



CSIS California School Information Services

# Sutter County Superintendent of Schools

## Business Services Organizational Review

June 16, 2017

Joel D. Montero  
Chief Executive Officer







CSIS California School Information Services

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June 16, 2017

Baljinder Dhillon, Ed.D., Superintendent  
Sutter County Superintendent of Schools  
970 Klamath Lane  
Yuba City, CA 95993

Dear Superintendent Dhillon:

In December 2016, Sutter County Superintendent of Schools and the Fiscal Crisis and Management Assistance Team (FCMAT) entered into an agreement for a review of the county's organizational structure and staffing of the Business Services Department. Specifically, the agreement states that FCMAT will perform the following:

1. Conduct a comprehensive analysis of the organizational structure and staffing of the Business Services Department, including internal and external business services, provide comparative staffing data from three county offices of the same or similar classification and provide recommendations for staffing improvements or reductions, if any.
2. Evaluate the current workflow and distribution of functions in the internal and external business services divisions, and provide recommendations for improved efficiency, if any.
3. Review the types of external business services provided to districts, and provide comparative data from three county offices of the same or similar classification, making recommendations for improvements or reductions, if any.

This report contains the study team's findings and recommendations. FCMAT appreciates the opportunity to serve Sutter County Superintendent of Schools and extends thanks to all county staff for their cooperation and assistance during fieldwork.

Sincerely,

Joel D. Montero

Chief Executive Officer

**FCMAT**

Joel D. Montero, Chief Executive Officer

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# About FCMAT

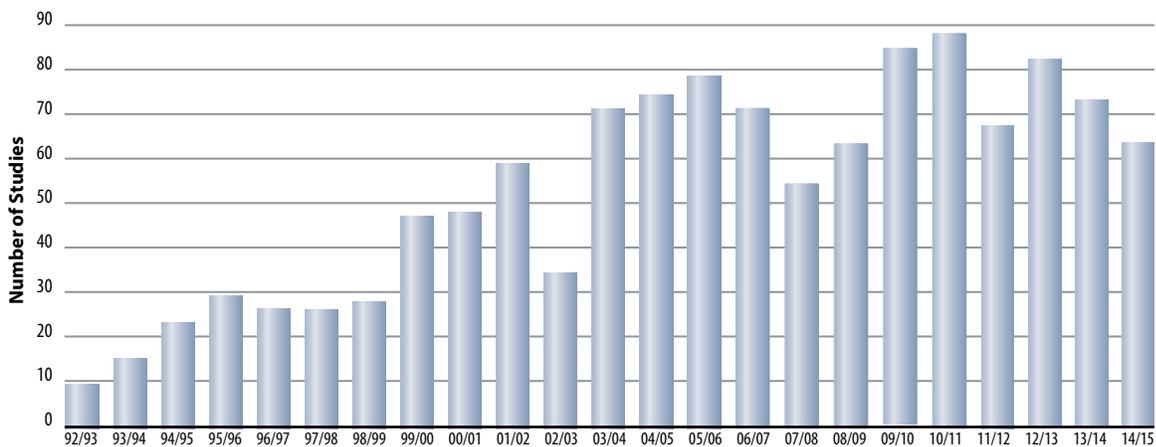
FCMAT’s primary mission is to assist California’s local K-14 educational agencies to identify, prevent, and resolve financial, human resources and data management challenges. FCMAT provides fiscal and data management assistance, professional development training, product development and other related 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, support the training and development of chief business officials and help to create efficient organizational operations. FCMAT’s data management services are used to help local educational agencies (LEAs) meet state reporting responsibilities, improve data quality, and inform instructional program decisions.

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 LEA 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.

FCMAT has continued to make adjustments in the types of support provided based on the changing dynamics of K-14 LEAs and the implementation of major educational reforms.

**Studies by Fiscal Year**



FCMAT also develops and provides numerous publications, software tools, workshops and professional development opportunities to help LEAs operate more effectively and fulfill their fiscal oversight and data management responsibilities. The California School Information Services (CSIS) division of FCMAT assists the California Department of Education with the implementation of the California Longitudinal Pupil Achievement Data System (CALPADS). CSIS also hosts and maintains the Ed-Data website ([www.ed-data.org](http://www.ed-data.org)) and provides technical expertise to the Ed-Data partnership: the California Department of Education, EdSource and FCMAT.

