced if instructional minutes fall below the required minutes. SB 178 was signed October 5, 2001, and increased the required number of instructional days from 175 to 180 days. An additional calculation and analysis of the bell schedules at the district office as a spot check to ensure that the bell schedules submitted do agree to the schedules followed at the school site will guarantee consistency of compliance during the annual audit.

Standard Implemented: Fully—Substantially



11.5 Attendance Accounting—Attendance Systems for Alternative Programs

Professional Standard

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.

Sources and Documentation

1. Review board policies
2. Review attendance records

Findings

1. The district does not have a board policy regarding the daily attendance.
2. The district does have a few alternative programs that must provide attendance information for ADA apportionment purposes. The programs include hourly programs (e.g., core, K-4 intensive) and summer school. The district does not have policies for either of these programs. Positive attendance is utilized for recording attendance for these two programs. Both the hourly programs and the summer school programs are recorded using the SASI 3 student system, which, with the exception of positive attendance, is the same as the regular program. All of the same reports are run on a daily, weekly, and monthly basis while they are in session.

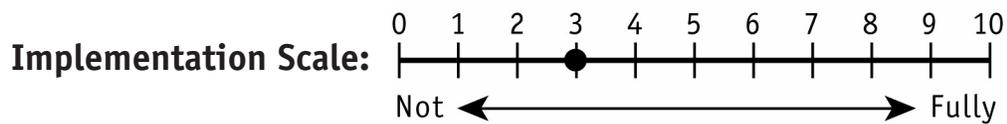
The June 30, 2002, independent audit report included a finding for the Grades 2–6 “Pupils Retained/Recommended for Retention” hourly program that is offered by the district. The audit report stated there was “. . . lack of sufficient documentation.” The numbers of hours in question was 12,000. This is more than 85 percent of the total hours claimed in the Revised J18/19 report to the CDE.

Recommendations and Improvement Plan

1. The board should adopt board policies and administrative regulations regarding daily attendance procedures.
2. The district should develop written procedures, based on the board policy that is adopted, that includes the recommendations in this report. As a good business practice, a desk manual for attendance procedures that follow board policy and administrative regulations should be developed that can be used as a source for training of personnel. The funding received by the district from the state for the hourly programs is critical in order to serve those students in need. Providing district personnel with the sources that are readily available regarding hourly programs will reduce the risk of losing state funding due to the lack of supporting documentation.
3. The district should guarantee that both the elementary and middle school sites are able to run reports from the SASI 3 system remotely or that reports are forwarded from the district office to the school sites at least monthly, if not weekly. Receiving reports weekly or monthly at the site level will assist with follow-up and accuracy of absences, decrease the risk of errors in the J18/19 reports submitted to the state, and maximize ADA for the district.

4. A reconciliation of the daily attendance forms to the monthly reports should be completed by the Attendance Office to ensure accuracy of the information submitted, reducing the time involved in making corrections in the system at a later date. The school sites have on hand the supporting documentation for absences, and when an absence is in question early in the process, the resource is readily available for research.

Standard Implemented: Partially



11.6 Attendance Accounting—Attendance Improvement Programs

Professional Standard

The district should have standardized and mandatory programs to improve the attendance rate of pupils. Absences should be aggressively reviewed by district staff.

Sources and Documentation

1. Interviews with attendance staff and administrators at school sites
2. Review of policies on compulsory education
3. Review of attendance records at school sites
4. Samples of correspondence between the district and parents/guardians regarding compulsory education policies and actions

Findings

1. The district does have a board policy (5113) and administrative regulations (5113) in place.
2. The district has two “attendance liaisons” in the Attendance Office to assist with student attendance problems. As soon as the Attendance Office receives attendance forms from the school sites, they are run through the scanner. The liaisons receive the ATD27 report from the SASI 3 student system daily. This report lists the student number, student name, grade, sex, parent/guardian, and telephone number. The liaisons place telephone calls to the respective parents/guardians immediately. The district experiences a high number of students missing the bus. The district has the ability to send a bus at a later time, due to the small geographical area that the district covers. If they are able to determine early enough that the student needs transportation, they send a bus out for the student after the regular bus run. The liaisons follow up on continued absences via telephone calls. If a student is absent for three days and there is no response from the parent/guardian after three calls, the liaison will make a home visit. The liaisons document the telephone calls on the ATD27 report in a written format. However, they do not always document all of the calls made to the home on the ATD27 report.

This district experiences a higher degree of absenteeism due to a large population of foster homes, low-income homes, high crime, and alcohol and drug dependency. Students are often required to stay home to take care of other children, or parents cannot get the children to school due to an incapacity. The Attendance Office has attempted to contact the Welfare and Social Services Department as support for the district to assist with the compulsory education provisions; however, there has been little response.

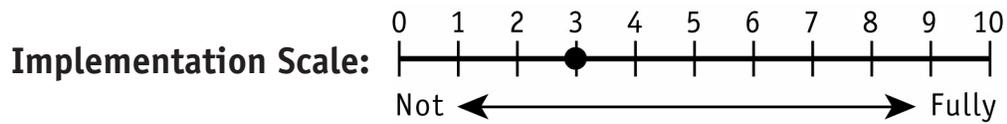
Recommendations and Improvement Plan

1. The district has met this Professional Standard regarding the board policy and administrative regulations.
2. This department has a substantial impact on getting truant students back to class. The efforts of this department and the administration should continue toward preventing truancy by working with community members, the police department, and the judicial

system as a resource for the district. These efforts should ensure that the compulsory attendance laws for the state of California are being met by the attendance of students in school.

The district may want to review plans developed by other school agencies throughout the state in areas that have similar communities in order to develop a plan that is unique to West Fresno School District. The plan will help the district reach out to students in the community to meet compulsory education laws and to meet the needs of the students in unique circumstances.

Standard Implemented: Partially



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.

Sources and Documentation

1. Review of policies and procedures for staff development on attendance training
2. Review of training materials
3. Review of training schedule
4. Interview with school site attendance secretaries

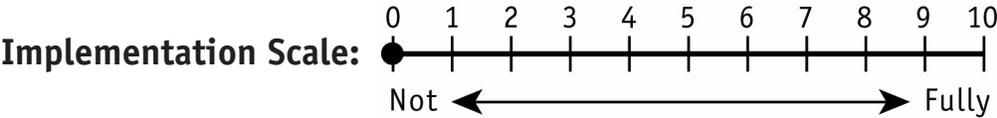
Findings

1. District policies and procedures do not exist for attendance training.
2. Training materials are not provided to personnel on a regular basis. The last attendance workshop attended by district personnel was in 1999.
3. The district is in the middle of replacing the SASI 3 student system, which will occur within the next couple of months. Training will be provided to district personnel as part of an implementation process once the decision has been made on a student system.
4. There is no training schedule for district personnel in a written policy or procedure. The district provides no training itself to school site attendance personnel during each fiscal year. No formal training is set up for new hires. No training procedure for temporary personnel in the district has been set up or followed.

Recommendations and Improvement Plan

1. The district should develop policies regarding the training of personnel, including new hires, substitutes, and site and district employees. The training should include the calendar schedule and training materials with mandatory attendance from all applicable personnel. A regular schedule should be developed and followed annually. In addition, a schedule to include new hires as well as continued employees should be established to ensure that accurate, efficient information is received in preparation of completing the Form J18/19 for P-1, P-2, and annual reporting. Funding for the district is based on these reports; therefore, these should be as accurate and efficient as possible.
2. Training materials should include updates for the appropriate student system on a regular basis. School sites should receive the most up-to-date manuals to ensure that the system is being utilized to capacity.
3. Training sessions should be held at the beginning of each school year. A handbook should be developed by the district addressing guidelines for all school sites to follow. Additionally, the principals, vice principals, attendance clerks, and school secretaries should all receive the handbook as a resource.

Standard Implemented: Not Implemented



11.8 Attendance Accounting—Records Retention

Legal Standard

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

Sources and Documentation

1. Review record retention policy
2. Interview with attendance personnel at district office
3. Review independent audit report

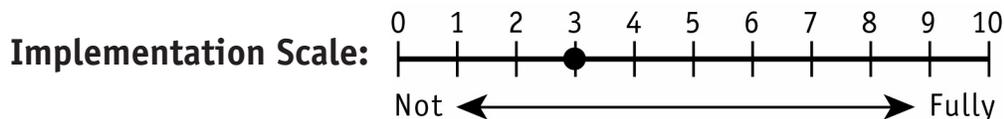
Findings

1. The district does not have a board policy in place for the retention of records pertaining to ADA supporting documentation in accordance with Title V, Sections 16022 and 16023.
2. The district does, as a normal course of business, keep two years of records in the Attendance Office and two years in a storage area.

Recommendations and Improvement Plan

1. The district should develop a board policy specifically for the retention of records.
2. The district should continue to maintain the records as it has done in previous years. However, the maintenance of these records should be re-evaluated once the board policy is adopted to ensure that the records are retained according to the adopted policy.

Standard Implemented: Partially



11.9 Attendance Accounting—Appropriate Use of Short-Term Independent Study and Saturday School

Professional Standard

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 coursework.

Sources and Documentation

1. Review district policies on short-term independent study and Saturday school
2. Interview with attendance secretaries at school sites
3. Review master agreements for short-term independent study

Findings

1. The district has established a board policy (6158) and administrative regulations (6158) specifically for short-term independent study programs for all sites to follow. The board policy specifically identifies the use of independent study for students who have been expelled. Students who are expelled are not considered candidates for independent study unless they attend another school in which they are not in an expelled status. Independent study is a voluntary option for students. The students must have a classroom alternative available to them in order for the voluntary nature of independent study to be applicable. Specifically, Education Code Section 51747(c)(7) states:

“The inclusion of a statement in each independent study agreement that independent study is an optional educational alternative in which no pupil may be required to participate. In the case of a pupil who is referred or assigned to any school, class, or program pursuant to Section 48915 or 48917, the agreement also shall include the statement that instruction may be provided to the pupil through independent study only if the pupil is offered the alternative of classroom instruction.”
2. The district utilizes independent study for students on suspension. Suspension falls into the same category as expulsions. This is not an allowable program for students on suspension. An appropriate method of serving students on suspension would be through the offering of in-house suspension with certificated personnel. The district is currently not offering an in-house suspension due to budget constraints.
3. Saturday school is not offered by West Fresno School District.

Recommendations and Improvement Plan

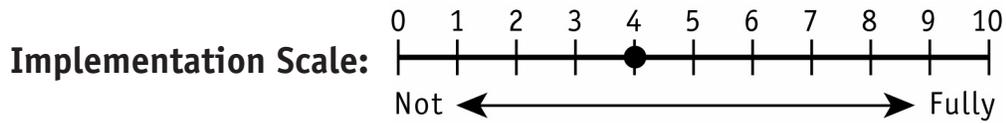
1. The district should revise the board policy to meet the applicable requirements of Education Code Sections 51745 through 51749.3. Independent study is an area with numerous findings statewide for school agencies. This is a very restrictive program with multiple requirements and should be documented and followed based on policies and procedures set up by the district.

The district should review the number of students who are receiving services through the independent study program and determine if it would be cost effective for the

district to hire in-house suspension certificated personnel to generate ADA apportionment. The district may require a student to complete homework as part of missing credits and homework, but not to generate ADA.

2. The district should review any ADA claimed for suspended students during 2002-03 and amend any J18/19 report to exclude these students.

Standard Implemented: Partially



12.1 Accounting, Purchasing, and Warehousing—General (Adherence to Legal and Professional Requirements)

Professional Standard

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.

Sources and Documentation

1. Discussion with the Business Manager
2. Observation of the district's offices
3. The district's Fiscal Procedures Manual
4. The district's most recent single audit report

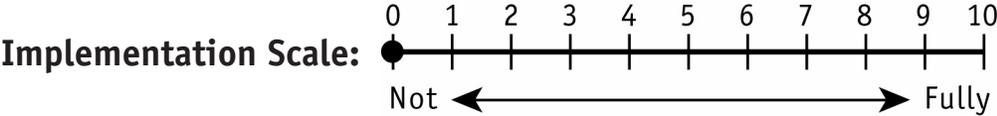
Findings

1. The district does not have a formal accounting policies and procedures manual.
2. The district does not have professional, reference, or authoritative guides available.
3. Excluding the Business Manager, the district's staff does not have extensive technical training or knowledge of accounting in general or school accounting in particular.
4. The district's most recent single audit disclaimed an opinion and noted instances of noncompliance with compliance requirements and internal controls.
5. Therefore, it appears that the district may not consistently be accounting for its financial transactions in accordance with the Department of Education's CSAM and with GAAP.

