



CSIS California School Information Services

# Covina-Valley Unified School District

## Adult Education Internal Control Review

June 1, 2015

Joel D. Montero  
Chief Executive Officer







June 1, 2015

Catherine Nichols, Ed.D., Superintendent  
Covina-Valley Unified School District  
519 E. Badillo Street  
Covina, CA 91723

Dear Superintendent Nichols:

In September 2014, the Covina-Valley Unified School District and the Fiscal Crisis and Management Assistance Team (FCMAT) entered into an agreement for management assistance. Specifically, the agreement states that FCMAT will perform the following:

1. Conduct an internal control review of the Covina-Valley Unified School District's Adult Education Program's business office. Evaluate the current workflow and distribution of functions in the business office, and provide recommendations for improved efficiency, if any. This component will include reviewing documentation, including policies and procedures, and gathering data regarding current practices, procedures and separation of duties. Additionally, the team may interview other district or site staff to determine the efficiency and effectiveness of services delivered.
  - a. Internal controls: The primary focus is to provide the business office with reasonable assurance based on the testing performed that adequate internal controls are in place. Management or internal controls include the processes for planning, organizing, directing, and controlling program operations, including systems for measuring, reporting, and monitoring performance. The team will sample test transactions from the prior six months but will not test all financial records. Sample testing and review results are intended to provide reasonable assurance of the accuracy of processes and compliance.
  - b. Review business office procedures to provide reasonable assurance that payroll, accounts payable, accounts receivable and purchasing transactions are entered by properly authorized personnel and that the transactions are accurately summarized. The team will obtain the data needed to perform testing of various purchase orders, requisition records, invoices and accounts payable and receivable transactions. This component will evaluate the effectiveness and efficiency of departmental transaction processing and operations, including new vendors, contracts, invoices, bid requirements and system operations.

**FCMAT**

Joel D. Montero, Chief Executive Officer

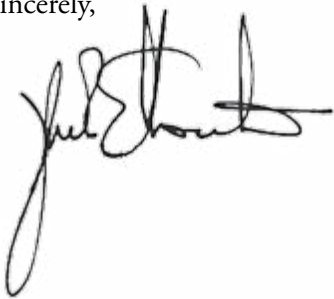
1300 17<sup>th</sup> Street - CITY CENTRE, Bakersfield, CA 93301-4533 • Telephone 661-636-4611 • Fax 661-636-4647  
755 Baywood Drive, 2<sup>nd</sup> Floor, Petaluma, CA 94954 • Telephone: 707-775-2850 • Fax: 707-636-4647 • [www.fcmat.org](http://www.fcmat.org)  
Administrative Agent: Christine L. Frazier - Office of Kern County Superintendent of Schools

- c. Provide reasonable assurance that access to the fee collection system is properly secured from unauthorized changes and that the proper internal control systems are in place.
  - d. Evaluate the division of labor and segregation of duties between classified and management employees in the business office for all financial transactions. This component will include a review of payroll processes related to the setup and maintenance of position control data.
  - e. Review the records processing procedures and file management protocol for the business office.
  - f. Evaluate desk manuals and procedures for each business office employee.
  - g. Verify that the district is in compliance with the Education Code and Public Contract Code regarding bid limits. Review procedures related to vendor payments, including but not limited to purchase orders and sample contracts for professional services, construction and other purchases.
2. Review the district's board policies, administrative regulations and procedures regarding budget development, monitoring and financial reporting requirements, and make recommendations to improve the efficiency of the business office.

This report contains the study team's findings and recommendations.

FCMAT appreciates the opportunity to serve the Covina-Valley Unified School District and extends thanks to its staff for their cooperation and assistance during this review.

Sincerely,

A handwritten signature in black ink, appearing to read "Joel D. Montero". The signature is fluid and cursive, with a large loop at the end of the last name.

Joel D. Montero  
Chief Executive Officer

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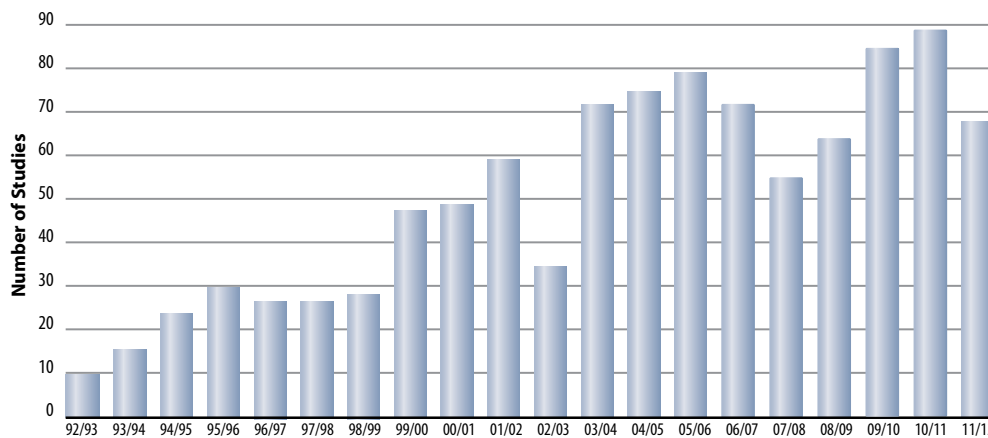
# About FCMAT

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

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

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

**Studies by Fiscal Year**



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

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

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

Since 1992, FCMAT has been engaged to perform more than 1,000 reviews for LEAs, including school districts, county offices of education, charter schools and community colleges. The Kern County Superintendent of Schools is the administrative agent for FCMAT. The team is led by Joel D. Montero, Chief Executive Officer, with funding derived through appropriations in the state budget and a modest fee schedule for charges to requesting agencies.



# Introduction

## Background

Located in Los Angeles County, the Covina-Valley Unified School District has a 5-member governing board and serves approximately 12,558 K-12 students at 10 elementary, three middle, three comprehensive high, and one alternative education schools. The district also has a large adult education program, known as Tri-Community Adult Education, which staff indicated serves approximately 8,800 students at the Adult Education Business Center, two adult education center campuses and at some of the district's K-12 school sites.

In September 2014, at the district's request, the Covina-Valley Unified School District and the Fiscal Crisis and Management Assistance Team (FCMAT) entered into an agreement for management assistance to review the internal controls of the district's Adult Education program business office.

## Study and Report Guidelines

FCMAT visited the district on October 29-31, 2014 to conduct interviews, collect data, and begin reviewing documents. District staff continued to provide many of the documents requested for testing through February 2015. This report is the result of those activities and is divided into the following sections:

- Executive Summary
- Department Staffing and Structure
- Internal Controls
- Purchasing and Accounts Payable
- Accounts Receivable and Cash Receipts
- Payroll
- Records Retention
- Appendix

In writing its reports, FCMAT uses the Associated Press Stylebook, a comprehensive guide to usage and accepted style that emphasizes conciseness and clarity. In addition, this guide emphasizes plain language, discourages the use of jargon and capitalizes relatively few terms.

## Study Team

The study team was composed of the following members:

Diane Branham  
FCMAT Chief Management Analyst  
Bakersfield, CA

Julie Auvil, CPA, CGMA  
FCMAT Fiscal Intervention Specialist  
Bakersfield, CA

Leonel Martínez  
FCMAT Technical Writer  
Bakersfield, CA

Kara Wantlin\*  
Assistant Director of Payroll  
Santa Ana Unified School District  
Santa Ana, CA

\*As a member of this study team, this consultant was not representing her employer but was working solely as an independent contractor for FCMAT. Each team member reviewed the draft report to confirm its accuracy and to achieve consensus on the final recommendations.

# Executive Summary

The 2008-09 through 2012-13 fiscal years were unprecedented for California's local educational agencies (LEAs). To address the state's ongoing budget deficit, lawmakers used numerous strategies to help balance the budget, including reducing expenditures, adding new taxes, borrowing money and using federal stimulus funds. During that time, Senate Bill X3 4 authorized complete flexibility in the use of funds appropriated in 39 budget act items. This legislation provided LEAs with several flexibility options that allowed them to use previously restricted state categorical program dollars for any educational purpose, including funding for adult education.

The 2013-14 state budget included the Local Control Funding Formula (LCFF), which significantly changed the way school districts are funded. The LCFF replaced revenue limits and most state categorical program funding with base pupil grants by grade span and supplemental and concentration grants determined by the number of students eligible for free and reduced-price meals, English learners and foster youth. Funding for adult education was folded into the LCFF.

Senate Bill (SB) 91 required LEAs to maintain 2012-13 adult education expenditure levels in 2013-14 and 2014-15. SB 91 also required that regional consortia be developed, which must consist of one community college district and at least one school district. Senate Bill 897 further states, "It is the intent of the Legislature to provide additional funding in the 2015-16 fiscal year to the regional consortia to expand and improve the provision of adult education."

The district's unaudited actuals report for 2012-13 includes adult education program expenditures of \$734,967 in fund 11, the adult education fund; 2013-14 unaudited actuals include expenditures of \$1,179,291 in fund 11 and additional expenditures in fund 63, the other enterprise fund; the 2014-15 adopted budget reflects expenditures of \$2,789,737 in fund 11. Administrators indicated that the district wants to make the adult education fee-based classes self-sustaining; however, a contribution from the unrestricted general fund was needed to support these classes in 2013-14 and is projected in the 2014-15 adopted budget.

Adult education program administrative and support staffing was reduced during the last few years because of state budget cuts. The director of adult education position was eliminated, and staff indicated there is some confusion about who is responsible for overseeing the program's administrative functions. The district should determine the position responsible for these functions and communicate this information to staff. The district should also explore the feasibility of closing the Adult Education Business Center and moving office staff to Griswold and/or the district office.

The August 31, 2009 adult education program organizational chart is outdated and does not show the current status of positions as either occupied by an employee or vacant. The chart includes positions that have been eliminated, some that have moved to the district office, and one that is listed at the wrong adult education site. The chart should be updated to indicate the current status of positions.

The job descriptions for several adult education office positions should be updated to ensure they are current, include the date the job description was approved and/or revised by the governing board, and comply with the Americans with Disabilities Act (ADA).

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

serious errors and fraud. To help provide for proper internal controls and ensure efficient operations, the district should implement several changes to the adult education program's purchasing, accounts payable, accounts receivable, payroll, and budget development and monitoring processes as indicated throughout this report.

The adult education program does not fully utilize the services of the Personnel Services Department when recruiting and hiring staff, determining salary schedule placement, and maintaining personnel files. Exposure to litigation costs can be significant if such activities are not conducted within the scope of applicable contracts, laws and regulations. The Personnel Services Department should be involved and oversee the adult education program's personnel activities as it does for the other district sites and departments.

# Findings and Recommendations

## Department Staffing and Structure

The director of 21<sup>st</sup> century learning and special projects and two adult school principals oversee the adult education program. The program is housed at three primary locations: the Adult Education Business Center and the Pioneer and Griswold centers. Staff indicated that administrative staffing was reduced in the last few years because of state budget cuts, including the elimination of the director of adult education position. In addition, several positions listed on the adult education program's organizational chart dated August 31, 2009 have been eliminated, left unfilled, or moved to the district office.

The adult education offices consist of eight office support staff positions: one business services supervisor, one attendance and payroll clerk, three clerical assistant IIIs, one data entry operator, one secretary I, and one registrar.

## Organizational Structure

A school district's organizational structure should establish the framework for leadership and the delegation of duties and responsibilities. As a district's enrollment increases or declines, the organizational structure should adapt to the changes. The district should be staffed according to basic, generally accepted theories of organizational structure and the standards used in other school agencies of similar size and type. The most common theories of organizational structure are span of control, chain of command, and line and staff authority.

### Span of Control

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

### Chain of Command

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

### Line and Staff Authority

Line authority is the relationship between supervisors and subordinates. It refers to the direct line in the chain of command. For example, in Covina-Valley Unified, the assistant superintendent of educational services has direct line authority over the director of 21st century learning and special projects. Conversely, staff authority is advisory in nature. Staff personnel do not have the authority to make and implement decisions, but act in support roles to supervisory personnel. The organizational structure of local educational agencies contains both line and staff authority.

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

Authority in a public school district originates with the elected governing board, which hires a superintendent to oversee the district. Through the superintendent, authority and responsibility are delegated to the district's administration and staff.

Management positions are typically responsible for supervising employees and overseeing the work of the department for which they are responsible. They must ensure that staff members understand all district policies and procedures and perform their duties in a timely and accurate manner. Managers must also serve as a liaison between their department and others to identify and resolve problems and design and modify processes and procedures as necessary. Management positions should not typically be responsible for the department's routine daily functions; these should be assigned to department support staff.