FCMAT was created by Assembly Bill (AB) 1200 in 1992 to assist LEAs to meet and sustain their financial obligations. AB 107 in 1997 charged FCMAT with responsibility for CSIS and its state-wide data management work. AB 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. AB 2756 (2004) provides specific responsibilities to FCMAT with regard to districts that have received emergency state loans.

In January 2006, Senate Bill 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

The Sutter County Superintendent of Schools is located in Yuba City, in north-central California. Sutter County has 12 school districts and nine charter schools. As of the 2015-16 census day, approximately 21,693 students were enrolled in the county's schools, including approximately 435 students served by county office schools. The county office offers a number of services to its student and district populations, including fiscal assistance and oversight, special and alternative education programs Tri-County Career Technical & Induction programs, a SELPA, curriculum, instruction, and assessment support and other roles.

In December 2016, the Sutter County Superintendent of Schools and the Fiscal Crisis and Management Assistance Team (FCMAT) entered into an agreement for a review of the county's organizational structure and staffing of the Business Services Department. Specifically, the agreement states that FCMAT will perform the following:

1. Conduct a comprehensive analysis of the organizational structure and staffing of the Business Services Department, including internal and external business services, provide comparative staffing data from three county offices of the same or similar classification and provide recommendations for staffing improvements or reductions, if any.
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## Study and Report Guidelines

FCMAT visited the district on January 30-February 1, 2017, to conduct interviews, collect data and review documents. This report is the result of those activities and is divided into the following sections:

- Executive Summary
- Business Services Structure
- Internal Business Services
- External Business Services
- County Office Comparisons
- Appendices

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:

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Each team member reviewed the draft report to confirm accuracy and achieve consensus on the final recommendations.

# Executive Summary

The California 2013-14 budget act and related legislation (Assembly Bill (AB) 97, Senate Bill 97 and Senate Bill 9) made significant changes to the state public school funding system. The legislation introduced the new Local Control Funding Formula (LCFF), which simplifies the funding process and strengthens local accountability. Through the LCFF, local educational agencies (LEAs) receive funds based on local student demographics.

County offices of education were provided with gap funding in fiscal years 2013-14 and 2014-15, but as of the 2014-15 year, county office LCFF targets are fully funded. County offices receive LCFF funding for oversight responsibilities and instructional programs through a two-part formula. Like school districts and charter schools, the LCFF also guarantees for county office a minimum amount of state aid based on what they received in 2012-13 to hold them harmless if the new formula yields less than what they received before the implementation of the LCFF.

The Sutter County Superintendent of Schools works with the superintendents of school districts to provide services and support to all of the individual districts and charter schools within its boundaries. The county superintendent is responsible for examining and approving school district budgets and expenditures. The passage of AB1200 gave county superintendents additional powers to enforce sound budgeting and ensure the fiscal integrity of their districts. While county offices historically received funding to offset the costs of services provided to small school districts, these dollars are no longer broken out and were added to the LCFF base funding under the oversight responsibilities.

The county office provides support for its school districts by completing tasks that can be performed more efficiently and economically at the county level. The county office provides assistance in formulating new curricula, staff development and training programs; offer business and personnel systems; and perform many other services to meet changing needs and requirements. The county office provides services to many of their small districts that extend beyond the industry standards. School administrators have raised questions about what support services are required, and there seems to be a misperception between required support activities and supplemental services that benefit both districts and the county office.

Several county office staff members in the Business Services Department are new to their positions. These employees will take time to reach the expected level of expertise in their new positions. The entire Business Services Department needs desk manuals, cross training and procedure manuals to help inform and guide employees on who is responsible for each task and how it should be performed.

The county should be staffed according to basic theories of organizational structure and the standards used in other county agencies of similar size and type. The generally accepted theories of organizational structure include span of control, chain of command, and line and staff authority. Based on a review of comparison counties and interviews with the staff, the county office appears sufficiently staffed; however, unique county office circumstances should be considered such as capabilities of individual staff members and the variety of educational programs offered to support school districts. To address the segregation of duties, the county office should consider reassigning positions to eliminate the internal control weakness in the Accounts Payable Department.