Recommendations and Improvement Plan

1. The district should ensure that its business support staff receive training in accounting, school accounting, and general school finance. This training should be concentrated in a short period of time to provide the necessary technical knowledge to staff as soon as possible. This initial training should be followed up by annual training that maintains and improves the staff's skill levels. Such training could be obtained through community colleges, university courses, professional organizations such as CASBO, or the Fresno County Office of Education.
2. The district should develop minimum training requirements for each position to ensure that staff have the requisite training to perform their jobs.
3. The district should develop procedures manuals or desk manuals that identify the functions performed by each position. The manuals should be detailed and identify tasks, timing of tasks, sources of required information/data for each task, required approvals, standardized forms/documents, and examples.
4. The district should obtain and maintain appropriate reference materials and professional guides. Much of the information is available online (CSAM, for example), so staff should be made aware of the available resources.
5. In regards to the appropriate treatment of financial transactions, the district should consult the Fresno County Office of Education and the California Department of Education and/or its auditors as needed for assistance.

Standard Implemented: Not Implemented



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.

Sources and Documentation

1. Discussions with the district's Business Manager
2. Review of financial statements and state reports
3. Discussions with staff regarding the systems of cash receipts, cash disbursements, purchasing and payroll
4. Discussions with business and personnel staff

Findings

1. Due to the district's lack of policies and procedures, limited technical expertise, and limited use of the computer systems, financial information/transactions are not always processed timely and accurately. Most processes are manual and paper-based, including purchasing and leave tracking. Calculations of leave balances and payroll adjustments are manual, which requires manual review and verification. Therefore, the limited use of the computer systems means that controls are labor intensive, slowing the processing of routine business transactions and increasing the likelihood of errors.

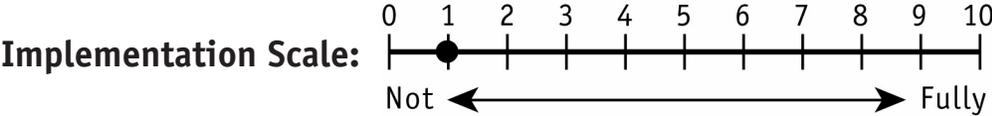
Because of the deficiencies in the current system, staff and management must spend a significant amount of time processing transactions and verifying documents instead of analyzing data. Due to the cumbersome, time-consuming processing of routine financial transactions, the following was noted:

- a. Errors in processing payroll and accounts payable transactions have occurred.
 - b. State reports have been turned in after the due dates.
 - c. Audit adjustments have occurred.
2. The district has plans to begin using more of the modules/features of the County system beginning in the 2003-04 fiscal year. Specifically, the district intends to use the system to track leave balances, FTE, and possibly position control.

Recommendations and Improvement Plan

1. The district needs to establish formal procedures for all major transactions/transaction cycles and provide comprehensive training to staff.
2. The district should work with the county to evaluate which online functions would help to improve the accuracy and timeliness of processing financial and personnel transactions. In addition, the use of online capabilities may help to formalize the district's processes and improve the documentation supporting those transactions.

Standard Implemented: Partially



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.

Sources and Documentation

1. Discussions with district's Business Manager
2. Review of cash flow projections and bank reconciliations
3. Discussions with the Accounting Technician

Findings

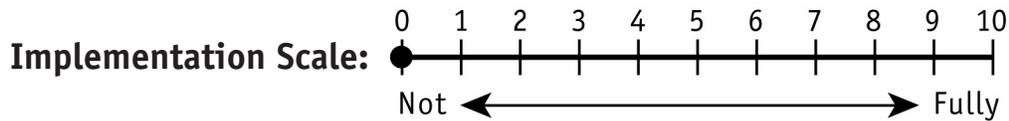
1. Mail is distributed unopened to the Accounting Technician.
2. Checks are not logged by the receptionist.
3. Copies of checks are made by the Accounting Technician. Checks are not restrictively endorsed on the back.
4. The district does not record checks/cash in a cash receipts journal.
5. The only cash typically received is cafeteria receipts – \$200-300 – every two to three weeks.
6. Receipts are locked in a file cabinet in the Business Office, and the Accounting Technician has the only key.
7. General fund receipts are deposited once a month by the Accounting Technician, who receives a deposit receipt from the county.
8. The Accounting Technician posts the receipts to the proper accounts.
9. No independent review/reconciliation of the bank statements is performed.
10. The district does prepare monthly cash flow reports.
11. Currently, the State Administrator and Business Manager are the authorized signers.

Recommendations and Improvement Plan

1. The district secretary/receptionist should open all incoming mail, date stamp the items, and maintain a log of all checks/cash received. Checks should immediately be 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.
2. The Business Manager should utilize the cash receipts log, cash receipts journal, general ledger cash account, deposit slips, and bank statements/account detail to reconcile all bank/cash accounts on a monthly basis.
3. The district should make bank deposits more often than monthly for two reasons. The first is that those assets are better safeguarded in a bank account than in a school district safe. The second is that more timely deposits will enhance interest earnings.

4. The district should utilize a cash receipts journal, which will allow it to more easily track and reconcile cash receipts and deposits.
5. The district needs to segregate the cash receipts functions. Currently, the Accounting Technician opens the mail, records cash receipts, and makes bank deposits. Further, no independent bank reconciliations are performed; therefore, the mail should be opened by the receptionist and all check/cash logged. The Accounting Technician should make the entries, record the receipts and prepare the deposit. A different employee should make the deposits and provide copies of the receipted deposit slips to the Accounting Technician and Business Manager, and the Business Manager should do the monthly reconciliations.

Standard Implemented: Not Implemented



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.

Sources and Documentation

1. Discussions with the Business Manager
2. Discussions with the Payroll Technician
3. Discussions with the Personnel Technician
4. Discussions with the Accounting Technician
5. Sample payroll reconciliation reports

Findings

1. Payroll System: The district uses Fresno County's system for personnel and payroll. The system serves the district's base needs. However, despite having access to the county's system, which is more than adequate to address the district's needs, many of the payroll calculations are handled manually, including extra duty, dock, substitute pay, and garnishments. As a result, it appears that a significant number of errors occur in payroll processing, which necessitates the running of supplemental payroll checks and ties up additional staff time identifying and correcting the errors.
2. The school sites and individual departments do not have access to any payroll/human resources information online. However, it appears that all employees in the Business Office (Personnel Technician, Payroll Technician, and Accounting Technician) can access both the personnel and payroll systems with their individual passwords. This is a glaring internal control weakness.
3. Leave Reporting/Timekeeping System:
 - a. Each site/department is required to submit time cards to the payroll department in time for payroll processing. Timesheets are utilized for substitutes, hourly employees, and extra duty.
 - b. For teachers, the Payroll Technician does the substitute calling and maintains an absence log with the name of the substitute who replaced the teacher. At the end of the pay period, the Payroll Technician reconciles the substitute timesheets to the absence log.
 - c. The absent teacher must fill out an absence slip and have it signed by the Principal. The absence slip is forwarded to the Personnel Technician, who manually maintains and updates leave balances. If the teacher is out of leave, the Personnel Technician notes this fact and informally notifies the Payroll Technician that the employee should be docked for the leave. This manual process is labor intensive and increases the chance that both leave and payroll may not be accurately processed. As a result, employees' leave balances are not always accurate, and employees whose paychecks should be docked, may not be docked.

4. **Hourly Pay:** Hourly pay requires manual processing by the Payroll Technician. As an example, when extra duty or overtime is turned in, the technician has to look up the employee's hourly pay rate, multiply it by 1.5, and then enter the hours and the manually calculated rate into the payroll system. For split-funded positions, this manual process has to be repeated for each funding source. In addition, there are no budget availability checks before processing, which can cause budget overruns.
5. **Substitute Controls:** The district does not have an automated substitute calling system. Therefore, there is no automated interface between subcalling and the district's payroll system. The Payroll Technician reconciles substitute time to the absence log used for sub calling to ensure that substitute time and pay are appropriate. However, this reconciliation is very labor intensive and prone to errors. Also, there is no reconciliation between the absence request forms received by personnel and the absence log maintained for substitute calling.

With regard to classified substitutes, substitute calling is done by the department manager. As a result, there is no separate absence log against which payroll can independently verify the substitute with the employee who is being replaced.

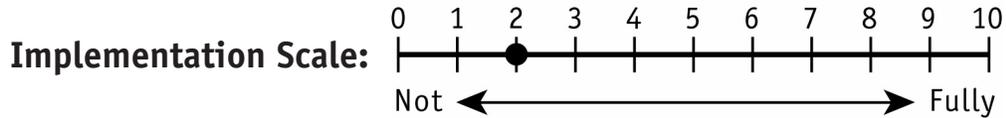
6. **New Employees:** The personnel technician does the initial setup of new hires on the personnel system. The W-4, notice of enrollment for benefits withholding, STRS/PERS, and other similar paperwork is forwarded to the payroll technician, who enters this information in the payroll system.
7. **Employment/Salary Verifications:** Replying to employee salary verifications is a manual process that requires the use of scarce staff time.

Recommendations and Improvement Plan

1. As identified in the above findings, the current payroll and personnel systems are meeting the basic needs of the district. However, many of the manual processes that require large amounts of staff time should be automated, which would also reduce errors. This would reduce the need for supplemental pay runs and the manual tracking of leave balances.
2. The district should work with the county to ensure that staff working in one area do not have access to other financial management modules. That is, the payroll and accounting technicians should not have access to the personnel system, while the Accounting Technician and the Personnel Technician should not have access to the payroll system.
3. For certificated staff, the district should implement a process to reconcile absence request information received by the Personnel Technician to the absence log maintained by the Payroll Technician who does the substitute calling.
4. The district needs to work toward automating hourly pay event rates that are based on an employee's normal pay rate.

5. It is recommended that the district investigate the possibility of interfacing the automated substitute calling system with the payroll/human resources system. An interface can result in increased efficiencies and reduction of errors. Properly interfaced, the process of paying substitutes, affecting the permanent employee's leave balances, and docking, as necessary, could be automated. 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 employees' leave time to the substitute pay event.

Standard Implemented: Partially



12.5 Accounting, Purchasing, and Warehousing—Accounting Procedures: Supervision of Accounting

Professional Standard

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.

Sources and Documentation

1. The district's organizational chart/structure
2. Observation of employees and work
3. Monthly budget reports

Findings

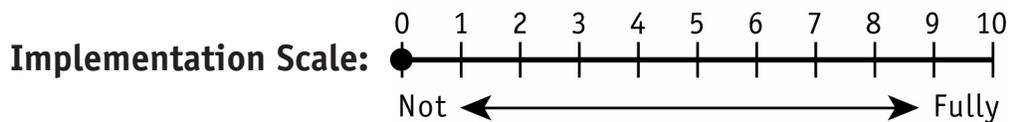
1. The district does not have a formal organization chart, an accounting procedures manual, or desk manuals. As the district's accounting staff does not have extensive experience and/or technical expertise, control and reference mechanisms, such as clearly delineated lines of responsibility and authority, procedures manuals, and desk manuals, are even more critical to ensuring the proper and timely recording and reporting of financial transactions, with working supervisors assigned to each major area in accounting.
2. The district does not typically use subsidiary ledgers/journals (e.g., cash receipts journal, accounts payable, etc.) and does not perform reconciliations for cash receipts.
3. Due to the district's limited use of the county financial system, many processes that should be automated are handled manually. This results in a great deal of the supervisors' time being spent on monitoring routine processing functions to ensure that transactions are accurately recorded and properly processed.
4. Several internal control weaknesses were noted as follows:
 - a. Mail is forwarded to the Accounting Technician unopened, and cash receipts received in the mail are not recorded on a control log.
 - b. The Accounting Technician records cash receipts and makes cash deposits.
 - c. No independent reconciliation is performed for the cash accounts.
 - d. There are no procedures manuals or desk manuals.
 - e. All Business Office employees can access and add/modify data on both the personnel and payroll modules.
 - f. Receiving reports are not utilized, and invoices are paid without a receiving report/confirmation of receipt of the goods.
 - g. Cash receipts are not deposited on a timely basis.
 - h. Significant additional weaknesses identified in the district's prior audit report related to staff training and supervision, revolving funds, student body funds, and personnel contracts.