The August 31, 2009 adult education program organizational chart is outdated and does not show the current status of positions as either occupied by an employee or vacant. The chart includes positions that have been eliminated, some that have moved to the district office, and one that is listed at the wrong adult education site. Therefore, it is difficult to determine the adult education staffing and the assigned supervisor for each position to ensure that the chain of command principles, as indicated above, are followed.

Staff interviews indicated there is some confusion regarding who is responsible for overseeing the adult education program's administrative functions such as the budget, class offerings, minimum class sizes, the necessary number of support staff and their assigned duties, and written processes and procedures. Although the Pioneer and Griswold centers each have an adult school principal, there is no administrator at the Adult Education Business Center.

The eight office support staff positions are housed at the adult education sites as follows:

- Adult Education Business Center
  - One business services supervisor
  - One clerical assistant III
  - One data entry operator
- Pioneer Center
  - One secretary I
  - One registrar
  - Two clerical assistant IIIs
- Griswold Center
  - One attendance and payroll clerk

Staff indicated that employees have absorbed the duties of the eliminated or vacant positions, and one employee is typically present in the adult education offices during evening classes to assist students as needed.

Board Policy 4158/4258/4358, Employee Security, states the following:

The Board of Education desires to provide a safe and orderly work environment for all employees. As part of the district's comprehensive safety plan, the Superintendent or designee shall develop strategies for protecting employees from potentially dangerous persons and situations and for providing them with necessary assistance and support when emergency situations occur.

The adult education program should ensure that staff members are scheduled appropriately to provide for employee safety during the evening classes and ensure adherence to the board policy.

To help provide more office coverage at school sites, reduce overhead costs and increase efficiency, the district should explore the feasibility of closing the Adult Education Business Center and moving office staff to Griswold and/or the district office.

## **Job Descriptions**

### **Business Services Supervisor, Adult Education**

The business services supervisor job description is dated July 2001 with a date of August 14, 2001 at the bottom of the last page; however, it does not indicate that this was the governing board approval date. Examples of functions included in the job description are coordinating and supervising the day-to-day operations of adult education business units such as publications and duplicating, accounting, payroll, purchasing and distribution.

### **Adult School Attendance and Payroll Clerk**

A job description was not provided for an adult school attendance and payroll clerk position. An attendance clerk job description is dated March 1996 with a date of March 1997 at the bottom of the page; however, it does not indicate that this was the governing board approval date. Examples of duties included in the job description are functions related to student attendance accounting.

The adult school attendance and payroll clerk was located at the business center, but was moved to Griswold when staffing was reduced. This is the only clerical position in the Griswold office, and its duties include student attendance accounting, employee absence tracking, payroll time reports, student registration and general office functions.

### **Clerical Assistant III**

The clerical assistant III job description is dated June 1992; however, it does not indicate that this was the governing board approval date. Examples of duties included in the job description are performing a variety of clerical and student service tasks.

### **Data Entry Operator**

The data entry operator job description is dated June 1991; however, it does not indicate that this was the governing board approval date. Examples of duties included in the job description are examining and entering data related to student registration, fees, attendance, payroll and inventory and performing routine clerical and accounting work. The job description includes operating a "VT style Digital Equipment Corp., computer terminal and keyboard, used in conjunction with a DEC VAX Model 4000-200 Computer..."

## Secretary I

The secretary I job description is dated May 1995 with a date of June 1992 at the bottom of the last page; however, it does not indicate that this was the governing board approval date. Examples of duties included in the job description are serving as a secretary to a district administrator and performing a variety of clerical and technical tasks.

## Registrar

The registrar job description is dated June 1992; however, it does not indicate that this was the governing board approval date. Examples of duties included in the job description indicate that the position maintains a variety of student records and “Establishes, evaluates and maintains permanent record cards of all students in school...”

The job descriptions for the adult education program’s positions do not include minimum weight lifting and repetitive duty requirements necessary for compliance with the Americans with Disabilities Act (ADA) and do not list essential job functions. As currently written, the district could not use some of its job descriptions as evidence of essential duties in accommodation cases, nor should it use them when making employment decisions related to an applicant’s ability to perform essential duties. Reviewing and revising job descriptions to ensure that duties are correctly identified as essential will help protect the district from disability discrimination claims by applicants and/or employees who may be eligible for reasonable accommodations under the ADA.

## Coordination with Other Departments

Staff interviews indicated the adult education program often operates as a separate entity rather than as part of the district office processes and procedures. However, all departments and programs are unavoidably linked in a local educational agency and should work closely together as a team. Systems should be developed and implemented that require departments to work cooperatively and coordinate their work to prevent duplication of effort and increase efficiency.

Regular informal meetings between the Personnel Services Department, Business Services Department and the adult education program are important because their functions are inter-related, and better communication would help to improve the working relationship, resolve any issues, gain an understanding of processes, and address staff needs.

Each department should contribute to meeting agendas to ensure everyone’s concerns are discussed. Following are some of the topics that should be discussed:

- Changes to policies and procedures that will affect each department
- Personnel requisition process
- Standardized processes for determining what documents require approval and by whom

## Recommendations

*The district should:*

1. Update the adult education program organizational chart to show the current status of positions as either occupied by an employee or vacant; delete positions that have been eliminated or moved to the district office; and ensure positions are listed at the correct site.



2. Determine and communicate to staff the position responsible for overseeing the adult education program's administrative functions.
3. Ensure staff members are scheduled appropriately to provide for employee safety during the evening adult education classes and ensure compliance with Board Policy 4158/4258/4358.
4. Explore the feasibility of closing the Adult Education Business Center and moving office staff to Griswold and/or the district office.
5. Review each of the job descriptions for adult education program employees, and ensure that duties are properly assigned to staff.
6. Develop a job description for the adult school attendance and payroll clerk position. The district should work with its employee bargaining units and the personnel commission as necessary on this issue.
7. Work with the personnel commission to review and update job descriptions to ensure they are current, include the date the job description was approved and/or revised by the governing board, and comply with the ADA.
8. Conduct routine informal meetings between the Personnel Services and Business Services departments and adult education program staff.



# Internal Controls

Internal controls are the foundation of sound financial management and allow districts to fulfill their educational mission while helping ensure efficient operations, reliable financial information and legal compliance. Internal controls also help protect the district from material weaknesses, serious errors and fraud. All educational agencies should establish internal control procedures that do the following:

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

Districts should apply the following basic concepts and procedures to their transactions and reporting processes to build a solid internal control structure:

- **System of checks and balances**  
Formal procedures should be implemented to initiate, approve, execute, record and reconcile transactions. The procedures should identify the employee responsible for each step and the time period for completion. Key areas of checks and balances include payroll, purchasing, accounts payable and cash receipts.
- **Separation of duties**  
Adequate internal accounting procedures should be implemented and changes made as needed to separate job duties and protect the district's assets. No single employee should handle a transaction from initiation to reconciliation, and no single employee should have custody of an asset (such as cash or inventory) and maintain the records of related transactions.
- **Staff cross-training**  
More than one employee should be able to perform each job. Each staff member should be required to use accrued vacation time, and another staff member should be able to perform those duties. Inadequate cross-training is often a problem even in the largest business offices.
- **Asset security**  
Cash should be deposited daily, computer equipment should be secured, and access to items such as supplies/stores, food stock, tools and gasoline should be restricted to designated employees.
- **Timely reconciliations**  
Bank statements and account balances should be reconciled monthly by an employee independent from the original transaction and recording process. For example, the employee who reconciles the revolving checking account should not maintain the check stock.

- Comprehensive annual budget

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

A system of internal controls consists of policies and procedures designed to provide the governing board and management with reasonable assurance that the organization achieves its objectives and goals. Hard controls include separation of duties, management review and approval, and reconciliations. Soft controls include management tone, performance evaluations, training programs, and maintaining established policies, procedures and standards of conduct. The district lacks some of these elements in its adult education office processes as indicated below and elsewhere in this report.

## **Desk Manuals, Training and Cross-Training**

Desk manuals that include policies and procedures are important to help ensure proper internal controls and provide a better understanding of each position's responsibilities. These manuals can also be valuable in completing necessary functions when the employee normally assigned to a particular duty is absent or a position is vacant. The district does not have a business services policies and procedures manual; however, the adult education staff has developed a policies and procedures manual for use in the adult education program. The manual contains numerous forms and topics related to the program; however, it is not divided by specific job duties, does not include step-by-step procedures for each job duty, and some of the items included are outdated. The processes in the manual should be reviewed and updated as necessary to ensure they comply with current district procedures. In addition, internal forms should be made available online in an electronic format through the staff portal, and the use of carbon paper and NCR forms should be reduced or eliminated. The district should also develop a business services policies and procedures manual so that all staff operate with the same rules and regulations.

The district does not conduct annual procedures training for all office staff. Annual meetings should be conducted to share information with staff on new or amended procedures. All clerical, accounting and secretarial staff should be required to attend to ensure that they understand and follow the most current procedures. In addition, the training should be provided to new and promoted employees in these positions to ensure they understand applicable responsibilities.

Although some district employees have experience and knowledge of other job duties and areas in the adult education office, little or no cross-training occurs for some of the program's key functions, such as student attendance, employee absence tracking and payroll reporting. These tasks are essential to operations, and the lack of cross-training could place the district at risk. The adult education program should emphasize cross-training so that every position has at least one employee who can temporarily perform the related duties in the event of an employee absence or position vacancy, allowing essential functions to continue without interruption.

## **System Security**

To safeguard electronic data and provide for proper internal controls, view-only and/or change access to software programs should be restricted to designated employees based on job duties. Staff indicated that the adult education business services supervisor has access to change all data in the Human Resource System (HRS), the district's human resources and payroll software.

Although HRS will not allow employees to change their own personnel records, this position can add, change and delete personnel and payroll information for other positions.

Allowing any individual access to change all the data necessary to set up and pay an employee does not provide proper internal controls because a fictitious employee may be created and paid without the district's knowledge.

The assistant superintendent of personnel services and the chief business officer are designated as the district's superusers for HRS, with the ability to add and remove users and determine each user's level of access. The best practice for the district would be to provide the adult education business services supervisor with view-only access to HRS. Only the Personnel Services Department should have designated staff who can enter employee demographic data in HRS. The adult school attendance and payroll clerk should also be provided with view-only access to HRS to see account codes for the processing of timesheet reports.

## Budget Development and Monitoring

Staff indicated that the Business Services Department primarily completes budget development for the adult education program with some input from the adult education business services supervisor. Although having one or two staff members develop the budget may speed the process, the best business practice is to include site and department managers. This helps create a sense of shared ownership and responsibility, a clearer understanding of budget issues, and may result in fewer budget transfers during the year.

To facilitate more involvement by the adult education administrative staff, the Business Services Department should prepare additional budget development materials and train staff in their use. The materials should include a budget allocation form with estimated revenue amounts to be allocated for each applicable funding source, show ongoing expenditures such as staffing and indirect costs, and indicate the funds available for the program to budget. These forms should be distributed to and completed by adult education each spring during budget development, with the position control reports discussed later in this report.

Budgets should be monitored monthly to ensure that appropriations are not overspent and that the revenues received and expenditures made are the same as projected. If revisions need to be made, they are subject to board approval. The review should be at the fund, resource and object code levels to ensure that the projected fund balance and/or contributions from the unrestricted general fund are known at any given time. Budget transfers, adjustments and journal entries should be completed monthly.

A review of the adult education cumulative detail reports dated October 25, 2014 and the account list by fund and location reports dated December 13, 2014 found that several account lines exceeded their budget. As discussed later in this report, fund 11, the adult education fund, and fund 63, the other enterprise fund, are used to account for adult education financial activity. However, as of December 13, 2014 budgets had not been developed for fund 63. Although it is common for local educational agencies to use fund 11 to account for all adult education programs, including both fee-based and nonfee-based classes, staff reported that the district consulted with its external auditors and determined that it is acceptable to account for fee-based adult education programs separately in fund 63.

Board Policy 3100, Budget, states that “The Superintendent or designee shall oversee the preparation of a proposed district budget for approval by the Board and shall involve appropriate staff in the development of the budget projections.” Although district policies and regulations do not specifically address the role of adult education managers for fiscal oversight and requirements for financial reporting, districtwide procedures should be developed and implemented to address these issues.

## Board Policies and Administrative Regulations

A proper system of internal controls includes board policies and administrative regulations that are current, well communicated and monitored for consistent implementation. The district completed a mass update of its policies and regulations in August and September 2014, and recently posted them to its website using the California School Boards Association’s Gamut online service. At the time of FCMAT’s fieldwork, the adult education procedures manual had not yet been updated to include the newly adopted and/or revised policies and regulations.