# Findings and Recommendations

## Business Services Structure

One of the purposes of a county office of education's organizational structure is to establish the framework for leadership and the delegation of specific duties and responsibilities. As enrollment, support services, and oversight duties increase or decline, the organizational structure needs to adapt and be scalable. The best practice is to staff the organization according to generally accepted theories of organizational structure. The most common theories are span of control, chain of command, and line and staff authority.

### Span of Control

Span of control refers to the number of subordinate employees reporting directly to a supervisor. Although there is no commonly agreed upon or 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 the employees typically perform more routine duties and therefore can be more effectively supervised.

### Chain of Command

Chain of command refers to the flow of authority in an organization and is characterized by two significant principles: unity of command suggests that a subordinate employee is accountable to only one supervisor; and the scalar principle suggests that authority and responsibility should flow in a direct vertical line from top management to the lowest level, resulting in a hierarchical division of labor. Most important, chain of command needs to clearly define who is responsible for what and delineate who will be held accountable for specific functions.

### Line and Staff Authority

Line authority is the relationship between supervisors and subordinates. It refers to the direct line in the chain of command. For example, at the county office, the assistant superintendent of administration and business services has direct line authority over the internal and external directors, and each of those directors have a line of authority over the coordinator IIIs who have line of authority over other various staff members. 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.

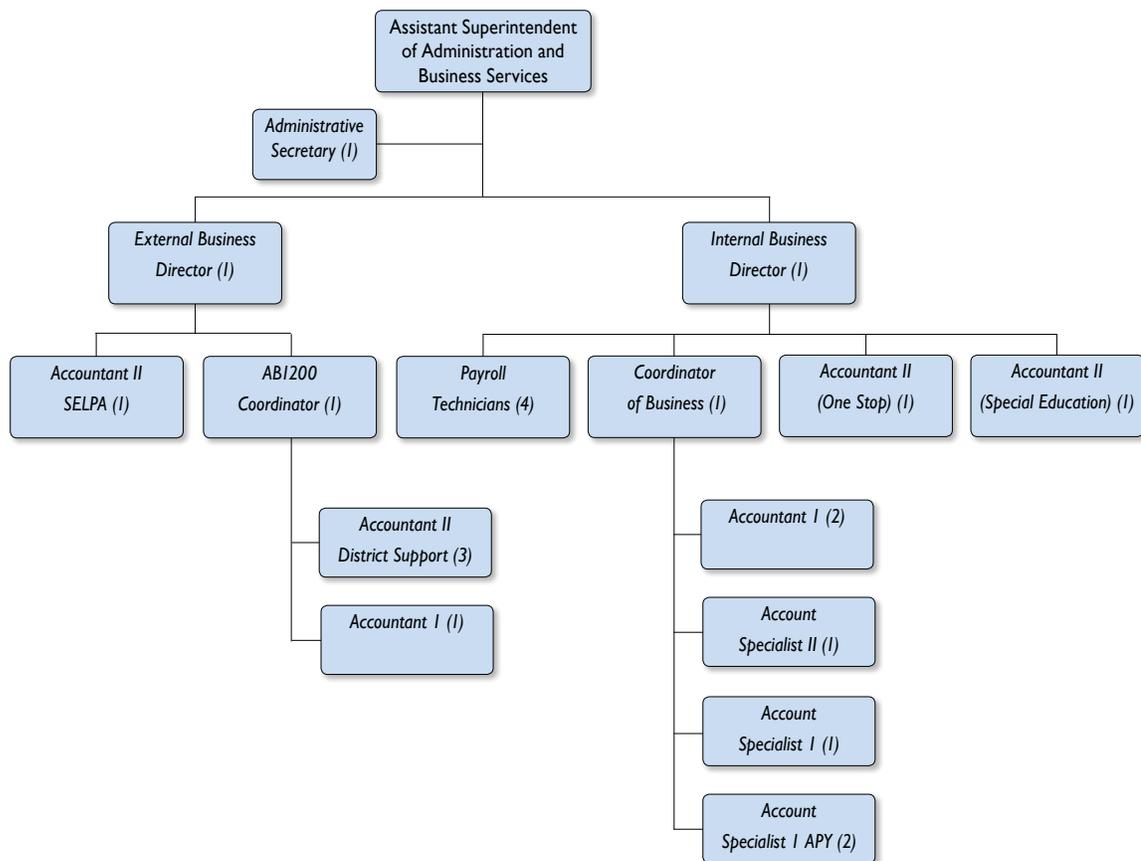
The county office's organizational structure establishes the framework and the delegation of specific responsibilities and duties for all staff members. FCMAT's review found that the county's Business Services Department lacks an up-to-date organizational chart. This chart is important because it shows the structure and the relationship of all positions to one another. This document is also necessary to identify the chain of command and the functional areas for which each staff member is responsible.