Recommendations and Improvement Plan

1. The district needs to remedy the above-identified internal control weaknesses by:
 - a. Formalizing the organizational structure and related job duties.
 - b. Reassigning job duties to provide adequate separation.
 - c. Developing and implementing comprehensive accounting procedures and desk manuals.
 - d. Recording individual transactions in subsidiary ledgers and having independent reconciliations of the general ledger and the subsidiary ledgers done monthly.
 - e. Limiting employee access to the financial system only to the specific area in which they work.
 - f. Performing monthly independent reconciliations of cash and revolving accounts.
 - g. Requiring the use of receiving documents.
 - h. Establishing procedures that prohibit the payment of invoices without a proper receiving document, requiring the Business Manager to review supporting documents (purchase requisition, purchase order, receiving report, and invoice) prior to authorizing the payment of any invoice.
 - i. Recruiting and hiring staff with adequate technical knowledge and expertise.
 - j. Providing ongoing training for all business staff.

2. It is recommended that the district automate many of the accounting and control functions that require close supervision by the Business Manager and require an inordinate amount of time.

Standard Implemented: Not Implemented



12.6 Accounting, Purchasing, and Warehousing—Accounting Procedures: Categorical and Program Accounting

Professional Standard

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

Sources and Documentation

1. Review of the district's accounting procedures
2. Interview with the Business Manager
3. Interview with the Categorical Programs Manager
4. J-390 Reports
5. Review of the district's audit report

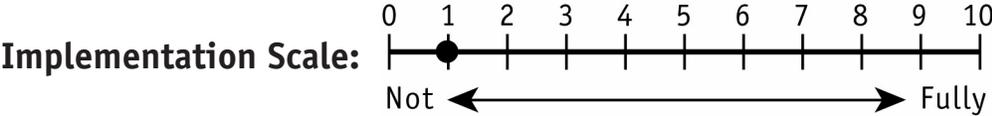
Findings

1. All grant award letters are received through the Categorical Programs Office. When the district receives entitlement or grant funding, the information is received in the Categorical Programs Office. The Categorical Programs Manager prepares the budget, which is submitted along with the entitlement/grant letter to the Business Office. The Business Office sets up the revenue and expense accounts, and provides monthly budget reports to the Categorical Programs Manager.
2. The Categorical Programs Manager is responsible for preparing grant applications, reviewing and approving categorical staffing and expenditures, and monitoring the program budgets. In addition, the Categorical Programs Manager is responsible for determining grant compliance and filing all required reports.
3. Review of the district's annual audit reports disclosed that there were numerous findings of noncompliance for both state and federal programs. These findings put the district at risk of losing categorical funding or being liable to repay funding to granting agencies.

Recommendations and Improvement Plan

1. All entitlement and grant letters should go to the Business Office first to ensure that all categorical programs are properly set up for budget and accounting purposes.
2. The district should provide training for all categorical staff to ensure that only allowable activities are being performed and expenditures are appropriate and documented.
3. The district needs to review its audit findings and take corrective action for those findings, which may include set-up reserves for potential repayment liabilities. In addition, the district must set up policies and procedures to ensure compliance in the future.

Standard Implemented: Partially



12.7 Accounting, Purchasing, and Warehousing—Accounting Procedures: Year-End Closing

Professional Standard

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.

Sources and Documentation

1. Board policy
2. The district's Accounting Procedures Manual
3. Discussions with the Business Manager
4. Discussions with accounting staff
5. Evaluation of 2001-02 close

Findings

1. The Business Office is essentially responsible for the year-end closing process. Some information by necessity is obtained from the Categorical Programs Office. However, interaction is minimal.
2. Business Office staff does not have extensive experience or technical expertise. Their familiarity with/knowledge of the year-end closing process is minimal.
3. The district does not have formal procedures for the year-end closing process that identify the pertinent activities, timelines, responsible staff member, or key sources of information. Further, the district does not conduct periodic year-end closing meetings, utilize standard closing worksheets, or use a checklist that assigns time lines and responsibility.
4. The district did not close the books for the 2001-02 fiscal year until December 2002. That was six months after year end, and three months later than required by the California Department of Education.

Recommendations and Improvement Plan

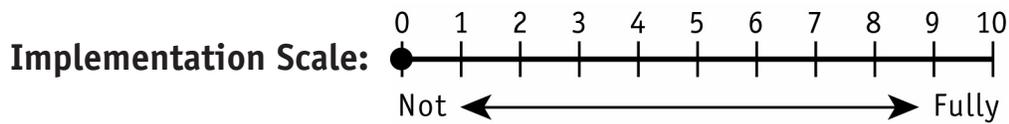
1. Good planning is the first step in a successful year-end closing of the books. There are various due dates that must be met, such as report deadlines, data processing deadlines, physical inventory date, and so forth. Therefore, it is recommended that the district develop a year-end closing procedures and checklist/calendar that assigns responsibility and deadlines for each major event in the process. Preparation of a checklist and periodic meetings will ensure that everyone is on task and that the sequence of events is appropriate.
2. The district should send its staff to training on the year-end closing process. Without an appropriate understanding of the process and the requirements, the staff will not be able to close the books accurately or timely. A good source of information and train-

ing on the process would be the Fresno County Office of Education. The county staff, which is responsible for oversight and support of the district, has extensive technical knowledge regarding the closing process and also is familiar with the unique characteristics of the district.

3. It is recommended that the district implement all modules of the county's financial software and implement the online capabilities that will allow for more timely information to facilitate the closing of the books.
4. The district must close its books timely in accordance with California Department of Education requirements.

The requirements related to closing the books should be implemented immediately to facilitate the closing of the books for the 2002-03 fiscal year. With regard to the system enhancements and implementation, the district should implement that recommendation with all possible speed, hopefully during the 2003-04 fiscal year.

Standard Implemented: Not Implemented



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

Professional 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.

Sources and Documentation

1. Review of board policies
2. Discussion with the Business Manager

Findings

1. The board policies call for compliance with bid limits and bidding requirements, require contracts to be approved by the board, require the use of either a purchase order or contract for all purchases, and require the Business Office to verify the availability of funds.
2. The district does not have a formal accounting procedure or purchasing manual.
3. Given the small size of the district, it does not have a purchasing agent, approved vendor list, or receiving warehouses. Therefore, there is no control over who is an acceptable vendor or what vendors are on the accounting system and can be paid.
4. Purchases are made via a purchase order or contract, and the Business Office currently verifies the availability of funds for all purchases.
5. The purchasing process is essentially a manual process. Purchase requests are initiated by the site/department via a purchase requisition, with the vendor selected by the person initiating the request. If approved by the site/department administrator, and available funding is verified, the requisition is approved by the Business Manager or State Administrator. The request is assigned a purchase order number, which is manually assigned and entered onto the system. The purchase order is returned to the requester, who forwards it to the vendor. Goods are received at the district office. However, the district does not utilize any type of receiving slip to document that the goods are received and the quantity and quality are verified. The requestor is notified by whoever received the goods. There is no formal process to notify the requestor that the goods have arrived or to secure the goods until picked up.
6. In regards to contracts, the process is similar. However, there is no formal procedure or process to evaluate the need for bids or evaluation of bid limits and requirements.
7. Encumbrances: Since the district does not have online purchase or warehouse requisitions, funds are not pre-encumbered. When purchase orders are printed, the amount is manually encumbered against the accounting line. The Business Manager manually

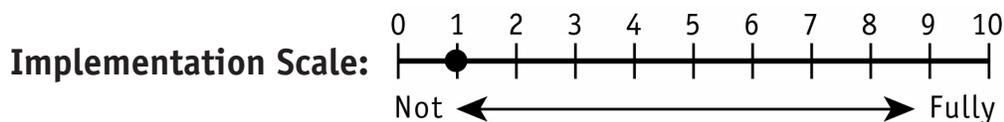
verifies available funding. When an invoice is paid, the payment references the purchase order and the encumbrance is liquidated.

8. Physical Inventory: As there is not a warehouse, it does not appear that a physical count of inventory is made annually.
9. Travel: Currently, there are no formal policies or procedures regarding travel.

Recommendations and Improvement Plan

1. The Business Manager should develop a vendor list and be the only employee able to add vendors to the system. This would provide control over who may be paid and protect the district against payments to fictitious vendors, dummy companies setup by employees, or companies that may have an improper relationship with the purchasing employee.
2. While the district may not be sufficiently large to support a full warehouse, it should evaluate designating a specific secure location and individual for the receiving function. The function could be at the district. It is important to implement this item in order ensure that the district is only paying for goods actually received and that goods are not lost or stolen prior to pick up by the site/department that ordered the goods.
3. The district should begin using formal receiving reports to document goods actually received. The report should document the employee receiving the items, verification of the quantity and quality, and the date. A copy should be retained at receiving, with a copy forwarded to the Accounting Technician to support payment on the related invoice. No invoice should be paid without a verified receiving document to support it.
4. The district should evaluate the costs/benefits of utilizing the purchasing module on the county system. This may streamline the purchasing process, automatically verify the availability of funds, reduce errors, and facilitate the accounting process. The use of online requisitions will also allow the district to pre-encumber funds when the requisition is accepted into the system. This will alleviate the timing difference lapses between when manual verification of funds is done to when the transaction is actually posted. Also, the sites and departments will be able to view their budgets online, which eliminates the need to manually track their budgets.

Standard Implemented: Partially



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.

Sources and Documentation

1. Board policy
2. Discussions with accounts payable staff
3. Sample accounts payable warrants

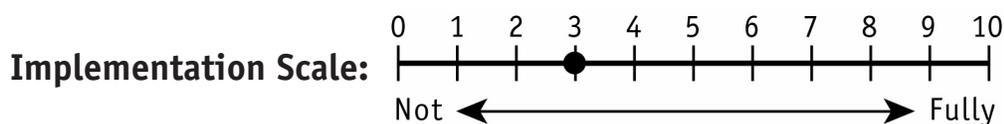
Findings

1. The district has an outdated board policy relating to the use of state building funds. However, the policy does not include a clear process for the approval and tracking of the expenses.
2. There are no specific regulations or procedures adopted for construction expenses.
3. The district's accounts payable process for construction payments appears appropriate with sufficient documentation. However, without properly documented procedures, the staff is uncertain that all requirements are being met.

Recommendations and Improvement Plan

1. The Governing Board should update the policy to reflect the latest changes to the Education Code relating to the state building program.
2. The district should develop regulations and procedures for all staff and consultants to use to meet the needs of the district.
3. The district should prepare a procedures guide for fiscal monitoring and accounting for construction projects.

Standard Implemented: Partially



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.

Sources and Documentation

1. Discussions with Business Office staff
2. Accounting procedures
3. Independent audit report

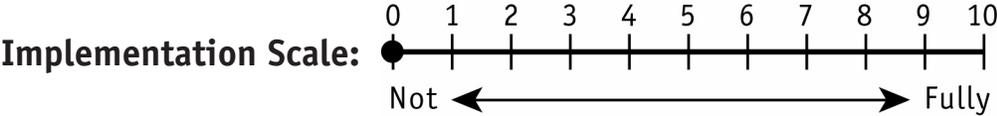
Findings

1. There are no formal accounting policies and procedures.
2. Staff interviewed did not have extensive experience and/or technical expertise and did not have a clear understanding of internal controls. This results in a higher likelihood/occurrence of errors.
3. The district's current accounting processes and systems provide few internal controls and frequently do not even provide the minimum proper checks and balances. Due to the lack of automation, any controls that are/could be implemented are manual, which results in a significant drain on the district's limited resources. As a result, errors frequently occur, and the district is not timely in recording transactions.

Recommendations and Improvement Plan

1. The district needs to develop comprehensive policies and procedures for each transaction cycle and/or activity performed by the Business Office to provide resource and training material for staff to ensure the timely and accurate process of financial information. The district should work with the county office and its auditors in developing these procedures to ensure that they are sufficiently comprehensive and include essential internal controls.
2. The district should provide extensive and ongoing training for Business Office staff to ensure that they have sufficient technical understanding and knowledge to efficiently and effectively perform their functions. Such training should specifically cover the new policies and procedures as they are developed.
3. The district should evaluate utilizing more of the capabilities of the county systems as a way to provide greater internal control, improve efficiency, and reduce errors.

Standard Implemented: Not Implemented



12.11 Accounting, Purchasing, and Warehousing—Accounting Procedures: Standardized Account Code Structure (SACS) Implementation

Professional Standard

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).