## Recommendations

*The district should:*

1. Annually review and update the adult education procedures manual and ensure it complies with districtwide procedures and includes current board policies and administrative regulations.
2. Assign all adult education office staff members to complete step-by-step procedures for each of their job duties and include them in a desk manual.
3. Make internal forms available online in an electronic format through the staff portal, and reduce or eliminate the use of carbon paper and NCR forms.
4. Develop a business services policies and procedures manual, and include in the manual districtwide procedures on the role of site and program managers for fiscal oversight and requirements for financial reporting.
5. Conduct an annual procedures training; require all clerical, accounting and secretarial staff to attend; and provide this training throughout the year to new or promoted employees in these positions.
6. Ensure that adult education office employees are cross-trained in all key areas of responsibility.
7. Provide the adult education business services supervisor and attendance and payroll clerk with view-only access to HRS.
8. Ensure the adult education business services supervisor is not assigned to enter employee data in HRS.
9. Ensure that the Business Services Department includes adult education program managers in developing the budget each spring for the upcoming fiscal year.

10. Design budget materials and provide training to adult education staff to ensure they have the forms, reports and knowledge needed for budget development.
11. Work with the adult education program managers to develop a 2014-15 budget for fund 63.
12. Ensure that the adult education program managers monitor their budgets monthly by fund, resource and object code.





# Purchasing and Accounts Payable

To initiate a purchase, the employee requesting the materials, supplies, etc. completes a request for materials form and obtains the approval of the site principal. The approved form is forwarded to the assigned purchasing assistant II at the district who enters the information into the PeopleSoft system. The principal, Accounting Department (for budgetary processing), chief business officer and supervisor of purchasing electronically approve the completed requisition. If funds for the purchase are insufficient, PeopleSoft has no hard stop, and the completion of a budget transfer is not required before the requisition is processed.

The district Purchasing Department has developed protocols that specify, based on the amount of the purchase, whether a bid or quote is necessary and who is authorized to approve purchases as follows:

Purchase Amount		Purchasing Requirement	Authorization Requirement
Furniture/Equipment	Services/ Labor & Material		
\$35 - \$2,000	\$1 - \$1,500	Price lists/verbal quotes	CBO or Designee
\$2,001 - \$5,000	\$1,501 - \$5,000	Two or more verbal quotes	CBO or Designee
\$5,001 - \$20,000	\$5,001 - \$10,000	Two or more written quotes	CBO or Designee
\$20,001 - \$84,099	\$10,001 - \$14,999	Three or more written quotes	CBO or Designee
\$84,100+	\$15,000+	Public bid	Board Approval

If the item is requested from a vendor that is not already in the PeopleSoft system, the new vendor is marked on the requisition. The Purchasing Department is responsible for determining whether bidding is required and deciding if the proposed vendor or another vendor will be used to obtain the optimum price. The study team's review of the 2013-14 and 2014-15 general ledgers for adult education program purchases did not find any that met the bid limit requirements of Public Contract Code Sections 20111 and 22002. Other district personnel involved in purchasing and accounts payable functions were interviewed regarding the bidding process used for adult education program purchases, and they could not recall purchases that met the bid limit requirements within the last two years.

The 2013-14 general ledger for adult education program expenditures shows that entries are frequently made to transfer expenditures between fund 11, the adult education fund, and fund 63, the other enterprise fund. Specifically, expenditures contained in fund 63 for fiscal year 2013-14 are wholly comprised of journal entry transfers from fund 11. District employees reported that this was a result of the decision to establish fund 63 as the books were being closed for 2013-14. Fund 11 is to be used to record revenues and expenditures for non-enrichment classes while fund 63 is to be used for enrichment classes. A review of the 2014-15 general ledger shows that expenses that should have been posted to fund 63 have been included in fund 11 and will require transfers to properly reflect the district's division between the two funds if the district determines it will continue to use both funds. An employee who is knowledgeable in program expenditures should be included in purchasing approval to reduce the number of journal entries.

Once approvals have been obtained, the requisition electronically becomes a purchase order in PeopleSoft, and the purchasing assistant II places the orders with vendors. When the merchandise is received, receiver documentation is forwarded from the recipient to the adult education business services supervisor, who then forwards it to the purchasing assistant II. The purchasing assistant II also receives all invoices, obtains approvals for payment, matches the receiver

document to the invoice and sends the packet to the district's Accounts Payable Department to process for payment.

To test the internal controls of the purchasing and accounts payable functions in the adult education program, FCMAT received a list of expenditures for July 1, 2013 through June 30, 2014 and July 1 through September 30, 2014. From those lists, 10 items were selected from each fiscal year and tested for the following six attributes:

1. A signed and approved requisition was used to start the purchase.
2. The signed purchase order was dated after the date of the requisition.
3. A signed contract was present, if applicable, that included the signature of an authorized district signatory.
4. The invoice or detailed receipt was attached to the accounts payable payment package.
5. The purchase was made after the date of the purchase order.
6. The invoice was initialed or signed to approve payment or the receiving document was attached.

The results of this testing were as follows:

- One accounts payable packet could not be located.
- None of the accounts payable payment packets included a signed requisition. Although the district uses an electronic process, adult education staff indicated that paper requisitions are still used to initiate transactions.
- Five of the 20 accounts payable packets (25%) included purchase orders; however, only three of them were signed, and one was issued after the purchase was made.
- Of the 20 packets, 17 did not need a separate contract between the vendor and the district. Of the three packets that did, two of which were for consultant services, none included a copy of the contract.

When entering into agreements with consultants, the best business practice is to memorialize that arrangement with a written contract. The contract should include the duties of each party, such as the consultant's obligation to complete a W-9 form prior to any payment by the district, the consultant's insurance coverage and the consultant's fingerprint requirements. These provisions help protect the district and its students. Additionally, the contract is not legally enforceable until a district-authorized signatory signs it, and the agreement is approved or ratified by the governing board.

The district has a Personal Services Contract form, but it was not included in the transactions tested. However, FCMAT reviewed a copy provided separately from packets and found that it did not contain all the requirements listed in the previous paragraph.

- Two accounts payable packets were for purchases of the student registration software and printing for the 2014 fall adult school brochure. While these transactions are not required to have separate contracts, a best practice is to utilize such an agreement to ensure that all deliverables are provided.

- Three packets did not contain necessary invoices or receipts:
  - One was a journal entry that included a journal entry and “PSFS report” as backup but no documentation of the actual expenditure and the description of the \$75,000 entry was “(blank)-(blank).” District staff reported that this was “property and liability costs” but no documentation was provided as support.
  - The payment of a CAL-Card statement showed that one of two purchases from amazon.com did not include a receipt.
- One packet used the signed lease and purchase order to initiate payment; however, the packet did not contain board minutes showing approval of the lease. Additionally, the January 16, 2014 payment was for seven months of rent (July 2013 - January 2014) indicating that this practice is not generating prompt payment remittance.

Best business practice requires a three-way match between the purchase order, a receiving document and an invoice or receipt to initiate payment to a vendor. The purchase order is the written communication of the desire to order something from a particular vendor. The receiving document is the evidence that the goods or services have been delivered, and the invoice or receipt is the evidence of the vendor’s desire to be paid. To comply with best business practices, payment should not be made without an invoice or receipt, one-line explanations should not be used instead of receipts, and a purchase order should not be used to generate a warrant.

- Sixteen of the 20 packets (80%) lacked the documentation needed to test whether the purchase was made after the purchase order was issued.
- Of the 16 packets that included invoices for payment:
  - Five did not contain a signature to approve payment.
  - Two utilized a signature stamp to approve payment.
  - One reimbursement included an approval signature but the date signed was left blank.
  - Fourteen did not indicate “OK to Pay” on the invoice or elsewhere in the packet.

Authorization for payment is essential in ensuring that the payments being made are for approved purchases and that the merchandise or services have been received. This is also an internal control that can help avoid duplicate payments.

Use of a signature stamp does not provide for proper internal control because it could be used to approve a fictitious invoice and allow payment without proper approvals.

Attendance at conferences and workshops can pose difficulties for internal controls in LEAs throughout the state. The district adopted Board Policy 3350, Travel Expenses, on August 18, 2014 to provide structure to these transactions. The policy states that “Expenses shall be reimbursed within limits approved by the Board”; however, the district was unable to provide documentation of those limits. While not stated in the district’s current board policy on travel, the district’s prior policy required the submittal of the Itemized Expense Report within five days of returning from the conference/meeting. One of the accounts payable packets tested was a reimbursement for conference travel. The employee did not sign the reimbursement within the five-day window specified on the expense report. FCMAT’s review also found one receipt that

was illegible and another for a meal that did not include an itemization of what was purchased. As a best practice to comply with board policy, the district should reimburse meals only when an itemized receipt is submitted.

## Recommendations

*The district should:*

1. Consider providing employees with online access to PeopleSoft for entry of purchase requisitions to eliminate duplicate entry of purchase requests and some duplicate approvals.
2. Implement system functionality in the PeopleSoft financial software to prevent purchase orders from being issued if the budgeted balance is insufficient.
3. Include in the purchasing approval process the employee(s) who are responsible for the adult education program budget and knowledgeable in program expenditures.
4. Require receiver documents to be forwarded directly from the person receiving the merchandise to the Accounts Payable Department upon receipt.
5. Require invoices to be sent directly from the vendor to the Accounts Payable Department.
6. Ensure that purchase orders are dated after requisitions.
7. Ensure that purchase orders are issued before the purchase of goods or services.
8. Require the following:
  - That written contracts are entered into for consultant services or large purchases.
  - That contracts are fully executed before services are performed.
  - That they are approved or ratified by the governing board.
9. Ensure that its legal counsel has reviewed the Personal Services Contract form currently in use.
10. Require an invoice or receipt to generate payment.
11. Include supporting documentation for all journal entries.
12. Set up a tickler system to prompt regular monthly payments such as those used in leases or rentals to avoid missing or late payments.
13. Purchase a stamp reflecting “OK to pay” and include lines for an approval signature and date. The stamp should be placed on each invoice received that is being used for payment.

14. Ensure that the appropriate adult education staff member has approved the invoice prior to processing payment.
15. Eliminate the use of signature stamps for invoice approval.
16. Mark invoices and receipts “Paid” after the payment is processed.
17. Establish written limits for travel and conference expenditures related to transportation, meals, and hotel and incidental charges.
18. Require adherence to the district’s travel policies and procedures.
19. Ensure meal reimbursements are made only with itemized receipts.



# Accounts Receivable and Cash Receipts

## Controls Over Cash Receipts

Separation of duties is a key aspect of a properly functioning system of internal controls that safeguards assets from misappropriation or theft. No one person should control the cash collection process from authorization to collection to recording transactions in the financial system. A well functioning system includes separation of duties among those who prepare deposits, deposit cash receipts, post cash receipts to the financial system, review the receivables aging trial balance, authorize write-offs of delinquent accounts and investigate discrepancies or issues related to revenue.

The procedures used by the adult education program for cash receipts provide for the separation of duties in many areas; however, as indicated below internal controls need to be improved in some areas.

The study team identified the following three significant sources of cash receipts for the adult education program:

- Funds from state program revenue apportionments
- Agreements with other agencies to provide program services for adults and students
- Local fees charged to class participants

State program revenue apportionments are now received as part of the Local Control Funding Formula and processed by the Los Angeles County Office of Education. However, the district has elected to continue to make transfers from the general fund to the adult education fund with corresponding entries recorded by district business office staff to the appropriate fund and accounts. As discussed above, the district determined that it would split the adult education program between two funds; fund 11, adult education fund, and fund 63, other enterprise fund; at the end of the 2013-14 fiscal year.

The adult education program contracts with other public agencies, including the adult education programs of neighboring school districts, to provide services specific to the needs of the program. While the services provided through this arrangement and corresponding revenues have decreased, the district office's Business Services Department prepares invoices to collect the fees owed.

Some adult education classes are offered on a fee basis. Class participants pay fees at any of the three primary adult education locations, in the individual classrooms at all sites where classes are held or via an online registration system. The district office uses a separate bank clearing account for the adult education program to deposit these funds.

Registration cards are sequential, prenumbered, four-part NCR forms. Because the adult education program has multiple locations and uses registrations teams, a handwritten master ledger of registration cards is maintained at the Adult Education Business Center. The ledger contains the unused registration card numbers brought forward from previous terms as well as the beginning and ending numbers of cards issued to sites and registration teams for the current term. Business center clerical staff divide these registration cards into class units, type the pertinent class information on each and include that information in the ledger, and keep a supply of forms at each primary adult education site office.