The Business Services Department is under the direction of the assistant superintendent of administration and business services. This position provides direction and assumes responsibility for the internal and external financial and administrative services for county office.

The core and mandated services provided by the Business Services Department is divided into two areas, one supporting county office business operations and one supporting the business operations of 12 districts and nine charter schools in Sutter County, which includes monitoring financial transactions and providing AB 1200 oversight to local educational agencies.

FCMAT analyzed the county office staffing levels and each position in the Business Services Department to provide recommendations about whether the county's business services office is appropriately staffed. This is an important policy objective that many organizations fail to analyze when they are attempting to increase their organizational effectiveness or efficiency.

The organization and staffing of the department is shown in the chart below.



The Payroll Department reports directly to the internal business director. Although it is responsible for the county office staff's general payroll, it also provides support services for districts and charter schools, which falls under external services functions. Since the department handles both district and county office functions, its guidance comes from both departments. The county office should consider creating a payroll supervisory position that is proficient on all related laws and reporting requirements. This would give the Payroll Department the required line of authority and additional support for the newly hired positions.

After the conclusion of FCMAT's fieldwork, the county office established and approved the hiring of a coordinator III, payroll services position. This position will report directly to the assistant superintendent of administration and business services and will supervise, organize and direct the operations and activities of the Payroll Department, including the training, evaluation and performance of the payroll staff.

Several staff members are new to their positions although they came from districts or departments in the county office. These employees will take time to reach the expected level of expertise within their new role. The entire Business Services Department needs desk manuals, cross training and procedure manuals to help inform and guide employees on who is responsible for each task and how it should be performed.

The Business Services Department should continue to offer professional development for its employees because it is essential to maintaining the expertise in an organization, yet administration will need to establish a balance that ensures this does not decrease staffing efficiencies. Increasing the knowledge and skill of existing employees will make the department better equipped to confront obstacles.

Many staff members interviewed mentioned that the requisition to purchase order process is cumbersome and repetitive. Changes in business environment, new technology and goals can all cause processes to become inefficient and outdated. The Business Services Department should review and update processes, whether formal or informal. Processes that work well can significantly improve an organization's efficiency, effectiveness and customer service.

## Internal Controls Overview

Internal controls provide the means to direct, monitor and measure an organization's assets and resources and play an important role in protecting an organization from fraud, abuse or misappropriation of resources. Internal controls help ensure efficient operations, reliable financial information and legal compliance; they also help an organization obtain timely feedback on its progress in meeting its goals.

An organization establishes internal controls for its operations by setting goals, objectives, budgets and performance expectations. Several factors influence the effectiveness of internal controls in an organization, including the social environment and how it affects employees' behavior; the availability and quality of information used to monitor the organization's operations; and the policies and procedures that guide the organization.

The following are some of the common deficiencies and omissions that can cause internal control failures:

- Failure to adequately segregate duties and responsibilities related to authorization of financial transactions.
- Failure to limit access to assets or sensitive data (e.g. cash, fixed assets, personnel records).
- Failure to record transactions, resulting in a lack of accountability and the possibility of theft.
- Failure to reconcile assets with the correct records.
- Unauthorized transactions, which increase the likelihood of skimming, embezzlement or larceny.
- A lack of monitoring or implementation of internal controls because of a failure by the governing board and management to do so or because personnel are not qualified.
- Collusion among employees when they have little or no supervision.