Sources and Documentation

1. Interview with the Business Manager
2. Review of progress to date for implementation and training

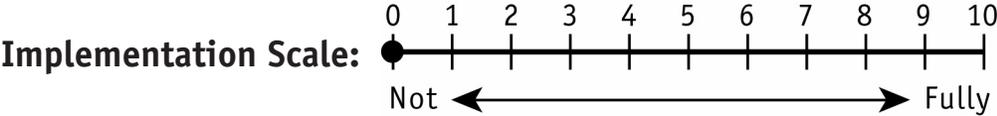
Findings

1. The district stated that it anticipates converting to the Standardized Account Code Structure (SACS) for the 2003-04 fiscal year. However, it is not clear how this implementation will take place or the actual time line. The Business Manager is responsible for the implementation of SACS, but was able to provide only minimal information regarding how the conversion will take place. This conversion will occur via the county system, and the county has taken the lead in working with the district in planning and facilitating the implementation.
2. The district is not utilizing a formal time line or task list for the implementation of SACS. In order for an implementation to be successful, a plan should be developed to identify any issues early in the process and address those issues before going “live” with financial data.
3. No training has been provided to staff regarding SACS or the conversion.

Recommendations and Improvement Plan

1. The district should work with the county to create a time line and task list to address issues concerning the SACS conversion, including:
 - a. The need to convert the current accounts to SACS and responsibility for converting the accounts.
 - b. Whether the conversion will impact current year-end accruals (e.g., including payroll) and the development of the 2003-04 budget.
 - c. Determination of beginning balances for 2001-02.
 - d. Training schedule for all personnel affected by the conversion.
 - e. Responsibility for support after conversion.
2. The district should develop regularly scheduled meetings between the county and district staff to ensure that communication is ongoing between the two entities in accomplishing a successful conversion to SACS.

Standard Implemented: Not Implemented



13.1 Student Body Funds—Management of Student Body Funds

Professional Standard

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

Sources and Documentation

- 1. Discussions with site staff
- 2. Board policies and administrative regulations

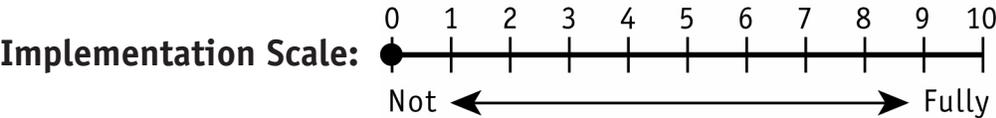
Findings

- 1. The district has not adopted board policies and procedures regarding the establishment and oversight of student organizations.
- 2. The district is currently in the process of setting up policies and procedures for use by all school sites district-wide.

Recommendations and Improvement Plan

- 1. The district should adopt board policies and administrative regulations regarding student organizations and oversight that clearly delineate responsibility for oversight and maintenance of student body funds.
- 2. The district’s Business Office should develop, distribute, and oversee the implementation of accounting procedures for student body funds. It is imperative that all staff be aware of the policies/procedures, understand them, and be held responsible for adhering to them.
- 3. There are several resources available for the district to use as part of setting up the policies and procedures and maintaining the student organizations on an ongoing basis. They include the state’s “Student Body Manual,” available through CDE, and the “ASB Manual,” available on the FCMAT Web site to download and print.
- 4. A training schedule should be provided to all applicable personnel district-wide on an annual basis to update for any changes in law or district procedures.

Standard Implemented: Not Implemented



13.2 Student Body Funds—Supervision of Student Body Funds

Professional Standard

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.

Sources and Documentation

1. Discussions with district staff regarding the procedures/controls actually in place for revenues, expenditures, and inventory
2. Review independent audit reports

Findings

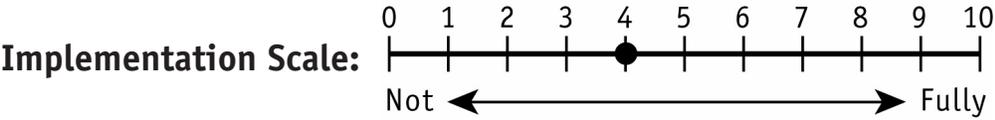
1. Procedures for the district are in the development stage. A requisition has been created and is used for expenditures that requires an approval date, an ASB officer's signature, an ASB advisor's signature, and the Principal's signature. The district office receives the requisition, reviews it for appropriate signatures and funding availability, and then processes the applicable invoice when received. When checks are prepared, they require two signatures. Invoices and receipts are required and maintained for backup.
2. Cash receipts are received in the district office from the respective advisor. The advisor completes a Collection Report/Money Deposit Form. The district office receipts the deposit with a separate prenumbered receipt. Deposits are prepared weekly. One person in the district office receives the money, prepares the deposit, and reconciles the commercial account. This is not the proper segregation of duties that would be optimal to meet good internal control procedures because one person is receiving, recording, and depositing. The staff collecting the funds and the district are putting themselves at risk for unwarranted accusations and potential loss of funds. It is often difficult to obtain the proper level of segregation of duties in a small office. However, other compensating procedures can be put in place.
3. Club accounts are properly segregated from general ASB funds.
4. The accounting system used by the district for tracking the groups separately is EPS.
5. The district has not determined if the school site student organizations are organized or unorganized.
6. The student organizations do not prepare budgets at the beginning of the school year.
7. The district currently does not approve fund-raisers each year. Revenue potentials are not prepared for fund-raisers to account for any profit or loss. The district office is in the process of developing procedures for fund-raisers, so that there is awareness of what fund-raisers are taking place.

8. The district does not have a process for issuing 1099s to independent contractors paid out of student body funds.
9. Bank accounts are reconciled monthly at the district office.
10. Prenumbered tickets and ticket logs are not used for events.
11. Periodic internal audits are not being conducted. The external auditors do perform audits of the student body funds.

Recommendations and Improvement Plan

1. Student organizations should be required to prepare budgets. They should be monitored monthly.
2. Require the preparation of revenue projection for fund-raisers before the event occurs.
3. Design a districtwide process to ensure that independent contractors paid out of student body funds are issued a Form 1099 when the total of payments exceeds \$600.
4. The district should determine if the student organizations are organized or unorganized.
5. Cash should be deposited as often as possible. It is prudent that the district office determine when large amounts of cash are received and make the deposit on the same day.
6. In order to obtain segregation of duties, one person cannot receive, record, deposit, and reconcile the asset. In this case, it is cash receipts. The district office should evaluate the current positions in the office and reassign the duty of receipting the deposit, recording the deposit, preparing the deposit, and reconciling it. Two people can split the duties, with a possible third person as the approving signature to achieve the segregation of duties.
7. Conduct periodic internal audits of student body funds.
8. A log should be created to track the prenumbered purchase orders issued for the requisitions submitted by the student groups.
9. Prenumbered tickets and ticket logs should be used for events. The custody of these tickets should remain in the district office and be safeguarded. Tickets must be reconciled to the cash receipts in dual custody. They should be deposited after the event in a bank night lock box. Safety personnel/police escort is a requirement for the person making the deposit.

Standard Implemented: Partially



13.3 Student Body Funds—Associated Student Body Training Program for Site Personnel

Professional Standard

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.

Sources and Documentation

- 1. Review of training materials
- 2. Review of internal communications

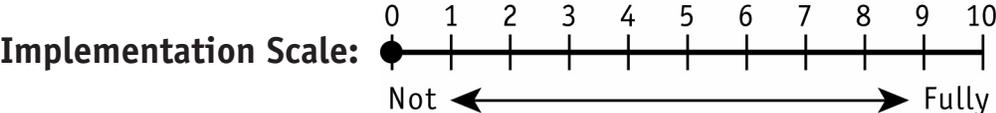
Findings

- 1. The district does not have a training schedule for district personnel. district office personnel recently attended a CASBO Associated Student Body (ASB) training session. The knowledge obtained from the training is being put into the development of the policies and procedures.

Recommendations and Improvement Plan

- 1. It is recommended that the district require mandatory attendance for all ASB directors, bookkeepers, and student council members at the upcoming ASB training session. Attendance at a CASBO-sponsored ASB workshop is also recommended for these individuals. The registration fee is an appropriate expenditure of student body funds. If it is not feasible for all applicable personnel to attend training, then a mini-training by the district should take place soon after the missing person is back in the district.
- 2. Training sessions should be conducted annually. In addition, as personnel changes occur, employees new to student body accounting should be provided with an in-service at the start of their new position.

Standard Implemented: Not Implemented



13.4 Student Body Funds—Periodic Financial Reporting

Professional Standard

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.

Sources and Documentation

- 1. Discussions with district ASB Staff

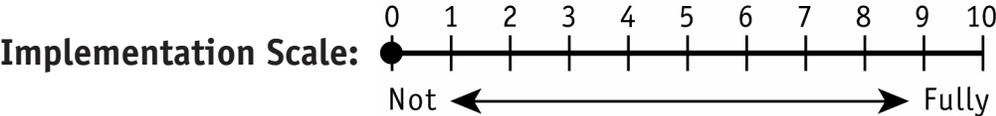
Findings

- 1. Periodic financial reports are not prepared by the school sites and sent to the district office for review. The district office prepares any reports submitted to the student organizations.
- 2. Sites do not routinely prepare budgets or budget reports.
- 3. The district office does not prepare financial statements for the student body fund.

Recommendations and Improvement Plan

- 1. School sites should prepare and submit financial reports to the district office monthly.
- 2. The district office should review and monitor the financial reports that are prepared at the school site.
- 3. Sites should be preparing periodic budget reports and submitting them to the district office for review.
- 4. The district should recap monthly financial statements for student body funds.

Standard Implemented: Not Implemented



13.5 Student Body Funds—Internal Audit Functions

Professional Standard

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

Sources and Documentation

1. Review of internal audit reports
2. Interviews of district staff

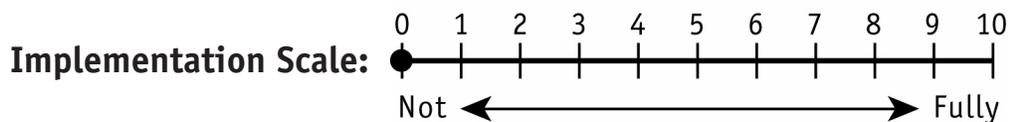
Findings

1. Student body fund audits are conducted as part of the external audit. There have been no internal audits of student body funds.

Recommendations and Improvement Plan

1. The district office should conduct periodic random audits of student body funds.

Standard Implemented: Not Implemented



14.1 Multiyear Financial Projections—Computerized Multiyear Projection

Professional Standard

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

Sources and Documentation

1. Sample county projections
2. Interview with Interim Business Manager

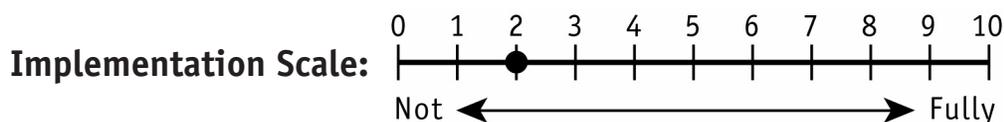
Findings

1. The district does not use commercial multiyear projection software.
2. The county provides a multiyear projection for the district that reflects the prior year, current year, and three years into the future.
3. The sample provided by the district contained numerous handwritten notes regarding unclear assumptions. The single page multiyear projection did not include a description of any assumptions used for the projected years. There was no way to determine what changes were made in the future years by looking at the one-page report.

Recommendations and Improvement Plan

1. The district should consider acquiring either commercially developed software or use the county software, if it is a part of the main frame computer system, to increase the ability of the district to maintain an up-to-date multiple-year projection.
2. The projections should be for a minimum of three years, including the current fiscal year. Five years would be preferred, since the district's recovery and repayment of the state emergency loan will cover a longer time period than the normal three-year multi-year projection.
3. All assumptions used in developing the multiyear projection should be included in the total package provided with the projection itself. Without assumptions, the reader is unable to determine whether the projections are reasonable and credible.
4. Multiyear projections should be made available to the Governing Board at the time of budget adoption, at each interim report, and during and at the conclusion of collective bargaining.

Standard Implemented: Partially



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

Professional 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)

Sources and Documentation

1. Sample multiyear financial projections

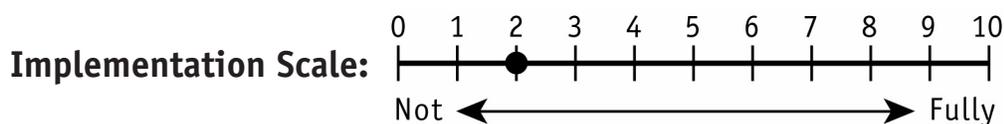
Findings

1. The sample provided by the district was for the general fund only. It contained numerous handwritten notes regarding unclear assumptions. The single-page multiyear projection did not include a description of any assumptions used for the years in the future. There was no way to determine what changes were made in the future years by looking at the one-page report.
2. The projections are developed by the county.