## Registration At Primary Adult Education Locations (Business Center, Griswold and Pioneer)

Students who register at the primary adult education locations' site offices interact with an adult education staff member who completes the four-part registration card for the student. For fee-based classes, payment is made by check, cash or credit card at the time of registration. The staff member (day or night shift, depending on the time of day) provides the pink copy of the registration card to the student as a receipt. The other three copies, white, yellow and goldenrod, are placed in the classroom registration packet so the registration team can complete the process as outlined below.

Payments made with credit cards are recorded on the green credit card tally sheet and placed in the cash drawer located in a drawer of the front counter at the Adult Education Business Center, Griswold and Pioneer sites. At the end of the day, a credit card batch report is run from the credit card machine and balanced with the credit card tally sheet. The staff member closes the cash drawer by balancing the total of the goldenrod copies of the registration cards and miscellaneous receipt forms to cash and checks in the register and the amounts listed on the credit card batch report. Any discrepancies that cannot be reconciled are noted, and all items are placed in the safe.

## Registration By Registration Teams in Classrooms

For students who have not registered at one of the primary adult education locations, the Adult Education program sends registration teams to each class location on its first day. The team may also be sent on the second day of class if the minimum class registration number was not reached on the first day. Each registration team is provided with a briefcase containing temporary registration cards, a block of permanent registration cards, any completed registration cards (from the business center or other primary office location), registration procedures, sample completed registration cards, class roster, manila envelopes (two for each class), change fund and other miscellaneous supplies.

Each student receives a temporary registration card to complete, which mirrors the information contained on the permanent document. Every class is to have a specified minimum number of students. Once that number has been reached, and while the teacher conducts class, the registration team member collects the temporary registration cards and payments. A staff member then manually transfers the information from each temporary card to the permanent version.

For fee-based classes, payment is provided to the registration team member by check, cash or credit card. The staff member (day or night shift, depending on the time of day) gives the pink copy of the registration card to the student as receipt, provides the yellow copies to the teacher, and places the white copies in a manila envelope and goldenrod copies in the other manila envelope for each class.

Credit card payments cannot be made in the classroom, so students normally go as a group to the site business office to process those transactions as outlined above. Cash and checks are placed in the manila envelope that contains the goldenrod copies of the registration cards for each class and are placed in the briefcase.

The registration team brings the briefcase back to the site office and removes the change fund from the payments collected, then reconciles each class envelope by balancing the total of the goldenrod copies of the registration cards to cash, checks and the amounts listed on the credit card tally sheet. Any discrepancies that cannot be reconciled are noted, and a cash tally sheet is



completed indicating the currency and coin counts, total currency and total checks. White registration card copies are placed in a manila envelope; goldenrod copies, cash, checks and the cash tally sheet are placed in another manila envelope so that each class has two manila envelopes. All the envelopes are given to site office clerical staff members, who lock them in the safe with the cash drawer. Adult education staff reported that some sites, and sometimes the business center, have only one person working evening shifts to perform the cash-counting and closing procedures.

The adult education program does not have cash registers, reconciliation forms or over/short forms to assist the clerical staff in daily reconciliation. The best business practice is to find the source of and resolve any discrepancies on the day they are identified, and review and adjust procedures as needed to prevent their reoccurrence. These changes would increase staff accountability for transactions that occur on each shift and reduce the chances of error.

The following morning, the adult school attendance and payroll clerk and clerical assistant IIIs at the Griswold and Pioneer sites, respectively, open the safe and place all the classroom registration envelopes as well as the collections from the site office cash drawer in a small canvas bag, which is locked to await collection. FCMAT's observation of these bags found that they have some holes and/or tears at the seams that could allow contents to be removed without opening the locked zipper.

The district's delivery driver collects the locked bags at the Pioneer and Griswold sites, places them in the district van safe and delivers them to the Adult Education Business Center. Office staff at the business center accept the bags from the delivery driver, unlock them, place their contents in the business center safe and return the unlocked bags back to the driver for transportation back to the sites. The driver does not sign a document that indicates the items that were collected nor is a document provided to the business center to ensure it has received everything sent by the sites.

The adult education business services supervisor or the clerical assistant III open each envelope received from the sites daily, at the beginning of a term, and less frequently as the term progresses, with as much as two weeks between processing. The envelopes with the white copies of the registration cards are given to the data entry operator for entry into the Xenegrade software system, the adult education program's student information, attendance and online registration system. The envelopes containing the cash tally sheet, goldenrod registration card copies, cash and checks are then recounted and rebalanced. The credit card tally sheet is also reviewed and rebalanced, but stays at the business center until the month-end statement is received. The district office has required all transactions to be issued a consecutive handwritten receipt number. As a result, the Adult Education Business Center staff completes a handwritten, consecutively numbered receipt for each cash and check transaction. This process is duplicative of the registration card receipt or receipt for other cash transactions discussed below.

The adult education business services supervisor or clerical assistant III then enter each cash tally sheet on a deposits report log that contains the location, date of the collection, class, beginning and ending receipt number, total cash and total checks. The deposit report log lacks totals for the cash and checks columns and a grand total. The employee completing the log initials and dates it according to the date it is sent to the district office Accounting Department. The adult education business services supervisor then places the log and all of its supporting envelopes in a locked bag and delivers it to the account clerk II at the district office. Proper segregation of duties would not allow the same person who counts the cash and checks, and prepares and signs the deposit report log to deliver the funds to the district office. Combining these duties allows for the removal of

something from the deposit report log during the transport to the district office without anyone's knowledge. Using the delivery driver to transport the items to the district office Accounting Department would strengthen internal controls and ensure that deposits are made daily. District office staff reported that checks are often three weeks old when received and indicated they were once three months old. During the site visit, FCMAT observed that some envelopes included checks that were seven or eight days old and had not yet been recounted and entered into the report log.

Once the account clerk II receives the deposit package, the funds are recounted and the handwritten receipt numbers are logged. The envelope contents are separated by cash and checks, regrouped and a bank deposit slip is prepared. The entire deposit is then taken to the Nutrition Services Department to await armored car collection and delivery to the bank. Once the deposit has been recognized at the bank, the funds are swept into the county treasury, and the account clerk II provides a handwritten receipt to the adult education business services supervisor. The amount received is noted on the deposits report log, dated and initialed, and the handwritten receipt number is written on the log. A copy of the log is sent back to the business center.

FCMAT reviewed eight sample deposits report logs and found the following anomalies:

- None had been verified by a second person at the business center.
- Two of the eight (25%) included a total, date and initial from the district office Accounting Department.
- One of the eight (12.5%) included the receipt number issued by the district office Accounting Department to the adult education program.

Although funds in this process are counted at three separate locations (site, business center and district office), FCMAT's interviews with adult education staff, district office staff and review of cash handling documentation provided no evidence that funds were counted with two people present. The best practice is to require two people to be present when counting cash to ensure the accuracy of the deposit.

Credit card transactions are forwarded to the district office account clerk II monthly. At the end of each month, the adult education business services supervisor balances daily credit card tally sheets to the monthly statement. Pursuant to the district office directive on consecutive, prenumbered receipts, the Adult Education Business Center staff completes a handwritten, consecutively numbered receipt for each credit card transaction. Those numbers are entered on a credit card tally sheet, and a memo is issued to the account clerk II with the monthly total of transactions to be posted to the general ledger accounts. The receipts, a copy of the tally sheet and the memo are then delivered to the district office for processing.

FCMAT reviewed a sample of cash receipt transactions for adequacy of internal controls, accuracy and completeness for the period July 1 through November 13, 2014 and found the following anomalies:

- The adult education program did not provide FCMAT with requested copies of the master ledger for class registration cards. Therefore, FCMAT was unable to determine that all the registration cards used were included in the master ledger.

Class registrations for student fees that were waived, reduced or exempted did not include evidence of approval by an administrator, including the following:

- Court Reporting:
  - One registration indicated a “reader discount 75%.”
  - One registration indicated a “reader discount 50%.”
  - On one registration for a speed-building class, the instructor determined the class fee amount that was to be charged.
  - Three registrations had no indication of the reason for a discount.
  - One registration fee was waived for an individual that did not meet the requirement listed in the registration procedures, which state “students who are concurrently enrolled in a Charter Oak or Covina Valley Unified day high school program will be EXEMPT from all fees...”
- Photography:
  - As discussed later in this report, class fees were charged at a lower amount than that published in the fall class schedule.
  - On four class registrations, fees were exempted by the photography instructor. The students did not meet the requirement listed in the registration procedures.
    - One of the four exempt registrations was for a district employee’s immediate family member. Staff indicated that a policy allowed the waiver of fees for employees or their immediate family members; however, the policy was not provided to FCMAT.
- Of the 16 cash tally sheets that identified individual class registration card numbers for photography and court reporting classes via the district office required consecutive receipt numbers:
  - FCMAT was able to reconcile three cash tally sheets to the information collected through the class registration cards and district office consecutively numbered receipts.
  - Because of the lack of complete information received, 12 of the remaining 13 cash tally sheets could not be tested.
    - Of the 486 registrations tested, FCMAT was provided with district office required consecutively numbered receipts for 271 registrations (56%).
  - The remaining cash tally sheet showed that a credit card transaction had been included as a check.
  - A group of 15 class registration cards reflecting payments between September 15-25, 2014, which had been issued district-office-required consecutively numbered receipts, was not included on cash tally sheets submitted to the district office account clerk II within the testing window ending November 13, 2014. These registrations totaled \$1,904 in cash and \$1,568 in checks.
  - Significant time lapses were noted between the date that the individual paid the class fee, the date of the cash tally report and the date receipted by the district office.

- The lag between payment by the individual and inclusion in a cash tally report was between zero and 31 days. The instance involving 31 days showed that \$7,096 in cash was held at either a site office or the Adult Education Business Center. Another instance showed a 30-day lag involving \$30,344 in checks.
- The lag between the date of a cash tally report and the district office issuing a receipt to the business center was between 10 to 30 days. Both the \$7,096 cash and \$30,344 check instances noted in the bullet above had lags of 28 days.
- FCMAT was able to tie the district office account clerk II's handwritten receipt to the deposits shown in the bank statements.
  - The time between issuance of the receipt and deposit to the bank account was between three to six days.
- The district was unable to provide FCMAT with documentation that tied the deposit amounts to those posted in the general ledger.

Other sources of cash collections at the adult education school sites and business center include classroom supply and textbook sales, General Educational Development (GED) test fees and child care fees for the children of students. Procedures for collections at the adult education offices are the same as class fees noted above except a sequential, prenumbered three-part receipt book is used. The student receives the original copy, one copy is included in the cash drawer at the site or business center, and the last copy is retained in the receipt book. The Adult Education Business Center also keeps a log of the issuance of the receipt books to sites, and sites then issue receipt books to teachers and staff.

Although interviews with district office and adult education staff and administrators indicated that some teachers collect materials fees in their classrooms, no evidence was provided to indicate consistent use of receipt books, and one class had its own cash register. The district should prohibit class teachers from collecting fees unless it strictly controls and authorizes this practice. In that case, written procedures should be developed, and training provided to adult education staff for collecting and processing such receipts.

The adult education procedures manual contains a policy and procedures on checks that are returned by the bank for nonpayment. The check issuer is expected to remit the amount of the check and a service charge; however, there is some confusion about the amount of this charge. Staff and the procedures manual state that the service fee is \$20, but the adult education fall 2014 schedule of classes indicates it is \$15. Further, there is no complete and comprehensive list of nonsufficient funds (NSF checks), no evidence was provided that indicated collection efforts were initiated, and the amounts are not carried on the balance sheet as accounts receivable. Amounts owed related to student fee checks that are returned due to insufficient funds should be collected from the student, and no additional class participation or enrollments allowed until all outstanding fees are paid. In addition, bad debts should be identified and written off at the appropriate time, no later than the end of the fiscal year and only upon approval of the district's governing board.

Fees are also charged for community use of adult education program facilities. The user organization completes a facility-use application and submits it to the district office for processing. The district ensures that the organization has met all the criteria necessary for using the facilities, including insurance, and the applicant pays fees directly to the district office.

The adult education program utilizes the Xenegrade software system to manage student information. However, staff indicated that the district's Business Services Department does not have access to the Xenegrade system. Access to this system is vital to the district's oversight function and should be provided immediately.

## Online Registration

Prospective students can choose to register for classes in person or via the Xenegrade online registration system. Staff indicated that an estimated 40-50% of students utilize the online registration system.

The online registration system provides students with a convenient option to register for class and pay associated fees. The student registers by completing a registrant profile for demographic information and choosing a user name and password. The fall 2014 term was ending and the winter term had yet to be added to the online system when this report was being written. Consequently, the study team was unable to determine how to search for classes and whether pertinent class and fee information was included.