Recommendations and Improvement Plan

1. The projections should include all funds and should be for a minimum of three years, including the current budget year. Five years would be preferred since the district's recovery and repayment of the state emergency loan will cover a longer time period than the normal three-year multiyear projection.
2. All assumptions used in developing the multiyear projection should be included in the total package provided with the projection itself. Without assumptions, the reader is unable to determine whether the projections are credible.
3. Multiyear projections should be made available to the Governing Board at the time of budget adoption, at each interim report, and during and at the conclusion of collective bargaining.

Standard Implemented: Partially



14.3 Multiyear Financial Projections—Use of Projections in Planning and Decision-Making

Professional Standard

Multiyear financial projections should be prepared for use in the decision-making process, especially whenever a significant multiyear expenditure commitment is contemplated. (EC 42142)

Sources and Documentation

1. Interviews with the State Administrator
2. Sample multiyear projection

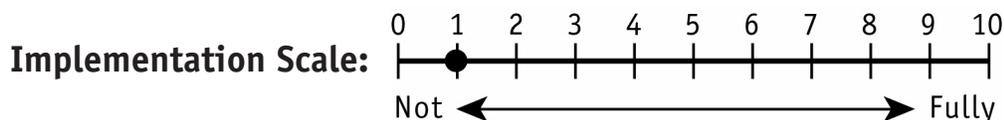
Findings

1. The district relies on the multiyear projection provided by the county.
2. How often the projections were used for planning and decision-making could not be determined during the interviews.

Recommendations and Improvement Plan

1. The district should consider acquiring either commercially developed software or use the county software, if it is a part of the main frame computer system, to increase the ability of the district to maintain an up-to-date multiple-year projection.
2. The projections should be for all funds and should be for a minimum of three years, including the current budget year; five years would be preferred since the district's recovery and repayment of the state emergency loan will cover a longer time period than the normal three-year multiyear projection.
3. All assumptions used in developing the multiyear projection should be included in the total package provided with the projection itself. Without assumptions, the reader is unable to determine whether the projections are credible.
4. Multiyear projections should be made available to the Governing Board at the time of budget adoption, at each interim report, and during and at the conclusion of collective bargaining.

Standard Implemented: Partially



14.4 Multiyear Financial Projections—Appropriate Assumptions Used

Professional Standard

Assumptions used in developing multiyear projections are based on the most accurate information available.

Sources and Documentation

- 1. Interview with State Administrator
- 2. Multiyear Projections

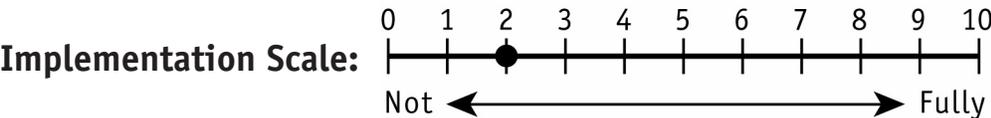
Findings

- 1. The district does not use commercial multiple-year projection software.
- 2. The county provides a multiyear projection for the district, reflecting the prior year, current year, and three years into the future.
- 3. The sample provided by the district contained numerous handwritten notes regarding unclear assumptions. The single-page multiyear projection did not include a description of any assumptions used for the years in the future. There was no way to determine what changes were made in the future years by looking at the one-page report.

Recommendations and Improvement Plan

- 1. The district should consider acquiring either commercially developed software or use the county software, if it is a part of the main frame computer system, to increase the ability of the district to maintain an up-to-date multiple-year projection.
- 2. The projections should be for a minimum of three years, including the current budget year. Five years would be preferred, since the district’s recovery and repayment of the state emergency loan will cover a longer time period than the normal three-year multi-year projection.
- 3. All assumptions used in developing the multiyear projection should be included in the total package provided with the projection itself. Without assumptions, the reader is unable to determine whether the projections are credible.
- 4. Multiyear projections should be made available to the Governing Board at the time of budget adoption, at each interim report, and during and at the conclusion of collective bargaining.

Standard Implemented: Partially



15.1 Long-Term Debt Obligations—Public Disclosure Requirements

Professional Standard

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)

Sources and Documentation

- 1. Discussions with the Business Manager
- 2. The district’s Single Audit Report
- 3. Review of collective bargaining agreements

Findings

- 1. Because board minutes were not consistently available, the review team was unable to determine if the district’s collective bargaining agreements are disclosed at regular Governing Board meetings as required by law.

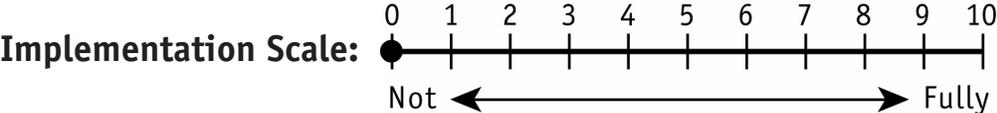
- 2. The district participates in two joint powers agreements (Self-Insured Schools of California I & II) with other school districts throughout the state. One JPA is for property and liability insurance and the other is for workers’ compensation insurance. Those funds have current actuarial reviews, although the district’s percentage of participation is not known.

- 3. It does not appear that the district has any post-retirement health and welfare benefit obligations.

Recommendations and Improvement Plan

- 1. Because board minutes were not consistently available, the review team could not determine if the district is in compliance with requirements regarding the disclosure of the terms of collective bargaining agreements, health and welfare benefits, and workers’ compensation. Therefore, the district should implement a policy requiring compliance with disclosure laws regarding these items.

Standard Implemented: Not Implemented



15.2 Long-Term Debt Obligations—Policies Regarding Unsecured Debt

Professional Standard

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

Sources and Documentation

- 1. Discussions with the Business Manager
- 2. The district’s Single Audit Report

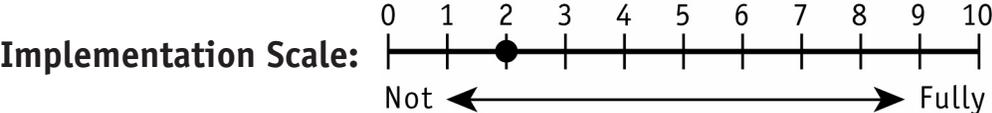
Findings

- 1. The district does not have any certificates of participation or revenue bonds. The district has approximately \$600,000 in outstanding capital lease payments. These leases relate to electronic equipment, a bus, relocatable classrooms, and a cafeteria. Payments for these items are made from the general fund and the capital facilities fund. In general, the use of capital leases appears to be for appropriate items.
- 2. The district does not have on record Governing Board policies and/or regulations regarding obtaining and using non-voter approved long-term debt.

Recommendations and Improvement Plan

- 1. The district should adopt Governing Board policies and/or regulations regarding obtaining and using non-voter approved long-term debt.
- 2. Lease purchase agreements have been used to acquire equipment, relocatable classrooms, the bus, and the cafeteria. The source of funds to support these lease-purchase agreements needs to be monitored closely. Given the district’s financial position, it should not enter into any other capital leases until after 2006, when the current annual obligation drops from \$175,000 to \$29,000 annually.

Standard Implemented: Partially



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.

Sources and Documentation

- 1. Discussions with the Business Manager
- 2. The district’s monthly cash-flow projections
- 3. The district’s Single Audit Report

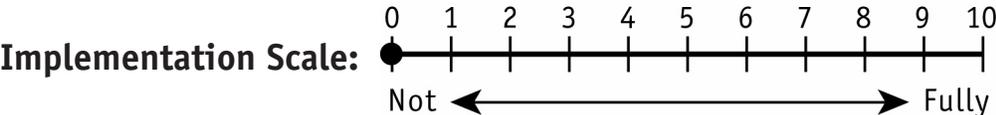
Findings

- 1. The district has long-term debt outstanding for General Obligation bonds, capital leases, and a \$2,000,000 loan from the state of California.
- 2. The district did not have a current schedule of long-term debt service.
- 3. The district’s repayment for the general obligation bonds outstanding will be funded by property tax collections authorized by the local voters in approving the bonds. However, for the capital leases and the state loan, the district has not identified a dedicated revenue source other than the general fund to be used for repayment.
- 4. The no-cash-flow document has been developed associated with the debt service.

Recommendations and Improvement Plan

- 1. The district needs to prepare/update the long-term debt schedule and provide a report to the State Administrator/Governing Board including the funding source for each identified debt.
- 2. Cash flow should be identified as it pertains to the long-term debt, identifying the source of funds, and updated on a monthly basis.

Standard Implemented: Not Implemented



16.1 Impact of Collective Bargaining—Collective Bargaining Agreement: Development of Parameters and Guidelines for Collective Bargaining

Professional Standard

The district should develop parameters and guidelines for collective bargaining that ensure that the collective bargaining agreement is not an impediment to efficiency of district operations. At least annually, 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.

Sources and Documentation

1. Interview with the State Administrator
2. Interview with the Business Manager
3. Review of collective bargaining agreements
4. Review of comparative expenditure data

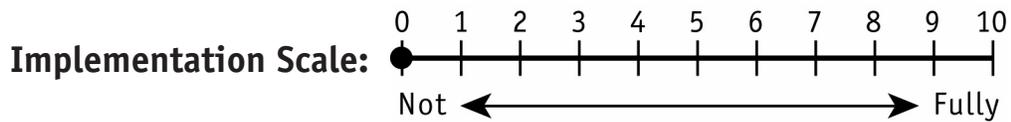
Findings

1. The district does not have policies, procedures, parameters, or guidelines regarding the collective bargaining process. There is no formal process to review the current agreements, the district finances, or otherwise prepare for negotiations. Further, there are no provisions to formally provide information to and receive guidance from the State Administrator/Governing Board. Given the function of the State Administrator, it is anticipated that he will be involved in preparing and possibly even participating in the negotiation process. However, the district should formalize the preparation process that will be used when the Governing Board regains its powers.
2. In reviewing certificated and total salaries and benefits, the district appears to be competitive with statewide averages and other similar-sized elementary districts. In general, the salary and benefit expenditures for certificated staff, while competitive, did not appear to be so high as to put an unreasonable burden on the district.
3. In regards to classified salaries per ADA, the district ranked very high. The district was several hundred dollars per ADA above the statewide average. When the number of students per classified staff was analyzed, the district was basically at the statewide average. This implies that the district's classified salaries are significantly higher than other elementary districts throughout the state. This is particularly noteworthy since Fresno is not a high cost-of-living area.
4. Review of the collective bargaining agreements show that they include standard provisions related to seniority, grievances, vacation, sick leave, transfers, and benefits. There do not appear to be any provisions that are particularly onerous for the district or would impede the effective operation of the district.

Recommendations and Improvement Plan

1. The district should implement policies, procedures, parameters, and guidelines regarding the collective bargaining process. There should be a formal process to review the current agreements, the district's finances, and otherwise prepare for negotiations. Further, the policies and procedures should include provisions to formally provide information to and receive guidance from the State Administrator/Governing Board.
2. The district should evaluate its classified compensation in preparation for future negotiations to ensure that its pay schedule is appropriate for the various job classifications and that it is not paying more than it prudently can.

Standard Implemented: Not Implemented



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.

Sources and Documentation

1. Interviews with the State Administrator and Business Manager
2. Review of policies and procedures

Findings

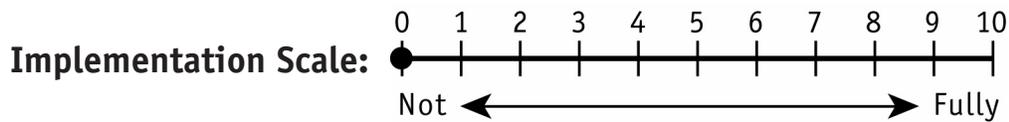
1. The district does not have policies and procedures regarding cost analysis of contract proposals submitted to the State Administrator/Governing Board by the various labor organizations within the district.
2. There is no evidence that multiyear projections are a part of the fiscal analysis provided to the State Administrator/Governing Board either in preparation for negotiations or in evaluating any proposed settlement.
3. There is no evidence regarding communication that takes place between the board and district business staff during the negotiations process.
4. Given the incompleteness of board minutes, it is not clear that the public is given much opportunity to evaluate and comment on the collective bargaining agreement.