Students provide payment via their personal credit card payment preference. However, the Adult Education Business Center staff reported that they take the information from online registration, manually complete a registration card, and process the transaction as outlined above for credit card transactions. An additional \$2.95 per transaction fee is charged for online registration. This fee is paid to the district and offsets the fee from the credit card company.

Staff reported that implementation of the Xenegrade online registration system began in the 2014-15 school year, and it is not yet fully utilized by the community. Several explanations were offered, including the following:

- Some community members lack access to technology.
- District sites lack the parking to accommodate the large numbers of students who would go there to register online because they don't have computer access at home.
- Schools lack computer equipment and wireless Internet access.
- Students and the community consider registering in the classroom a convenience and community service.

FCMAT reviewed the registrations for the district's court reporting and photography classes for the fall 2014 term. Assuming that each transaction using a credit card for payment represents a registration that could be completed online, this review found that 49.5% of the court reporting classes and 39.1% of the photography classes are ready to register online.

Regardless of the impediments, the district should encourage the community to use online registration because it is more efficient than receiving cash or check payments from students and provides better control over its payment processing.

The Xenegrade student information, attendance and online registration system was only recently implemented. Interviews with staff indicated that additional training is needed in using the Xenegrade software system. A data entry operator manually enters registration information in Xenegrade, but students could more efficiently complete this process entering their own information online. FCMAT found four instances of either spelling errors or duplicate entries of student information in the sample of 486 registrations, a 1% error rate. An emphasis on student use of the online system would greatly reduce effort by staff to keep student information up to date and accurate.

Staff also indicated that the district lacks procedures to reconcile receipts per the Xenegrade online registration system with the credit card statement. Instead, the business center staff use the paper registration cards as noted above to track these transactions. Procedures should be established to reconcile online registration payments to amounts recorded in the system to verify the accuracy of records and that earned revenue is received.

## Revolving and Petty Cash Funds

On August 18, 2014 the district adopted board policy and administrative regulation for Revolving Funds (BP 3314.2) and Petty Cash Funds (AR 3451). Board Policy 3314.2 specifically states “[a]ll revolving cash funds shall be ... maintained in accordance with law and the California School Accounting Manual.” Pursuant to Education Code Section 42800, the district adopted Resolution No. 94-95-60, which sets the limit for the district’s revolving fund at \$5,000 with the assistant superintendent, business services, the district superintendent or the chief accounting officer to be in charge of its use.

The district’s administrative regulation on petty cash states that these funds are to be used to “facilitate minor purchases,” “for unforeseen, small school expenses, such as postage or individual purchases of supplies” and the total of the fund shall not exceed \$500.

The California School Accounting Manual (CSAM), Procedure 330-49, provides that the amount contained in the revolving fund should include the amount held in petty cash. While both revolving funds and petty cash are similar in use and control, revolving funds are normally held in a bank account where checks are utilized to make withdrawals, and petty cash withdrawals are made in cash with receipts returned for replenishment.

The district’s adult education procedures manual also includes a section on petty cash funds and specifies that those balances should range from \$25 to \$200, depending on location. FCMAT’s adult education site visit and interviews with adult education staff indicated that the Adult Education Business Center maintains a cash box that contains \$5,000 and is used for change placed in registration team briefcases and refunds of fees as described below. The \$5,000 cash box was referred to as the petty cash fund. Interviews with district office staff found that they were unaware of its existence. Although the cash box is locked and placed in a heavy, combination locked safe, it can weaken the district’s purchasing controls and increase the district’s liability if a theft is attempted. The amount of petty cash at the business center is excessive and should be reduced to no more than \$500 in accordance with AR 3451, and the district’s revolving fund should be adjusted to include amounts held as petty cash.

Interviews with adult education staff found there is confusion about the difference between a revolving fund and a petty cash fund. This confusion is apparent in the fact that the program keeps \$5,000 as petty cash and in reviewing the revolving cash fund receipt documentation provided to FCMAT for testing purposes. Both the revolving cash fund receipt and the petty cash fund receipt were used in a transaction where the store’s receipt shows the use of a debit card.

Adult education staff should be trained on the differences between a revolving fund and petty cash fund. The revolving fund should be used when a check is needed, but there is insufficient time to process the transaction through the normal accounts payable process. Petty cash funds are normally used for small, occasional purchases and involve the requestor receiving cash, making the purchase, and returning the receipt and change to the petty cash fund. Both accounts are periodically replenished through a process established by the district’s business office.

## Class Fees and Refunds

The adult education program provides community service classes for a fee, consistent with Board Policy and Administrative Regulation 6200. However, district staff stated that the governing board has not approved the fee list. Additionally, page 33 of the fall 2014 schedule of classes states that photography program fees were \$250; however, testing of receipts from the photography class found that the charge was actually \$200. Adult education program staff indicated that the decision to change the class fee was made through a request from the photography instructor and approved by the former assistant superintendent of educational services. Board approval was not obtained for this change.

Current practice provides that each fee-based class will be operated only when an identified minimum number of students have enrolled. The fall 2014 schedule of classes states “[f]ee-based classes must have the required minimum number of student registrations as of the first class meeting.” However, a review of the individual class descriptions shows that some state “limited enrollment,” others include a minimum and maximum number of students, others only a minimum, and others do not include any information on class size requirements. Specifically, photography classes do not have minimums, and students can attend any and all classes upon payment of one fee. For example, if seven classes are scheduled for one day, and there are 100 students, two classes could have 50 students each, leaving five classes with no students. The district is required to pay the instructors of the five classes even though they have no students.

Staff indicated that if a class does not achieve the minimum enrollment, it is cancelled and fees are refunded in full. In the case of classroom registration, registration doesn’t start until the minimums are reached.

Fees are also refunded when students cancel their registration, subject to a \$10 processing fee if the cancellation is submitted before the third class meeting. Otherwise, no refunds are allowed for either fee-based classes or short-term seminars/classes. FCMAT’s testing of refund documentation indicated that application of the processing fee was consistent; however, there is no documentation showing that the processing fee policies and practices were submitted to the governing board for approval.

All the refund documentation provided to FCMAT showed refunds were processed as credits to credit card accounts, and the approval of the principal was received. Although refund documentation includes a place for the director’s signature, that position is vacant. District staff reported that refunds are also paid in cash from the cash box maintained in the business center. Because of the risk that the revenue will not reach the district’s accounts before a refund is issued, the best practice is to require all refunds to be processed through accounts payable after receipt of the initial payment is verified.

The district’s practice is not to refund fees for sale of books or class materials.

## Recommendations

*The district should:*

1. Eliminate the process of using registration teams in classrooms, and require all registrations to occur at the site front office, the business center or online.
2. Ensure that more than one employee is present when working with cash and closing processes.

3. Purchase cash registers for its primary adult education locations.
4. Create and implement the use of daily reconciliation and over/short forms.
5. Identify the source of all cash receipt discrepancies the day they occur, and adjust procedures as necessary to eliminate the cause of these discrepancies.
6. Repair or replace cash bags as necessary, and avoid using those with holes or torn seams.
7. Eliminate deposit processing of site funds at the business center, and deliver them directly from the sites to the district office Accounting Department.
8. Ensure deposits are counted in the presence of and by two individuals.
9. Create a log for transport from the sites to the district office that requires the signature of the delivery driver upon collection and the district office upon delivery to ensure all envelopes are accounted for in that transition.
10. Establish a maximum total of cash and checks that can be kept at each site or business center before transport to the district's business office is required, and ensure at least weekly transmittal of cash and checks to the district office for processing and deposit. Require more frequent submissions during heavy registration periods.
11. Eliminate the duplicative process of issuing consecutive handwritten receipts for each transaction at the business center and logging them at the district office.
12. Revise the deposits report log to include totals for cash and checks and a grand total for the site/business center to complete.
13. Eliminate the practice of the adult education business services supervisor counting cash and checks, creating the deposits report log, and delivering the deposit to the district office. As indicated above, the delivery driver should deliver deposits directly from each adult education site to the district office Accounting Department.
14. Eliminate the practice of providing the Adult Education Business Center with a handwritten receipt. Instead, the center should receive a copy of the bank deposit slip and a reconciliation that ties the deposit slip to the cash tally sheet.
15. Require an administrator to approve any class registrations with student fees that are waived, reduced or exempted.
16. Determine whether to adopt a policy that allows fees to be waived for employees or their immediate family members.
17. Review its internal documentation to determine if a class registration fee can be tracked from the student payment to the general ledger.



18. Consider eliminating the practice of teachers collecting cash from students. If the district authorizes classroom collections, written procedures should be developed and training provided for collecting and processing receipts.
19. Implement procedures to collect student fees paid by checks that are returned because of insufficient funds.
20. Implement procedures to annually identify and write off bad debt, upon approval of the governing board.
21. Provide the applicable district office staff, including the director of fiscal services, access to the Xenegrade student information, class management and online registration system.
22. Eliminate the time-consuming process of completing registration cards for online registration. Instead, the district should develop a reconciliation process for online class registrations and fee payments between the Xenegrade records and actual payments received.
23. Encourage the use of the Xenegrade online registration system to prospective and current students to improve controls over collection of class fees.
24. Provide additional training to staff on the Xenegrade system.
25. Work with its Technology Systems Services Department and Xenegrade representatives to ensure maximum user accessibility to the online registration system.
26. Reduce the balance held in the Adult Education Business Center cash box from \$5,000 to \$500 according to AR 3451.
27. Adjust its revolving fund to include amounts held as petty cash in accordance with BP 3314.2.
28. Train the adult education staff on the differences between the revolving fund and petty cash fund as well as the policies and procedures for using and replenishing each account.
29. Submit the fee list for adult education classes to the governing board for approval.
30. Standardize the schedule of classes to include class size requirements in each class description.
31. Require enrollment minimums for all classes.
32. Submit the class cancellation refund policy and processing fee practices to the governing board for approval.
33. Eliminate the process of providing cash refunds, and process all refunds through accounts payable after verifying that the initial payment reached the district's accounts.



# Payroll

## Controls over Payroll

Internal control policies and procedures should be adequate to ensure that all transactions are properly authorized, duties are separated, payroll records and documentation are properly designed and maintained, access to assets and records is controlled, and payroll data is periodically compared with the underlying items it represents. FCMAT used these standards to evaluate the internal controls of the payroll procedures in the district's adult education program.

Efficiently managing payroll systems also requires a sufficient number of properly trained staff to perform their duties without compromising controls over district assets. Public education has an ongoing demand for increased support services. In recent years, this has been particularly challenging because of funding reductions from the state and federal government and local sources. As a result, public agencies must be even more diligent in administrative staffing allocations while still complying with increasing mandates and balancing the budget. The adult education program has experienced these cuts, addressing increasing demands for services with fewer dollars. As previously indicated, support staffing has been significantly reduced in the past several years.

Some of the adult education program's procedures do not conform to the above internal control standards. Some payroll functions are not properly segregated, and the district relies excessively on manual processes instead of computer software programs and the online staff portal for routine tasks and submitting data to the district office.

The district's payroll is processed through the Los Angeles County Office of Education (LACOE) using the Human Resource System (HRS). HRS's primary functions include personnel services, employee benefits, payroll, and position control. The system interfaces with LACOE's Peoplesoft financial software system for accounting and budgeting functions.

## Hiring and Personnel Procedures

Proper internal controls and delegation of authority in an organization are necessary to prevent fraud and help find and correct errors. Separation of duties is a necessary internal control that prevents the same employee from controlling a transaction from inception to completion. Therefore, it is important to segregate duties involving hiring and employee compensation. For example, personnel services should be responsible for recruiting, verifying employment eligibility and credentials, and entering employee demographic data in the position control system. Business services should ensure that each board-approved position is in the budget, and the Payroll Department should process payroll for each employee.

Staff interviews indicated that the adult education program does not fully utilize the services of the Personnel Services Department when recruiting and hiring staff, determining salary schedule placement, and maintaining personnel files. The adult education business services supervisor verifies employment eligibility such as fingerprinting and credentials; establishes the employee in HRS, including salary schedule placement; and maintains personnel files for adult education's certificated employees. The Personnel Services Department completes these functions for all other employees.

The costs of inappropriately hiring an employee can far outweigh any time savings that result from not involving the Personnel Services Department in hiring. The risks include exposure to work history issues, criminal background verification, and fiscal penalties resulting from the

improper identification of part-time employee eligibility for the federally guaranteed health insurance program, the Affordable Care Act (ACA).

The risks of improper resignation, retirement or termination of employees can also be significant. Exposure to litigation costs can be significant if these activities are not conducted within the scope of applicable contracts, laws and regulations. The Personnel Services Department's involvement is critical in moving personnel out of the district to avoid risks.