Recommendations and Improvement Plan

1. The district should acquire and use commercially developed fiscal multiyear projection software.
2. The district should ensure the ongoing participation of the Business Manager in preparation for negotiations, as well as evaluation of all proposals submitted by either party.

3. The district should ensure that all changes to the initial contract proposal are:
 - a. Communicated to both the Business Office and the Governing Board, with the fiscal implications clearly analyzed prior to inclusion in the final negotiated document.
 - b. Analyzed as to the impact on a multiyear projection basis.
4. The district should make every effort to give the public an opportunity to react to the proposed final contract by presenting the proposed contract at one Governing Board meeting, with ratification to follow, if appropriate, at the next scheduled Governing Board meeting.
5. The public should be made aware of any budget reductions that will have to take place if the negotiated contract results in a negative impact on the district's budget.

Standard Implemented: Not Implemented



17.1 Management Information Systems—Technology Plan: Planning and Fiscal Input

Professional Standard

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.

Sources and Documentation

1. Review of the current technology plan
2. Review of the adequacy of the financing plan
3. Review of relevant district policies and administrative regulations

Findings

1. The district has a district technology plan for implementation of instructional technology. The plan covers the years 2000-01 through 2004-05. The parts of the plan dealing with staff development, teaching and learning, network infrastructure, and classroom hardware and software are well done. The plan does not address administrative system needs, beyond the networking standards and site-level student information system, and the review team found no separate plan to address those important needs. The current financial system has been in use for several years and has not yet been fully implemented. For example, the online purchasing system and the latest human resources modules had not been implemented. The position control system is dependent on the human resources module and also had not been fully implemented. The technology plan did not include review and evaluation of the current financial system, nor did it provide for full implementation of the system.
2. Major goals are well defined and the plan does provide some goals or milestones. However, there does not appear to have been any annual progress report or update to the plan. Further, it is not clear if the plan was approved by the Governing Board.
3. The district did not have a complete financing plan for implementation of technology. The technology plan does identify resources, but it is not clear what participation the Business Office had in identifying the resource or how realistic the plan is. Further, there is no financing plan in place for business/administrative systems.
4. There are no technology staff members in the Business Office. Therefore, there is no expertise to develop plans for business/administrative needs or to assist with plans for educational technology.

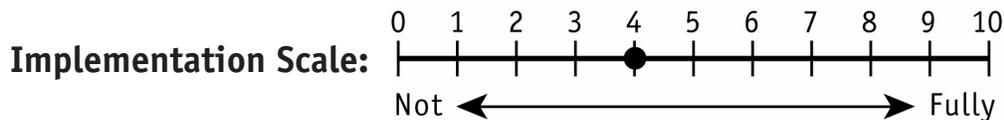
Recommendations and Improvement Plan

1. The district needs to evaluate where it is in implementing the technology plan. Using that information, the district should do an analysis to decide if it wants to continue to move forward with the technology plan. If the district decides to go forward with the educational technology plan, it should develop a formal tracking system, sepa-

rate from plan revisions, to assess progress toward major goals. The results should be reported and the goals should be revised periodically, at least annually.

2. Administrative technology needs should be incorporated into the existing plan or included in a separate plan. There are indications that the administrative system will need major modifications that should be planned well in advance.
3. A formal financing plan should be adopted. The financing plan should address total dollars required, the timing of the need for funds, sources of funding and cash flow projections. During budget development each year, the board should consider the need for financing the plan and make an appropriate decision as to the level of funding. Expectations for implementation should be adjusted accordingly.
4. The technology plan carries substantial policy implication for the district. It specifies policies for student access to technology, establishment of new positions, duties of those positions, commitments of staff development time, and specific learning outcomes, among other things. These are major policy questions that should be considered before they become effective by default with adoption of the district technology plan.

Standard Implemented: Partially



17.2 Management Information Systems—Needs Assessment

Professional Standard

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.

Sources and Documentation

1. Review of the district's administrative structure and staffing
2. Review of the district's technology plan

Findings

1. The district has limited administrative staff and minimal technical expertise.
2. The district currently does not operate and maintain an in-house computer system, but rather utilizes the county system for many of its accounting and administrative functions.
3. The district has not prepared a needs assessment of its business and administrative support functions. The district is not currently planning to implement a different information technology system.
4. Needs assessments are time-consuming to prepare and may not always produce the desired outcome. Further, the district does not possess the resources or technical resources to have a needs assessment produced in-house.

Recommendations and Improvement Plan

1. Given the small size of the district, limited technical expertise, and scarce financial resources, the district would be best served by continuing to utilize the county system.
2. Computer systems are expensive to acquire and maintain. Therefore, if the district ultimately decides to pursue system options other than the county system, it should prepare a detailed needs assessment prior to finalizing acquisition decisions.
3. Given that the district does not possess the technical expertise to perform a needs assessment, if an assessment is to be performed, the district should hire an outside consultant to do the work.

Standard Implemented: Not Applicable

Implementation Scale: Not Applicable

17.3 Management Information Systems—Automation and Computerization of Financial Reports and Systems

Professional Standard

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.

Sources and Documentation

1. Interview with the Business Manager
2. Review of the district technology plan
3. Interviews with business staff
4. Review of financial procedures, policies and products, and current business practices

Findings

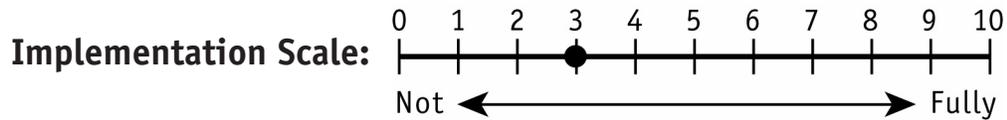
1. The district currently uses the county's business and financial system. The advantage of using the county system is that, given the small size of the district and the level of staff expertise, it would not be cost-effective for the district to implement and maintain its own stand-alone system.
2. The county system, which has been used by the district for several years, has not been completely implemented. The online ordering, purchasing functions, position control, and leave tracking have not been implemented. District staff do not know how to utilize all the capabilities of the county system, which would allow them to process transactions more quickly and accurately. Many functions, including those listed above, as well as fund availability checks, that could have been automated were still done manually.
3. The district technology plan addresses only educational technology, and it does not appear that any similar, comprehensive, long-term planning is done for business/administrative technology.

Recommendations and Improvement Plan

1. If the district is going to implement a system other than the county system, it should perform a complete needs analysis on its financial system requirements. The analysis should be performed in the same manner as it would be to support acquisition of a new system.
2. The analysis should determine the district's needs, current capabilities, current costs, and staffing and compare them to a "best practices" situation, as well as to the county system option.

3. The district should then determine the most cost-effective way to upgrade its information technology and improve the accuracy and timeliness of financial reporting and administrative management.
4. Regardless of whether the district remains on the county system or chooses to implement a different system, any such solution should contemplate a more complete implementation of system modules to address all aspects of the business/administrative functions and improve efficiency, accuracy, and internal controls.

Standard Implemented: Partially



17.4 Management Information Systems—Cost/Benefit Analyses and Comparisons

Professional Standard

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.

Sources and Documentation

1. Interviews with business staff
2. Review of the district technology plan
3. Observation of processes and procedures

Findings

1. The district currently utilizes the county system for its financial and administrative information technology needs.
2. Given the district's small size, limited technical expertise, and scarce financial resources, it likely would not be cost-effective to implement a system other than the county system.
2. The district is not anticipating implementing a stand-alone system at this time, but will remain on the county system. However, if the district contemplates migrating to a different system, the district staff does not have the time or expertise to address this area.

Recommendations and Improvement Plan

1. If the district is going to evaluate its business/administrative information systems, it will have to obtain outside expertise to perform the review and evaluation. If the district pursues a review and evaluation, it should work through the county office to have the analysis performed.

Standard Implemented: Not Applicable

Implementation Scale: Not Applicable

17.5 Management Information Systems—Technology Selection Process

Professional Standard

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.

Sources and Documentation

- 1. Review of the district's technology plan
- 2. Review of the district's financing plan for technology

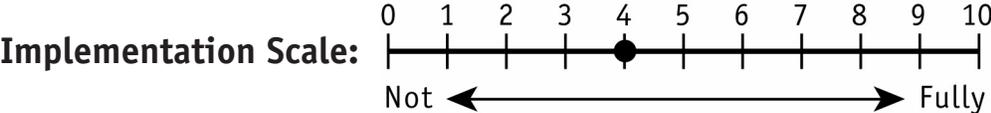
Findings

- 1. There is no evidence to support district procedures in this area because the district had not recently made a major system acquisition.
- 2. It is not clear whether the district prepared a needs assessment before adopting and implementing the educational technology plan. Further, the financing plan contained in the educational technology plan needs additional details regarding the viability of the funding sources identified.
- 3. The district does not have a multiyear technology plan addressing financial and administrative support technology.

Recommendations and Improvement Plan

- 1. The district should develop general procedures for acquisition of new systems, whether educational technology or financial/administrative support technology.
- 2. The procedures should include cost/benefit analyses, needs assessments, and development of a financing plan.
- 3. The district should develop a multiyear technology plan for financial and administrative support technology. The plan should cover a five-year period and be updated annually in conjunction with budget development. This allows funding needs to be anticipated and included in the adopted budget.

Standard Implemented: Partially



17.6 Management Information Systems—Implementation and Training

Professional Standard

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.

Sources and Documentation

1. Review of the district's technology plan
2. Review of implementation and training plans completed by the district
3. Review of training records

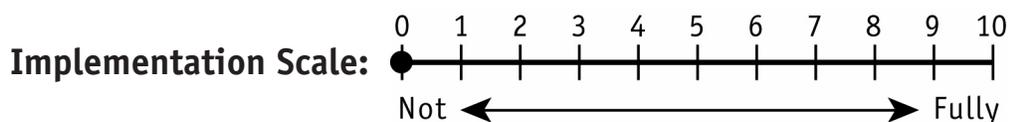
Findings

1. The review team found that the educational technology plan provided for training. However, it was not clear whether the training components were implemented.
2. The district does not have a formal training plan for business staff.
3. Review of personnel files and training records for business staff disclosed that professional development and training needs were not identified in staff evaluations and that little training was documented in the files.

Recommendations and Improvement Plan

1. The district should develop a formal training plan that provides standards of training, including who is to be trained, how often, and on what subjects.
2. The plan should also specify who is to provide the training and how the training is to be documented.
3. Training and implementation costs should be included in both cost/benefit analyses and financing plans.

Standard Implemented: Not Implemented



18.1 Maintenance and Operations Fiscal Controls—Risk Management

Professional Standard

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.

Sources and Documentation

- 1. Interview with the State Administrator
- 2. Interview with the Director of Maintenance, Operations, and Transportation

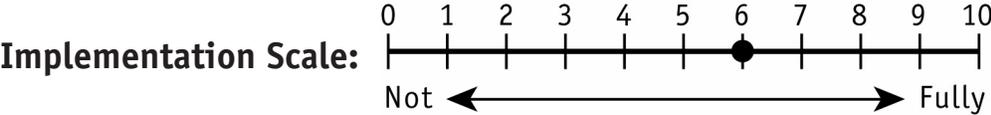
Findings

- 1. The district is a member of the Self-Insured Schools of California JPA (SISC). SISC provides workers’ compensation insurance and property and liability insurance.
- 2. The district has a representative on the SISC board.
- 3. The Director of Maintenance, Operations, and Transportation is in charge of risk management for the district.

Recommendations and Improvement Plan

- 1. With the fiscal controls of the risk management program handled by the SISC board, the district has very little to manage.
- 2. The Director of Maintenance, Operations, and Transportation should attend as many of the SISC meetings as possible to stay current on all aspects of the risk management program.
- 3. The Director of Maintenance, Operations, and Transportation should receive ongoing support from the Governing Board and administration to keep risk management under control.

Standard Implemented: Partially



18.2 Maintenance and Operations Fiscal Controls—Work Order System

Professional Standard

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.

Sources and Documentation

- 1. Interview with the Director of Maintenance, Operations, and Transportation
- 2. Work order system input data, logs, and reports

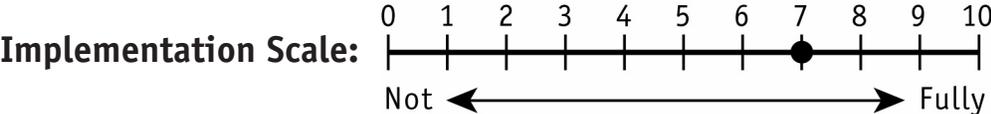
Findings

- 1. While the district has only two schools to maintain, the district still uses a manual work order system to track the maintenance needs of the district.
- 2. The Director of Maintenance, Operations, and Transportation reviews and assigns the work orders to the appropriate employee. The director notes the hours, costs, and time spent on the work order.

Recommendations and Improvement Plan

- 1. The district should continue with the current manual work order system and maintain accurate records of work completed, time spent, and materials used. If a room has continual work order requests, the project may need to shift to deferred maintenance for a major overhaul of the room.
- 2. The Director of Maintenance, Operations, and Transportation should review the work orders to make sure all of the work is completed to his satisfaction. His review should include analyzing whether the supplies used were appropriate, the amount of time taken was reasonable, and the likelihood of a follow-up repair is low.

Standard Implemented: Partially



18.3 Maintenance and Operations Fiscal Controls—Facilities Use Fees

Professional Standard

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

Sources and Documentation

- 1. Board policy
- 2. Facilities use forms
- 3. Interview with State Administrator

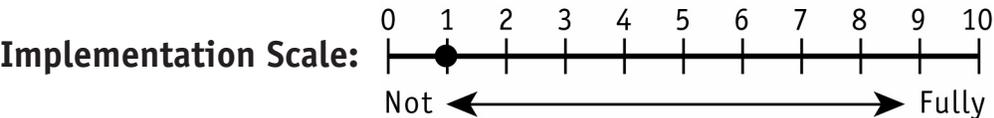
Findings

- 1. It could not be determined if there was a policy regarding the use of facilities and the fees that would be charged to use the facilities.
- 2. The “Agreement for Use of School Property” form, last updated December 7, 1995, states that the lessee will pay certain costs and fees. However, the form does not specify the actual dollar amounts or what the fee schedule is other than the deposits that must be made.
- 3. The form requires that a deposit of \$100 to be made to cover custodial costs and a deposit of \$200 for the use of the kitchen facilities. The fee must be paid prior to the use of the facilities.
- 4. There was no fee schedule available to determine the various levels of fees that would be charged to non-profit, fair value, and civic center users.

Recommendations and Improvement Plan

- 1. A policy for the use of facilities needs to be adopted by the Governing Board.
- 2. The responsibility for the use of facilities authorization should be placed within the jurisdiction of the State Administrator.
- 3. The fee schedule should be reviewed and updated, reflecting current costs for labor and utilities.
- 4. The form for use of facilities needs to be revised and updated to meet current conditions.

Standard Implemented: Partially



18.4 Maintenance and Operations Fiscal Controls—Control Over Purchase Orders

Professional Standard

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.

Sources and Documentation

1. Interview with Business Office personnel
2. Review of purchasing documents

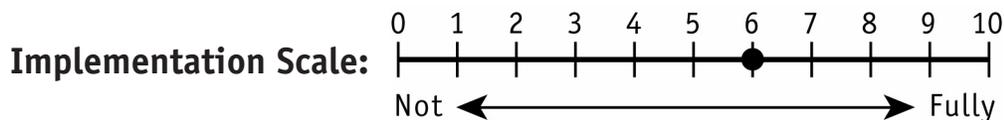
Findings

1. Board Policy 3310, last updated in 1990, is a generic policy with little direction to the district of what steps should be in place to ensure that purchases have the proper review and approval before they are made.
2. The two primary open purchase orders used by the Maintenance Department are with local vendors to obtain various types of supplies and materials. The Director of Maintenance, Operations, and Transportation monitors the open purchase orders closely and approves the invoices before forwarding them to the Business Office.

Recommendations and Improvement Plan

1. The Governing Board needs to update the policy to reflect the latest changes to the Education and Public Contract Codes. The policy should also determine who is authorized to make purchases using open purchase orders.
2. The Director of Maintenance, Operations, and Transportation should continue to closely monitor the use of the open purchases orders to determine that the items purchased have been used in maintenance projects.

Standard Implemented: Partially



18.5 Maintenance and Operations Fiscal Controls—Materials and Equipment Inventory

Professional Standard

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

Sources and Documentation

1. Discussions with the State Administrator
2. Discussions with the Director of Maintenance, Operations, and Transportation

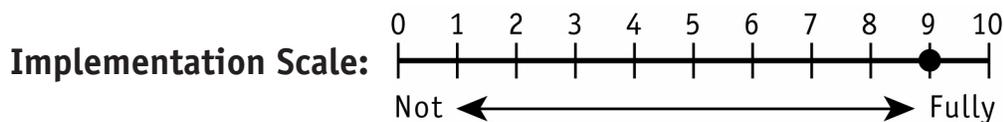
Findings

1. The district maintains a small inventory of tools and equipment.
2. The Director of Maintenance, Operations, and Transportation is responsible for monitoring the inventory and making sure that any differences in the inventory are accounted for and tools replaced so that the maintenance work is not inhibited.

Recommendations and Improvement Plan

1. Since the district is so small, any formal inventory of tools and equipment is not reasonable. It is recommended that the district continue with the current process and investigate any sudden changes in inventory before replacing the missing item.

Standard Implemented: Fully—Substantially



18.6 Maintenance and Operations Fiscal Controls—Use of District-Owned Vehicles

Professional Standard

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

Sources and Documentation

1. Interview with the Director of Maintenance, Operations, and Transportation

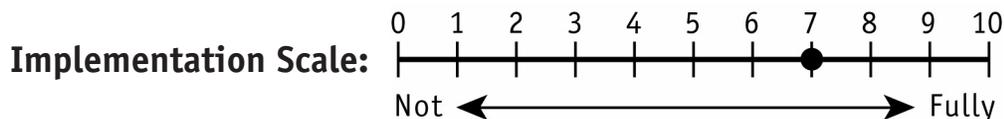
Findings

1. The district supplies vehicles to the Maintenance and Operations staff for use within the district for district business. On occasion, it may be necessary for the vehicle to be used outside the district to pick up materials. All other staff members, when using personal vehicles for district business, are reimbursed based on either contractual agreement or board policy.
2. The district maintains a small inventory of vehicles used by both the transportation and maintenance departments. The inventory consists of seven buses and a single maintenance vehicle.
3. Due to the size of the district, it is not reasonable for the district to maintain a fueling station on the grounds. Not only would this not be economically feasible, it would also be a health and safety issue since the station would be close to the students.

Recommendations and Improvement Plan

1. Continue with the current vehicle allocation system and employee reimbursement program. There does not appear to be a need to expand the current fleet for either the transportation or maintenance departments.
2. The only possible cost savings measure that could be implemented would be a credit card system to monitor the use of fuel by the buses and the maintenance truck.

Standard Implemented: Partially



18.7 Maintenance and Operations Fiscal Controls—Vending Machines

Professional Standard

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)

Sources and Documentation

1. Board Policy
2. Interviews with district staff
3. Site observations

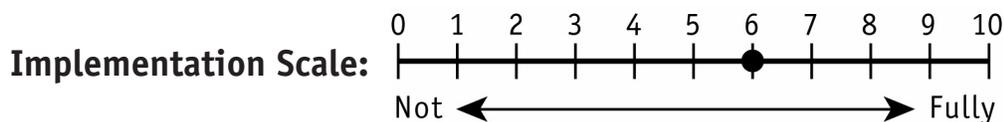
Findings

1. There are no Governing Board policies regarding vending machines.
2. The district has four vending machines that are maintained by the Coca-Cola distributor. All stocking, inventory, cash collections, and maintenance are provided by Coca-Cola. The district receives a single check monthly for the profits. The Associated Student Body receives the check for deposit to their checking account.

Recommendations and Improvement Plan

1. The Governing Board should develop and adopt a board policy regarding the oversight of vending machines on district property. The policy must establish who is responsible for monitoring the inventory of the machines, who collects and deposits the money, where the profits from the sales will be spent, and what types of items are allowed to be stocked in the machines.
2. The district should annually review the contract with the supplier to determine if the district is receiving proper compensation for the product.

Standard Implemented: Partially



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.

Sources and Documentation

- 1. Independent Auditor’s Report dated June 30, 2002
- 2. Interview with the State Administrator
- 3. Interview with the Director of Maintenance, Operations, and Transportation

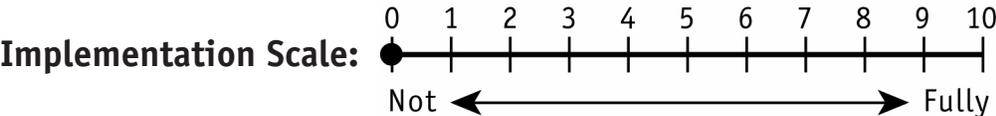
Findings

- 1. Included in the auditor’s report is the finding that the district does not maintain a complete inventory of assets. The district’s response in the report states that the district has contracted to have the inventory done to conform to GASB 34.
- 2. The district does not have a complete inventory of furniture and equipment.
- 3. Furniture is not always marked with district identification.

Recommendations and Improvement Plan

- 1. The district should make sure the GASB 34 inventory is completed in the near future.
- 2. The district should inventory all furniture and equipment at least once a year.
- 3. Consideration should be given for all equipment to be received centrally and marked or etched prior to delivery to the appropriate location.

Standard Implemented: Not Implemented



18.9 Maintenance and Operations Fiscal Controls—Bid and Force Account Requirements

Legal Standard

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.

Sources and Documentation

- 1. Governing Board policy
- 2. Interview with the Director of Maintenance, Operations, and Transportation

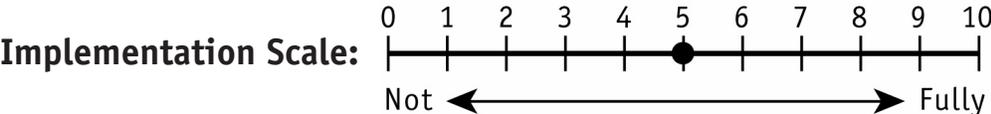
Findings

- 1. Governing Board policies 3300 and 3311 provide guidance to the district regarding bid limits and soliciting quotations for maintenance projects. These policies are not current and do not contain the most current language.
- 2. As noted on Page 65 of the June 30, 2002, audit report, independent contractor agreements have been issued in the past with little to no consideration for the bid process or the possible liability to the district in the future. E-rate funding from the federal government was used to make internal connections for the schools, which exceed the total amount spent by the district to modernize the two schools. There is an FBI investigation currently under way.
- 3. Due to the size of the district and skill level of the employees, the district cannot take advantage of the force account labor standards.

Recommendations and Improvement Plan

- 1. Update the board policy to reflect current limits and language for bid and force account requirements.
- 2. The board policy must include steps to eliminate the past practice of independent contracts being let without properly following the bid requirements of the Public Contract Code.

Standard Implemented: Partially



18.10 Maintenance and Operations Fiscal Controls—Independent Contractor Agreements

Legal Standard

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.

Sources and Documentation

1. Governing Board policy
2. Interview with the Director of Maintenance, Operations, and Transportation

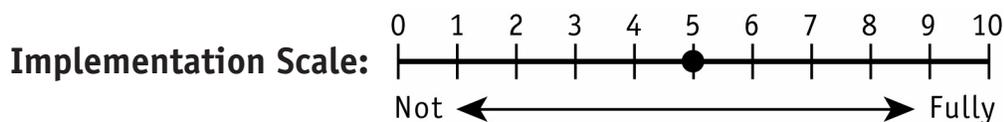
Findings

1. Governing Board policies 3300 and 3311 provide guidance to the district regarding bid limits and soliciting quotations for maintenance projects. These policies are not current and do not contain the most current language.
2. As noted on Page 65 of the June 30, 2002, audit report, independent contractor agreements have been issued in the past with little to no consideration for the bid process or the possible liability to the district in the future. E-rate funding from the federal government was used to make internal connections for the schools, which exceed the total amount spent by the district to modernize the two schools. There is an FBI investigation currently under way.
3. Due to the size of the district and skill level of the employees, the district cannot take advantage of the force account labor standards.

Recommendations and Improvement Plan

1. Update the board policy to reflect current limits and language for bid and force account requirements.
2. The board policy must include steps to eliminate the past practice of independent contracts being let without properly following the bid requirements of the Public Contract Code.

Standard Implemented: Partially



19.1 Food Service Fiscal Controls—Fiscal Policies and Procedures

Professional Standard

In order to accurately record transactions and to ensure the accuracy of financial statements for the cafeteria fund in accordance with generally accepted accounting principles, the district 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.