Interviews with staff indicated that a relative of the adult education administrative staff was recently hired to provide services to the program. The district's Personnel Services Department should be involved and oversee the adult education program's personnel activities as it does for the other sites and departments. This would help to avoid a real or perceived conflict of interest and climate that reflects poorly on adult education and management staff.

Board Policy 4112.8/4212.8/4312.8, Employment of Relatives, states in part:

The Board prohibits the appointment of any person to a position for which his/her relative maintains management, supervisory, evaluation, or promotion responsibilities and prohibits an employee from participating in any decision that singularly applies to any of his/her relatives.

The study team was provided with no information indicating that the administrative staff member was isolated from this hiring decision.

The deadline for the district to enter data into HRS for payroll is the week before the end of the month pay date. LACOE generates an employee information report (EIR) and a change register based on what was entered in HRS, and these are delivered daily to the Personnel Services Department. Personnel services assistants review the reports and provide a copy to the Payroll Department. The EIR information can also be generated through the Letters, Labels and Lists report generator system so staff does not need to wait for the report to audit data that has been entered in HRS. Interviews with staff indicated that this process recently changed for classified hiring, and an email is now submitted to payroll instead of the EIR.

Both independent contractors and hourly certificated employees are hired to teach adult education classes. Interviews with adult education staff indicated that teachers are hired as contractors for short-term and/or fee-based classes. A contract is submitted to the board for approval for those classified as independent contractors, and once approved, a purchase order is routed through the Peoplesoft financial software system, signed by the district's chief business officer, and forwarded to the adult education business services supervisor to obtain the contractor's signature.

The district should review and adhere to the IRS guidelines on independent contractors as distinguished from employees. These guidelines are stated in IRS Publication 15-A under the common law rules section and can be found on the following website:

<http://www.irs.gov/publications/p15a/index.html>

Before the start of each 10-week fall, winter, spring and summer adult education session, assignment letters produced by the Adult Education Business Center are sent to adult education teachers. The letters list each teacher's classes and must be signed and returned to the center. The letters do not include the hourly pay rate for teachers. To avoid any misunderstanding of the rate of pay, it should be included in the letters.

## Substitute Teachers

Interviews with staff indicated that the substitute calling system, eSchool Solutions, is used for obtaining certificated substitutes throughout the district, except for the adult education program. For school sites other than adult education, the Personnel Services Department hires substitutes and enters employee data in HRS and eSchool Solutions. The school site office managers request substitutes through eSchool Solutions and reconcile teacher absences recorded in eSchool Solutions with the certificated timesheet report. The Personnel Services Department then submits a report to the Payroll Department to pay the substitutes.

The adult education staff keeps a list of substitute teachers. If a teacher is absent and a substitute is not available, the affected class will be closed and may be rescheduled. If a substitute teacher is obtained, he or she is added to the payroll change report, which is submitted to the adult school attendance and payroll clerk. The clerk adds the substitute to the timesheet summary spreadsheet, which is submitted to the Payroll Department. The adult education certificated substitutes should also utilize eSchool Solutions for consistency and efficiency.

## Health Insurance Coverage

Health and welfare benefits are provided for certificated employees who work half-time or more according to Article 17 of the district's collective bargaining agreement with the Covina Unified Education Association (CUEA), which states in part:

17.1 Effective January 1, 2014, the District agrees to maintenance of health and welfare benefits for active employees who regularly work halftime or more.

17.5 "Half-time," as used in Section 17.1 of Article XVII means (1) for a regular certificated unit member, one-half the amount of time which a full-time unit member in the same classification works; (2) for an hourly Adult Education teacher and for a Children's Center teacher, twenty (20) hours of work per week. The District shall make no premium contribution for health care and life insurance for any month unless the employee is paid for more than one-half the number of days in that month, excluding those two days each week which are outside the employee's regular work week, except that an employee who completes his/her regular work assignment in June and is paid for more than one-half of his/her scheduled work days shall be entitled to the premium contribution for that month.

Health and welfare benefits for classified employees are provided for those who regularly work more than 30 hours per week according to Article 11 of the district's collective bargaining agreement with the California School Employees Association (CSEA), which states in part:

The District agrees to the maintenance of health and welfare benefits for active employees[sic] who regularly work halftime or more.

1. Effective May 1, 1996 the District shall provide each eligible classified bargaining unit employee who regularly works more than 30-hours per week with the following premium contributions for District-approved health and welfare benefit plans described in this section. The same benefits will be extended to each eligible classified bargaining unit employee working 20-hours or more each week and receiving health and welfare benefits effective March 14, 1996 who is currently receiving the same benefit package as 30-hour or more employees.

Beginning January 1, 2015 the Affordable Care Act requires employers with at least 50 full-time employees, or a combination of full-time and part-time employees that is equivalent to this number, to comply with the Employer Shared Responsibility provisions of section 4980H of the Internal Revenue Code. Coverage must be offered to all full-time employees, defined by the statute as an individual employed on average at least 30 hours per week. Additional information regarding the Affordable Care Act may be found on the following websites:

<http://www.hhs.gov/healthcare/rights/index.html>

<http://www.irs.gov/uac/Newsroom/Employer-Shared-Responsibility>

<http://www.irs.gov/uac/Newsroom/Questions-and-Answers-on-Employer-Shared-Responsibility-Provisions-Under-the-Affordable-Care-Act>

Staff interviews indicated that there is some confusion between Personnel Services, Business Services and adult education about who is responsible for tracking employee hours to determine qualification for health insurance coverage. At the time of FCMAT's fieldwork, some meetings had been conducted between the Business Services and Personnel Services departments on the process, and it was determined that the Payroll Department is to provide Personnel Services with copies of the monthly timesheet reports. Adult education staff should participate in these meetings as necessary to ensure that program employees are included in the district office process instead of being tracked separately, helping avoid unknown and/or unnecessary costs or penalties.

Because coverage must be offered to individuals employed 30 hours or more per week, the district will need to consider whether flat-rate pay amounts, such as the instructional aide stipend of \$52.63 discussed later in this report, should be changed to hourly rates so that the hours may be tracked for Affordable Care Act purposes.

## Personnel Files

Administrative Regulations 4112.6/4212.6/4312.6, Personnel Files, state in part:

The Superintendent or designee shall maintain personnel files for all current employees at the district's central office or at the location where the employee works.

The Superintendent or designee shall determine the types of information to be included in personnel files, including, but not limited to, records required by law, and shall process all material to be placed in such files.

Personnel records for current and former employees shall be retained in accordance with 5 CCR 16023.

Staff reported that the adult education certificated personnel files are retained at the Adult Education Business Center. The district office maintains the adult education classified personnel files with all the initial hiring information, including fingerprinting; however, all other information, such as tuberculosis test records, is kept at the center.

The location of all personnel files should be consistent to ensure confidentiality of the records, authorized access to the files, and adherence to district regulations and applicable laws.

## Position Control Integration

An effective position control system is an essential part of a sound budget and financial system. Best practices include the involvement of both the Personnel Services and Business Services departments in managing the position control system and use of position control data as a foun-

dation for budget development and payroll preparation. A properly functioning position control system allows management to verify the number of positions authorized and determine which of those positions are vacant and need to be filled.

Another way to communicate the status of authorized and vacant positions is using an organizational chart. Organizational charts should show authorized positions, their titles and the relationship between positions including lines of authority and responsibility.

Both of these approaches are essential in an effective system of internal control and are basic industry standard methods to control position costs. The position control system and the organizational chart should be routinely updated to reflect the accurate number of positions authorized, filled and vacant at any time. As discussed previously, the adult education program organizational chart is dated August 31, 2009 and does not indicate the current status of positions as either occupied by an employee or vacant.

Staff indicated that the information in position control is outdated, and the district is working with a consultant to update the system. In addition, adult education administration has not routinely been a part of the district position control process. Some classified positions were recently filled and submitted to the governing board for approval at the October 20, 2014 meeting without first completing the personnel requisition form and getting approvals from the Personnel Services and Business Services departments.

Adult education management staff should communicate their position decisions via utilization of a position/personnel requisition form submitted to the district office. A properly completed and authorized position/personnel requisition form provides evidence of all position related events, including position authorization, hiring, position changes such as location or salary schedule placement, resignations, terminations and retirements. This form then becomes the source document for all entries by district office staff into the position control system.

As discussed previously, the adult education business services supervisor enters information in the HRS position control system for the program's certificated employees. In addition, the adult school attendance and payroll clerk keeps a separate spreadsheet with account codes because the district office does not provide a position control report. Staff interviews indicated that incorrect account codes have been used in position control for some employees, and the traditional 184-day teacher calendar is used for adult education teachers. Collaboration between the Personnel Services and Business Services departments and the adult education program would ensure all changes to the position control system are completed at the district office, correct account codes and calendar information are used, and payroll expenditures are routinely monitored.

The adult education management and applicable support staff should be provided with view-only access to the HRS position control screens, which is necessary to readily determine positions that need attention. Adult education staff members should not be able to modify positions in the system. This should be the responsibility of district office personnel.

In conjunction with view-only access to position control screens, the district office should send position control reports to adult education management at least twice each fiscal year, during budget development and at the start of the school year. The reports should include a list of all employees charged to the program with each employee's name, position, hours per day, salary and the funding source for the position. Adult education management should review the report for accuracy and immediately report any inconsistencies to the Business Services Department. This process helps verify the position control database that affects the budget and employee compensation.

## Payroll Processing

LACOE processes the district's payroll using HRS. This is advantageous because the county office offers frequent professional development opportunities and assistance on each software module, including human resources, position control and payroll.

The district must adhere to the county office's deadlines for submitting payroll data. The county office deadlines and payroll check issue dates may change from month to month based on observed holidays and county office closures. Teachers and classified hourly employees are paid on the 10<sup>th</sup> of each month, classified salaried employees are paid on the last working day of each month, and administrators are paid on the first of each month.

The study team's analysis of the adult education payroll spreadsheets, timesheet reports, payroll change reports and absence reports that were provided for April 2014 through October 2014 found that a rubber stamp was used for the administrator's signature on some documents and others required no administrative signature.

The Certification of Signatures document that was approved by the governing board on December 16, 2013 for December 16, 2013 through December 15, 2014 does not list the adult education administrators as signers for timesheets and various payroll documents. Staff indicated that the certification authorization is to be used when the department heads are not available to sign the forms listed. The certification includes the following list of payroll related documents and authorized signers:

<u>Document</u>	<u>Authorized Signatures</u>
Employment Status Report	District Superintendent
Time Sheet Report – Certificated	Chief Business Officer
Time Sheet Report – Classified	Director, Fiscal Services
Payroll Adjustment Order	Asst. Supt., Educational Services
	Asst. Supt., Personnel Services
	Director, Personnel Services
	Assistant Director, Fiscal Services

A manual administrative signature should be required on all payroll documents to provide for proper internal controls, and department heads and school site administrators should be added as authorized signers for applicable payroll documents on the board-approved Certification of Signatures.

## Teacher Payroll Processing

The adult education program compensates teaching staff by the hour for actual services provided. The adult education business services supervisor creates weekly teacher payroll reports and sends them to the sites. The teacher payroll reports include a list of courses and the assigned instructor for each course.

Staff interviews indicated that as of July 1, 2014 the completed teacher payroll reports, payroll change forms and absence reports are submitted every Friday to the adult school attendance and payroll clerk. The teacher payroll reports require each teacher's signature, but they do not include an administrative signature line.



The adult school attendance and payroll clerk summarizes the teacher payroll reports once or twice per month on a spreadsheet that includes the employee's name, budget code, hours worked, hourly rate and total pay amount. The summary spreadsheet is submitted to the Payroll Department for entry in HRS. Weekly teacher payroll reports are not submitted to the Payroll Department; they are instead filed and stored in the adult education offices.

The same information is submitted to the Charter Oak Unified School District for payment of its teachers who are work in the Adult Education program. A report of absence form is completed as needed and forwarded to Charter Oak with the payroll information.

Adult education teacher substitutes are listed on the payroll change forms that are submitted to the adult school attendance and payroll clerk. The hours are then added to the teacher payroll reports and the summary spreadsheet that is sent to the Payroll Department. The only designation of a substitute on the summary spreadsheet is the use of object code 1160.

According to staff, the summary spreadsheet has been utilized for many years and is used only by adult education. However, the inability to examine supporting documentation prevents district office payroll staff from verifying that claims for payment of services are a correct and authorized demand against district funds. Complete and authorized timesheet reports should be submitted directly to the Payroll Department for processing. No claim for payroll should be processed from a summary spreadsheet.

Staff interviews indicated that the adult school attendance and payroll clerk receives calls on teacher absences, matches report of absence forms to the teacher payroll reports, and submits the absence forms with the summary spreadsheet to the Payroll Department.

A review of the summary spreadsheets, teacher payroll reports, report of absence forms, and payroll change report forms provided for April 2014 through October 2014, excluding August 2014 when school was not in session, found the following discrepancies:

1. Teacher payroll reports were missing for three employees; therefore, hours could not be verified with the summary spreadsheet.
2. The total hours on the report of absence and payroll change report forms did not match the summary spreadsheet for seven employees.
3. The total hours on the teacher payroll reports did not match the summary spreadsheet for six employees.
4. Adjustments were made to an employee's teacher payroll reports because of a retirement issue. Adjustments should be made in the Payroll Department instead of on the teacher payroll reports.
5. In one instance, hours were posted for the incorrect employee on the teacher payroll report, and adjustments were made to correct the error on a following month's report.
6. A program administrator submitted an email instead of a payroll change report to the adult school attendance and payroll clerk for one teacher's absence and for the payment of the substitute.

The teacher payroll report format changed during the time period reviewed by the study team. Each teacher, except for those in some of the photography classes, was completing a payroll

record on the [adulteddata.com](http://adulteddata.com) online program to report hours worked through June 2014. Beginning in July 2014, hard-copy teacher payroll reports were completed at each adult education site and included a section for substitutes, which is also included on the payroll change forms. It is unclear why the process changed from an automated to a hardcopy system.

## Classified Staff Payroll Processing

Time reports for hourly classified employees are completed in triplicate, routed to the site administrator for signature, and then forwarded to the adult education business services supervisor. Classified substitutes also use this time report form, which includes a “Substitute For” line.

The district’s payroll period for hourly classified employees is the 26<sup>th</sup> of each month through the 25<sup>th</sup> of the following month. Adult education payroll timesheets are due to the adult school attendance and payroll clerk on the 25<sup>th</sup>, and must be reviewed and processed before submittal to the Payroll Department on the 26<sup>th</sup>.

The adult school attendance and payroll clerk sends a monthly attendance report to each site for classified salaried employees. The report is to be signed by each employee and the principal and returned to the clerk. It is then forwarded to the Payroll Department.

A review of the time reports for hourly classified employees provided for April 2014 through September 2014 found no discrepancies.

The adult education procedures manual includes sample time reports for classified employees and report of absence forms with instructions for use, but not vacation request and compensatory time request forms. These forms and instructions for the use of each should be added to the manual. The district should also consider adding information from Article 5 Section 12 (b) of the CSEA collective bargaining agreement so that employees are readily familiar with the requirements for use of vacation leave.

## Payroll Check Distribution

Separation of duties is a necessary internal control that prevents the same employee from controlling a transaction from inception to completion. To provide for proper internal controls, an employee who has a role in authorizing or producing payroll checks should be prohibited from distributing them to employees.

The district’s payroll checks are processed by the county office and delivered to the Payroll Department by a LACOE courier on payday. Staff then divide payroll checks by site.

A transportation driver delivers employee attendance sheets from the sites to the Payroll Department on the morning of payday, and they are verified with the payroll checks. This process helps ensure that only current employees are paid. After the payroll checks are verified, they are distributed in the following manner:

- Employees may request that their payroll checks be mailed to their home address.
- Substitutes must pick up payroll checks at the district’s Payroll Department.
- A transportation driver delivers the remaining checks to the sites, or a designated staff member picks them up at the Payroll Department. Staff interviews indicated that adult education designates a staff member to pick up payroll checks.

Payroll checks are distributed to sites without the protection of an envelope. Once at the site, an office staff member inserts each check in an envelope before distributing them to employees.

Employees are not required to sign for their checks, nor do site personnel sign for them when they are received from the transportation driver or picked up at the Payroll Department. Checks for substitutes are kept at the Payroll Department for pick up on payday, and substitutes are required to sign for them.

The district's system has internal control weaknesses in allowing payroll checks to be viewed by site office staff, and not requiring employees to sign for their checks. Staff indicated that the adult school attendance and payroll clerk compares the checks to the employee time reports before inserting them in envelopes; however, this responsibility should be assigned to the Payroll Department.

After the Payroll Department reviews the checks, each should be inserted in a separate sealed envelope before they are distributed to the school sites and departments. The Payroll Department should also prepare a preprinted list for every school site or department that includes each employee's name and a corresponding signature and date line. These lists should be sent to the sites and departments with the payroll checks. The completed lists should be returned to the district office with any payroll checks that were not picked up on payday. This will help improve internal controls by allowing staff to quickly ensure that the proper payroll checks are sent to each site and department, are secured in individual envelopes, and that those not signed for are returned to the district office for mailing.

## **Overtime and Compensatory Time**

Adult education staff interviews indicated that compensatory time is allowed, but overtime is not. Compensatory time usually is accumulated during the start of each 10-week registration session, which occurs four times a year for the adult education program. A compensatory time request form is completed in duplicate using carbon paper when an employee wishes to use accumulated compensatory time. The site administrator is required to approve the requests and keeps a log that includes compensatory time earned and used and the remaining balance. However, the request forms do not include the compensatory time balance.

Staff interviews indicated that the total hours worked by employees are monitored only minimally. For example, an employee may work extra hours and earn compensatory time without preapproval, while others try to adjust their schedules by changing start and end times each day instead of earning compensatory time.

Article 4 Section 7(h) of the district's collective bargaining agreement with CSEA states the following:

Compensatory Time Off (CTO) that has been earned and the employee has not been allowed to use within twelve months from when it was earned shall be paid out, provided the employee has requested to use CTO in writing in advance and receive a written denial from their supervisor. This shall not apply if an alternative approved timeframe for its usage is provided by the supervisor.

To provide for proper internal controls and ensure compliance with the collective bargaining agreement, compensatory time should be tracked in the district's Payroll Department.

Staff indicated that instructional aides complete an instructional aide stipend time sheet when they substitute for an adult education teacher. One stipend is paid to those subbing for morning and afternoon classes, and a separate stipend is paid to those subbing for a night class. The flat rate stipend is \$52.63 and is addressed in Article 10 Section 2 of the CSEA collective bargaining agreement, which states the following:

Instructional aides working with students whose certificated staff is unable to perform their instructional duties for sixty (60) consecutive minutes or more at an elementary school or 55 minutes at a secondary school on a given day will receive a stipend of fifty two dollar[sic] and sixty-three cents \$52.63 in addition to their regular rate of pay. The school principal shall verify the time and submit a request for payment to the Payroll Department.

Classified employees are entitled to overtime compensation as designated in the Fair Labor Standards Act and Education Code Sections 45127, 45128 and 45131 for time worked beyond eight hours per day or 40 hours per week and in instances where part-time employees work on the sixth and/or seventh day in a week. Some exemptions are applied for certain employees in executive, managerial, or supervisory positions as explained on the United States Department of Labor website at <http://www.dol.gov/compliance/topics/wages-overtime-pay.htm>. In addition, Article 4 Section 7 of the district's collective bargaining agreement with CSEA includes provisions on overtime.

Depending on each instructional aide's assigned daily hours, working additional hours as a substitute teacher may qualify them for overtime pay rather than a stipend. To ensure compliance with state and federal laws regarding overtime, district management staff should work with legal counsel to determine how they apply to instructional aides that substitute for adult education teachers.

As discussed previously in this report, the district will also need to determine whether flat rate pay amounts, such as stipends, need to be changed to hourly rates so that the hours may be tracked for Affordable Care Act purposes.

## Employee Leaves

The district uses several manual forms to track and report employee absences, including the following:

- Payroll Change Report – Required for all hourly certificated employee absences. Serves as a verification of salary for payroll against a paid leave and for substitute teacher payroll processing. Payroll cannot be processed unless the report has been received in the Payroll Department.
- Report of Absence – To be completed by every employee the day he or she returns to work from any absence other than vacation.
- Vacation Request – To be completed by an employee who wishes to use vacation leave.
- Compensatory Time Request – To be completed when an employee wishes to use accumulated compensatory time.
- Monthly Attendance Report – To be signed by classified salaried employees at the end of each month.

The report of absence form does not comply with the Health Insurance Portability and Accountability Act of 1996 (HIPAA). The act's intent in the workplace is to protect employees' health information from being shared with people who do not legally need it. Additional information regarding the act is available at <http://www.hhs.gov>.

The report of absence form requests the disclosure of some personal health information. For example, the sick leave absence indicates, "In REMARKS, give nature of your illness or injury and name and address of doctor if one was consulted." The industrial accident leave indicates, "In REMARKS, give complete details, including date and nature of the injury, and attach a copy of the doctor's report authorizing medical leave."

The report of absence form also needs to be updated as needed to coincide with current collective bargaining agreement language regarding employee leaves. To provide for proper internal controls, an administrator approval signature and date line should be added to the form.

Staff interviews indicated some confusion regarding whether the Personnel Services Department or the adult education program is responsible for tracking leaves and providing notification of employee leave rights related to the Family and Medical Leave Act of 1993 (FMLA).

As defined by the United States Department of Labor, this act provides an entitlement of up to 12 weeks of job-protected, unpaid leave during any 12-month period to eligible, covered employees for the following reasons: 1) birth and care of the eligible employee's child, or placement for adoption or foster care of a child with the employee; 2) care of an immediate family member (spouse, child, parent) who has a serious health condition; or 3) care of the employee's own serious health condition. It also requires that the employee's group health benefits be maintained during the leave. The employer is required to provide the employee with a written notice of his or her rights and responsibilities under the act. Additional information may be found at <http://www.dol.gov/compliance/laws/comp-fmla.htm>.

The Personnel Services Department should track and authorize FMLA leave, develop written procedures regarding site and department responsibilities, and share the procedures with the adult education staff to ensure compliance.

The Payroll Department uses the Filemaker Pro database software for tracking employee leaves. Payroll staff members are the only employees who have access to enter and view data in the system. The district office sends reports with employee sick and vacation leave balances to sites periodically throughout the year and to each employee once per year in approximately October.

The adult school attendance and payroll clerk also maintains a separate spreadsheet with adult education staff leave balances to assist employees with questions regarding their leave time.

Article 15 Section 2.11 of the district's collective bargaining agreement with CUEA states:

Unit members may request from the Adult Education Business Office a statement showing the number of days accumulated in their sick leave account and the number of days advanced for the current school year.

Filemaker Pro is not integrated with HRS; therefore, leave balances cannot be printed on payroll check statements. Beginning July 1, 2015, Assembly Bill (AB) 1522 requires employers to provide written notice to employees of the amount of paid sick leave available on the designated pay dates. The district should work with LACOE to determine if options are available to track employee leaves and provide the required information through HRS or if a local solution must be implemented through Filemaker Pro.

The substitute calling system, eSchool Solutions, should be considered for use in reporting all employee absences, both certificated and classified, regardless of whether the absence requires a substitute. Requests for leave that require advance approval could be completed and processed online. This process would eliminate the need for paper absence forms and increase processing efficiency. Use of an interface file between eSchool Solutions and Filemaker Pro or HRS could

also be considered to track leave balances more efficiently. The Personnel Services, Business Services and Technology departments should meet to determine if such an automated system is feasible. Employee leave forms should be accessible through the staff portal so that they may be completed electronically whether or not the district decides to move forward with a more automated system for reporting and tracking leave time.

## Recommendations

*The district should:*

1. Ensure the online staff portal is used in place of manual processes whenever possible.
2. Require the adult education program to use the Personnel Services Department for personnel functions, including recruiting and hiring staff, salary schedule placement, separation from service, and maintaining personnel files.
3. Ensure segregation of duties for establishing all new employees by assigning the Personnel Services Department to process all paperwork, and enter all data in HRS, including fingerprints, credentials and tuberculosis tests.
4. Ensure the Payroll Department audits all data entered in HRS by the Personnel Services Department.
5. Review and ensure it adheres to the IRS guidelines regarding who is an independent contractor as distinguished from an employee.
6. Add the adult education hourly teachers' rate of pay to the assignment letters provided at the beginning of each session.
7. Utilize eSchool Solutions for obtaining adult education teacher substitutes, reconciling teacher absences and processing payroll for substitutes, in conformance with other district school sites.
8. Create and implement written procedures to track employee hours and determine if and when an employee qualifies for health insurance based on Affordable Care Act requirements.
9. Review all flat rate payment amounts, such as stipends, and determine if they need to be converted to an hourly rate to track hours for Affordable Care Act purposes.
10. Revise Administrative Regulations 4112.6/4212.6/4312.6 to require all personnel files to be maintained in the Personnel Services Department.
11. Update and maintain the position control system and the adult education program organizational chart to show the accurate number of positions authorized and whether each position is filled or vacant.