Sources and Documentation

1. Discussions with the Director of Food Services
2. Discussions with the district Accountant

Findings

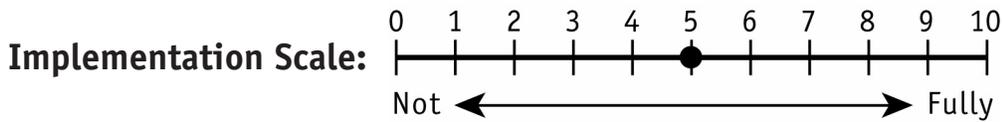
1. Meals are provided to both the elementary and middle school. The district has just been approved as a Provision II school for next year, so applications will not be required for 2003-04. The Director and Cafeteria Clerk are both certified to determine eligibility of students. The district is reviewing a breakfast program that will go into the classrooms for students. This will be done for the 2003-04 fiscal year as a test to see how it fares for the district. The district's free and reduced-price meals are running close to 85 percent or 90 percent.
2. The district receives no cash from students. The only cash received is from adult meals. A cash deposit is made every three weeks. This deposit is prepared by the district office and is deposited into the County Treasurer's Office.
3. Deliveries for the commodities program are received every two weeks. Prior to the 2002-03 fiscal year, the district did not go out to bid for food items. A new director was hired in July 2002 who is making some changes in order for the Child Nutrition program to run efficiently at a break-even or profit basis. The bidding process is one way to look for savings opportunities for the district. Purchase orders are issued by the district office to encumber funds. The purchase orders go through the same process as regular district purchase orders to determine budget availability and account code verification.
4. All food services items are received on the district campus in the kitchen, which is in the same location as the school sites. Goods are stored in the kitchen. Inventory is taken on the last working day of the month. A part-time stockperson completes this task. Inventory is maintained and documented on an Excel spreadsheet. Each month, a manual inventory is taken and updates are posted to the Excel spreadsheet. It is used to determine a dollar value of goods on hand.

5. The Cafeteria Director is a Registered Dietician and prepares all the menus.
6. The director is monitoring all reports from the financial system to ensure that there is cash in the fund to cover obligations for the Child Nutrition program. In addition, the director is monitoring the profit or deficit for the year.

Recommendations and Improvement Plan

1. Although there is little cash received in the kitchen, it is prudent to make deposits no less than weekly. It is the district’s responsibility to ensure that all assets are safeguarded. This is one way that the district can meet its responsibility and ensure that cash is safeguarded.
2. The district should continue to search out ways to maintain the Child Nutrition program in an efficient manner. The bid process should be continued on an annual basis to assist with maintaining efficiency.
3. The district is not in the financial position to purchase an automated inventory system at this time. The current process for monitoring inventory can be used to analyze the inventory from one month to the next. The director should review the differences between the current month and the previous month and purchases and uses for the month. A reasonableness test should be applied to determine the appropriate usage for the month. If huge discrepancies are noted in the review, further review should occur.

Standard Implemented: Partially



19.2 Food Service Fiscal Controls—Program Compliance

Professional Standard

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

Sources and Documentation

1. Interviews with the Director of Food Services

Findings

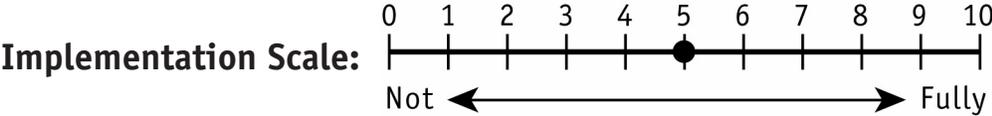
1. A program compliance review was performed during the 2000-01 fiscal year that identified several areas of non-compliance. However, the district has provided a corrective action plan and put the plan into action. The food program is included in the annual independent audit for compliance of the program.
2. The district is using a point-of-sale system called Accoscan. This is an automated system for tracking meal counts. The elementary students have their cards maintained in the cafeteria at all times. They pick up their cards from the appropriate grade and teacher box at lunch. A Cafeteria Clerk monitors students as they pass through the line and swipe their card. The monitoring is to determine food compliance and that meals are appropriately accounted for in the system. The middle school students are assigned a number. As the students come through the line, the Cafeteria Clerk enters the student number and a picture of the student is brought up along with the appropriate meal count. The Cafeteria Clerk is also reviewing for food compliance as well. If there is a second lunch that shows up on the system, the Cafeteria Clerk determines if this is due to the wrong student card, student number, or an appropriate second lunch, wherein no claim should be included.

Reports are generated from the student management system and reviewed by the Cafeteria Clerk monthly. An edit check report is prepared. There is a manual check by the Cafeteria Clerk, and a final review by the Director of Food Services. If there are any edits to be made, the Cafeteria Clerk makes the adjustment and prepares the report for final review.

Recommendations and Improvement Plan

1. To ensure that the Food Services Department maintains compliance with legal and regulatory requirements, it is recommended that the district office conduct continued periodic reviews to verify that:
 - a. The cafeteria maintains adequate eligibility documentation.
 - b. Amounts claimed for reimbursement are supported by the summarized meal counts and the supporting meal counts.

Standard Implemented: Partially



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.

Sources and Documentation

1. Interview with the State Administrator and Business Manager
2. Review of board policies regarding charter schools
3. Review of Charter Agreement

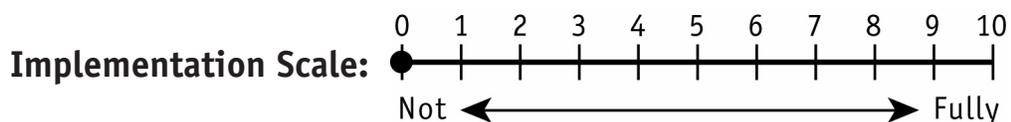
Findings

1. The district currently has three operational charter schools in the Fresno area, with two additional charters outside the area and not operating currently.
2. There are no comprehensive board policies or procedures regarding the educational and fiscal accountability aspects of the charter between the charter and the district.
3. It does not appear that the district currently exercises any meaningful oversight of the charters.

Recommendations and Improvement Plan

1. The district should adopt policies regarding the review, approval, and oversight of the charter schools it charters.
2. Charter agreements should 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 that these reports are submitted to the district should be consistent and timely (e.g., monthly, quarterly).
3. The district should actively undertake its oversight role for charter schools that it charters, consistent with Education Code provisions and provisions of the charter agreement.

Standard Implemented: Not Implemented



21.1 State Mandated Costs—Management of Reimbursement Claims Filing

Professional Standard

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 new mandates for which the district might be eligible for reimbursement; 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 timelines for reporting mandated cost information; and review of data and preparation of the actual claims.

Sources and Documentation

1. Discussions with the State Administrator
2. Review of financial information

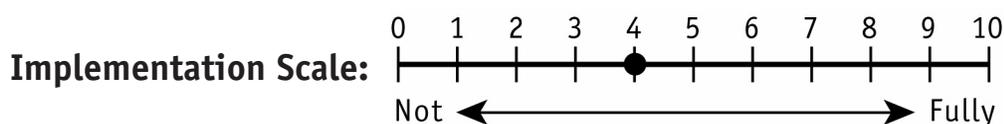
Findings

1. The district currently has a consultant providing services, which include collecting supporting documentation in order to file claims with the state.
2. The district's mandated cost revenue appears low.

Recommendations and Improvement Plan

1. The district should arrange for staff training regarding the various mandates, reimbursable activities, and documentation required to support claims. This will help to ensure that the district has necessary documentation to maximize its eligible reimbursement.
2. The district should set a regular schedule for submission of supporting documentation (e.g., monthly) to the outside consultants who provide a service for submitting claims to the state on behalf of the district. In addition, the claims should be submitted to the consultants either directly from the originator of the documentation or from the Business Manager. A consistent method should be adopted for these submissions in preparation for reimbursement claims filed. This will ensure that revenues are maximized for the district on these allowable claims.
3. The Business Manager should review and analyze all claims before filing with the state for assurance that the claims are allowable and reasonable based on prior filing. Also, a review will identify if there are claims currently not filed that should or could be filed for the district.

Standard Implemented: Partially



22.1 Special Education—Cost and Quality

Professional Standard

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.

Sources and Documentation

1. Interview with the State Administrator
2. Interview with the Director of Curriculum and Instruction
3. Interview with the Business Manager

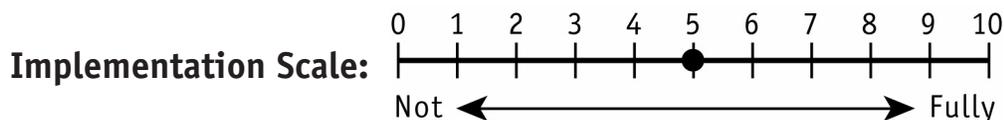
Findings

1. The district has a relatively small special education population.
2. The district has a relatively low number of students in non-public schools.
3. The district is in the process of taking back its special day class students from the county in order to serve the students more cost effectively by having the services provided by district staff.

Recommendations and Improvement Plan

1. The district should continue the efforts to contain special education costs.

Standard Implemented: Partially



Financial Management

Standard to be addressed		July 2003 Rating	Focus for January 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	
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	
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	
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	
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	
1.6	The district should have procedures for recruiting capable financial management and staff and hiring competent people. (SAS-55, SAS-78)	0	
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	

Financial Management

Standard to be addressed		July 2003 Rating	Focus for January 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	
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	<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 print-outs.	0	
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	
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	<input type="checkbox"/>
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	

Financial Management

Standard to be addressed		July 2003 Rating	Focus for January 2004
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	
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	
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	
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	
4.3	Qualified staff should be assigned to conduct internal audits and be supervised by an independent body, such as an audit committee.	0	
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	
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	
5.2	The budget development process should include input from staff, administrators, the board and community.	0	
5.3	Policies and regulations exist regarding budget development and monitoring.	0	

Financial Management

Standard to be addressed		July 2003 Rating	Focus for January 2004
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	
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	<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	
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	
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	<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	
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	<input type="checkbox"/>

Financial Management

Standard to be addressed		July 2003 Rating	Focus for January 2004
6.3	Standardized budget worksheets should be used in order to communicate budget requests, budget allocations, formulas applied, and guidelines.	0	
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	
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	
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	
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	
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	
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	
7.7	The district should arrange for an annual audit (single audit) within the deadlines established by Education Code Section 41020.	5	
7.8	Standard management practice dictates the use of an Audit Committee.	0	

Financial Management

Standard to be addressed		July 2003 Rating	Focus for January 2004
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	<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	
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	
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	<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	<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	
8.4	Budget revisions are made on a regular basis, occur per established procedures, and are approved by the Governing Board.	3	
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	<input type="checkbox"/>

Financial Management

Standard to be addressed		July 2003 Rating	Focus for January 2004
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	
8.7	The district should be monitoring the site reports of revenues and expenditures provided.	0	
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	
9.2	Clearly identify one-time source and use of funds.	1	
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	
11.1	An accurate record of daily enrollment and attendance is maintained at the sites and reconciled monthly.	2	<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	<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	
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	
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	
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	
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	<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	

Financial Management

Standard to be addressed		July 2003 Rating	Focus for January 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	
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	
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	
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	<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	<input type="checkbox"/>
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	
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	

Financial Management

Standard to be addressed		July 2003 Rating	Focus for January 2004
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	
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	
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	<input type="checkbox"/>
12.10	The accounting system should have an appropriate level of controls to prevent and detect errors and irregularities.	0	<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	
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	
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	
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	
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	

Financial Management

Standard to be addressed		July 2003 Rating	Focus for January 2004
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	
14.1	A reliable computer program that provides reliable multiyear financial projections is used.	2	
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	
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	
14.4	Assumptions used in developing multiyear projections are based on the most accurate information available.	2	
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	
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	
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	<input type="checkbox"/>

Financial Management

Standard to be addressed		July 2003 Rating	Focus for January 2004
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	
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	
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	

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Standard to be addressed		July 2003 Rating	Focus for January 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	
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	
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	
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	
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	

Financial Management

Standard to be addressed		July 2003 Rating	Focus for January 2004
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	
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	
18.3	The district should control the use of facilities and charge fees for usage in accordance with district policy.	1	
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	
18.5	Materials and equipment/tools inventory should be safeguarded from loss through appropriate physical and accounting controls.	9	
18.6	District-owned vehicles should be used only for district purposes. Fuel should be inventoried and controlled as to use.	7	
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	
18.8	Capital equipment and furniture should be tagged as district-owned property and inventoried at least annually.	0	<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	
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	

Financial Management

Standard to be addressed		July 2003 Rating	Focus for January 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	
19.2	The district should operate the food service programs in accordance with applicable laws and regulations.	8	
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	<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	
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	