12. Require all administrators involved in the hiring process to submit a position/personnel requisition form to the district office for approval before hiring or making personnel changes.
13. Ensure that all changes to the position control system are completed at the district office, correct account codes and calendar information are used, and payroll expenditures are monitored routinely.
14. Provide adult education management and appropriate support staff with view-only access to the position control system.
15. Provide adult education management with a position control report at least twice each fiscal year, and ensure that the reports are reviewed and discrepancies are reported to the Business Services Department.
16. Train adult education management and support staff in account codes, and ensure that any changes to codes are readily communicated.
17. Ensure that an administrative signature and date line is included on payroll documents, including teacher payroll reports.
18. Require a manual administrative signature to be used on all payroll forms and reports.
19. Add the department heads and site administrators as authorized signers for applicable payroll documents on the board-approved Certification of Signatures.
20. Eliminate the hourly teachers' summary spreadsheet and instead submit the original teacher payroll reports to the district's Payroll Department and Charter Oak Unified.
21. Ensure the Payroll Department completes all payroll adjustments, and timesheet reports are not altered to adjust for items such as retirement and previous over/underpayments.
22. Consider using the same timesheet report format for all hourly and substitute adult education staff, for consistency and efficiency. For example, the report for hourly classified employees form could be adapted for use program and/or districtwide.
23. Include all payroll forms, including the vacation request and compensatory time request forms, and instructions for their use in the adult education procedures manual. The district should also consider including language from the CSEA collective bargaining agreement regarding compensatory time and vacation leave.
24. Ensure that an employee who has a role in authorizing or producing payroll checks is prohibited from distributing them to employees.
25. Assign a transportation driver to deliver payroll checks to adult education instead of having them picked up at the district office by site staff.

26. Ensure that each payroll check is secured in a sealed envelope before being distributed to school sites and departments.
27. Send a preprinted site or department list with the payroll checks that includes the name of each employee receiving a check and a corresponding signature and date line. Each employee should be required to sign and date the list when he or she picks up the check. The signed list and any unissued payroll checks should be returned to the Payroll Department.
28. Ensure that site staff are not assigned to review payroll checks.
29. Include beginning and ending balances on the compensatory time request form.
30. Ensure the Payroll Department tracks compensatory time.
31. Work with legal counsel to determine how state and federal laws on overtime apply to instructional aides that substitute for adult education, and ensure compliance.
32. Utilize forms that can be completed and approved online and routed electronically to the Payroll Department, and eliminate or reduce the need for making copies at the adult education sites.
33. Update the report of absence form to ensure it is HIPAA compliant and coincides with current collective bargaining agreements regarding employee leaves. Add an administrator approval signature and date line to the form.
34. Assign the Personnel Services Department to track and authorize Family and Medical Leave Act leave, develop written procedures on site and department responsibilities, and provide the procedures to the adult education staff.
35. Ensure it complies with AB 1522 sick leave balance reporting requirements by July 1, 2015.
36. Consider using eSchool Solutions for the reporting of all employee absences. The district should also consider using HRS to track employee absences and leave balances, or creating an interface file from eSchool Solutions to Filemaker Pro to track leave balances.
37. Make employee leave forms accessible through the staff portal so that they may be completed and approved electronically.



## Records Retention

The California Education Code, California Code of Regulations, Commercial Code and Government Code provide records retention guidelines for California school districts. California Code of Regulations, Title 5, Sections 16020-16027, categorize records as class 1 - permanent records, class 2 - optional records, or class 3 - disposable records, based on the following criteria:

- **Class 1 - Permanent Records.** The original, or one exact copy, unless microfilmed, shall be retained indefinitely. These records are specified in Section 16023 and include, but are not limited to, all state J-forms, most payroll records and the summary of expenditure and construction progress.
- **Class 2 - Optional Records.** Not required by law to be retained permanently but deemed worthy of further preservation as specified in Section 16024. This classification includes, but is not limited to, the consolidated application, architect agreements, and vendor files.
- **Class 3 - Disposable Records.** Required retention periods and procedures vary for destruction or transfer of records as specified in Section 16025 and include such items as purchase orders, requisitions, and garnishments.

The district adopted Board Policy 3518, District Records, regarding its records retention policies on June 7, 1999. This board policy states that district records are to be “developed, maintained, kept confidential, and disposed of in accordance with law and California Department of Education regulations.” The district also adopted Board Policy 3580, requiring that the “Superintendent or designee shall establish regulations that define records, which are permanent, optional, and disposable and specify how each type of record is to be maintained or destroyed.” The district provided FCMAT with a copy of its adult education procedures manual; however, it did not include a procedure on records retention.

Interviews with district staff indicated that some records were converted to microfilm in the early 2000s, but that practice was discontinued a few years later. District staff provided differing opinions on the number of years various records were to be stored before destruction. Because of a lack of direction in this area, the staff has placed all records in storage since microfilming was discontinued. The timesheet reports for certificated hourly employees, for example, are kept in the adult education offices rather than sent to the Payroll Department.

Although the adult education program does not normally include special education students, the district should consider these issues in developing its records retention policies. Special education may involve extensive litigation. Therefore, the district should consider whether special education documents should be retained for longer than the required retention period; for example, whether accounts payable documents should be kept for longer than the required four years.

Scanning original documents and storing a copy in an electronic document repository would help reduce the need for file space and provide easier and faster access to district records.

## Recommendations

*The district should:*

1. Review and revise its board policy on records retention as necessary to ensure compliance with applicable laws and regulations.

2. Establish a procedure for records retention and include it in its district office procedures.
3. Revise its adult education procedures manual to include records retention policies for all areas including but not limited to accounts payable, human resources and payroll.
4. Ensure that documents are kept for the required amount of time and stored in a secured, central facility.
5. Determine if records retention periods should be extended for special education documents.
6. Scan original documents and store them in an electronic document repository.

# Appendix

## A. Study Agreement





**FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM  
STUDY AGREEMENT  
September 16, 2014**

The Fiscal Crisis and Management Assistance Team (FCMAT), hereinafter referred to as the team, and the Covina-Valley Unified School District, hereinafter referred to as the district, mutually agree as follows:

**1. BASIS OF AGREEMENT**

The team provides a variety of services to school districts and county offices of education upon request. The district has requested that the team assign professionals to study specific aspects of the district's operations. These professionals may include staff of the team, county offices of education, the California State Department of Education, school districts, or private contractors. All work shall be performed in accordance with the terms and conditions of this agreement.

In keeping with the provisions of Assembly Bill 1200, the county superintendent will be notified of this agreement between the district and FCMAT and will receive a copy of the final report. The final report will also be published on the FCMAT website.

**2. SCOPE OF THE WORK**

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

The scope and objectives of this study are to:

1. Conduct an internal control review of the Covina-Valley Unified School District's Adult Education Program's business office. Evaluate the current work flow and distribution of functions in the business office, and make recommendations for improved efficiency, if any. This component will include reviewing documentation, including policies and procedures, and gathering data regarding current practices, procedures and separation of duties. Additionally, the team may interview other district or site staff to determine the efficiency and effectiveness of services delivered.
  - a) **Internal Controls:** The primary focus is to provide the business office with reasonable assurance based on the testing performed that adequate internal controls are in place. Management or

internal controls include the processes for planning, organizing, directing, and controlling program operations, including systems for measuring, reporting, and monitoring performance. The team will sample test transactions from the prior six months but will not test all financial records. Sample testing and review results are intended to provide reasonable assurance of the accuracy of processes and compliance.

- b) Review business office procedures to provide reasonable assurance that payroll, accounts payable, accounts receivable and purchasing transactions are entered by properly authorized personnel and that the transactions are accurately summarized. The team will obtain the data needed to perform testing of various purchase orders, requisition records, invoices and accounts payable and receivable transactions. This component will evaluate the effectiveness and efficiency of departmental transaction processing and operations, including new vendors, contracts, invoices, bid requirements and system operations.
  - c) Provide reasonable assurance that access to the fee collection system is properly secured from unauthorized changes and that the proper internal control systems are in place.
  - d) Evaluate the division of labor and segregation of duties between classified and management employees in the business office for all financial transactions. This component will include a review of payroll processes related to the setup and maintenance of position control data.
  - e) Review the records processing procedures and file management protocol for the business office.
  - f) Evaluate desk manuals and procedures for each business office employee.
  - g) Verify that the district is in compliance with the Education Code and Public Contract Code regarding bid limits. Review procedures related to vendor payments, including but not limited to purchase orders and sample contracts for professional services, construction and other purchases.
2. Review the district's board policies, administrative regulations and procedures regarding budget development, monitoring and financial reporting requirements, and make recommendations to improve the efficiency of the business office.

3. Evaluate board policies, administrative regulations and procedures related to the business office's responsibilities for fiscal oversight and requirements for financial reporting.

**B. Services and Products to be Provided**

1. Orientation Meeting - The team will conduct an orientation session at the district to brief district management and supervisory personnel on the team's procedures and the purpose and schedule of the study.
2. On-site Review - The team will conduct an on-site review at the district office and at school sites if necessary.
3. Exit Report - The team will hold an exit meeting at the conclusion of the on-site review to inform the district of significant findings and recommendations to that point.
4. Exit Letter - Approximately 10 days after the exit meeting, the team will issue an exit letter briefly summarizing significant findings and recommendations to date and memorializing the topics discussed in the exit meeting.
5. Draft Reports - Electronic copies of a preliminary draft report will be delivered to the district's administration for review and comment.
6. Final Report - Electronic copies of the final report will be delivered to the district's administration and to the county superintendent following completion of the review. Printed copies are available from FCMAT upon request.
7. Follow-Up Support - If requested, FCMAT will return to the district at no cost six months after completion of the study to assess the district's progress in implementing the recommendations included in the report. Progress in implementing the recommendations will be documented to the district in a FCMAT management letter.

**3. PROJECT PERSONNEL**

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

- |                            |   |
|----------------------------|---|
| <i>A. Diane Brankam</i>    | <i>FCMAT Chief Management Analyst, Project Lead</i> |
| <i>B. To be determined</i> | <i>FCMAT Consultant</i>                             |
| <i>C. To be determined</i> | <i>FCMAT Consultant</i>                             |

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

#### 4. **PROJECT COSTS**

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

- A. \$500 per day for each staff member while on site, conducting fieldwork at other locations, preparing and presenting reports, or participating in meetings. The cost of independent FCMAT consultants will be billed at their actual daily rate.
- B. All out-of-pocket expenses, including travel, meals and lodging.
- C. The district will be invoiced at actual costs, with 50% of the estimated cost due following the completion of the on-site review and the remaining amount due upon the district's acceptance of the final report.

**Based on the elements noted in section 2 A, the total estimated cost of the study will be \$12,000.**

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

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

#### 5. **RESPONSIBILITIES OF THE DISTRICT**

- A. The district will provide office and conference room space during on-site reviews.
- B. The district will provide the following if requested:
  - 1. Policies, regulations and prior reports that address the study scope.
  - 2. Current or proposed organizational charts.
  - 3. Current and two prior years' audit reports.
  - 4. Any documents requested on a supplemental list. Documents requested on the supplemental list should be provided to FCMAT only in electronic format; if only hard copies are available, they should be scanned by the district and sent to FCMAT in electronic format.
  - 5. Documents should be provided in advance of field work; any delay in the receipt of the requested documents may affect the start date of the project. Upon approval of the signed study agreement, access will be provided to FCMAT's online SharePoint document repository, where the district will upload all requested documents.
- C. The district's administration will review a preliminary draft copy of the report resulting from the study. Any comments regarding the accuracy of the data presented in the report or the practicability of the recommendations will be reviewed with the team prior to completion of the final report.



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

6. **PROJECT SCHEDULE**


The following schedule outlines the planned completion dates for different phases of the study:

Orientation:	October, 2014
Staff Interviews:	to be determined
Exit Meeting:	to be determined
Preliminary Report Submitted:	to be determined
Final Report Submitted:	to be determined
Board Presentation:	to be determined, if requested
Follow-Up Support:	if requested

7. **CONTACT PERSON**

Name: Jennifer Root  
 Telephone: (626) 974-7600 x2120  
 Fax: (626) 974-7039  
 E-mail: [jroot@cvusd.k12.ca.us](mailto:jroot@cvusd.k12.ca.us)

  
 \_\_\_\_\_  
 Catherine Nichols, Ed.D., Superintendent  
 Covina-Valley Unified School District  
 Date

  
 \_\_\_\_\_  
 Anthony L. Bridges, CFE, CICA  
 Deputy Executive Officer  
 Fiscal Crisis and Management Assistance Team  
 September 16, 2014  
 Date