A system of internal control consists of policies and procedures designed to provide the governing board, and management with reasonable assurance that the organization is achieving its objectives and goals. Traditionally referred to as hard controls, these include segregation of duties; limiting access to cash; management review and approval; and reconciliations. Other types of internal control, typically referred to as soft controls, include management tone, performance evaluations, training programs, and maintaining established policies, procedures and standards of conduct.

The internal control environment establishes the moral tone of an organization. Although intangible, it begins with the leadership and consists of employees' perception of the ethical conduct displayed by the governing board, superintendent and executive management. The control environment is a prerequisite that enables other components of internal control to effectively prevent or deter fraud or illegal acts. It sets the tone for the organization, provides discipline and control, and includes factors such as integrity, ethical values and employee competence.

Control activities are a fundamental element of internal controls, and are a direct result of policies and procedures designed to prevent and identify misuse of a district's assets, including preventing any employee from overriding controls in the system. Control activities include the following:

- Performance reviews, which compare actual data with expectations. In accounting and business offices, this most often occurs when budgeted amounts are compared with actual expenditures to identify variances, and followed by budget transfers to prevent overspending.
- Information processing, which includes the approvals, authorizations, verifications and reconciliations needed to ensure that transactions are valid, complete and accurate.
- Physical controls, which are procedures designed to safeguard and secure assets and records.
- Segregation of duties, which consists of processes and procedures to ensure that no employee or group is placed in a position to be able to commit and conceal errors or fraud in the normal course of their duties. In general, segregation of duties includes separating the custody of assets, the authorization or approval of transactions affecting those assets, the recording or reporting of related transactions, and the execution of the transactions. Adequate segregation of duties reduces the likelihood that errors will remain undetected by providing for separate processing by different individuals at various stages of a transaction, and for independent review of the work.

Each person in an organization is responsible for internal controls in some capacity because nearly everyone either produces information used by the internal control system or takes action to implement organizational control. Every individual in the organization should take responsibility for communicating problems in operations, including noncompliance with policies or illegal actions. Ultimately, internal controls should pervade every level of an organization; however, district administrators and program managers, governing board members and auditors have unique roles that include a high level of responsibility.

As the organization's leader, the superintendent, sets the example and expectations for operations, ethics and culture. This influences all decisions and activities and the extent to which employees are aware of and adhere to internal controls. Other factors that contribute to a strong control environment include integrity, ethical values, management philosophy and operating style, organizational structure, assignment of authority and responsibility, and employee expertise and proficiency.

Internal control has five main components:

- Control environment (management philosophy)
- Communication
- Risk assessment and management (internal and external risks to controls, and tools to prevent or reduce risk)
- Control activities
- Monitoring of controls (e.g. review of transactions)

The assistant superintendent of the Business Services Department oversees the integration of these five components into one cohesive structure.

The administrative team provides leadership and direction to managers, and reviews and gives them feedback on their internal control decisions. In turn, the managers communicate with the employees responsible for the functions in various working groups and give them responsibility for establishing specific internal control policies, procedures, activities and monitoring.

An organization's governing board should work as a group to provide governance, guidance and oversight. Individual board members significantly improve the control environment when they are informed, free of bias, inquisitive, principled and ethical in their actions, and expect the same standard of conduct from everyone in the organization.

Independent auditors assess whether the controls are properly designed and implemented, monitor whether they are working effectively, and make recommendations for improvement if needed.

## Recommendations

*The county office should:*

1. Create a new payroll supervisor position that would oversee the Payroll Department and give the employees a direct line of authority.
2. Create a policies and procedure manual for the Business Services Department.
3. Develop individual desk manuals for each job function that include step-by-step procedures for all assigned duties that would allow for proper internal controls.
4. Continue a commitment to the professional development of the employees.
5. Review and update internal processes as new technology, systems or goals are changed.



## Internal Business Services

The Internal Business Services Division of the Business Services Department is composed of the following three primary areas:

- Budget, accounting, financial planning and reporting
- Payroll
- Direct support for the One-Stop and special education programs.

A director of internal business who has been in the position three years leads the department supported by a coordinator of business. The director is responsible for developing and monitoring the budget, preparing state-mandated reports, and overseeing payroll. The director oversees the coordinator of business, four payroll technicians, and two accountants that provide direct support to county office programs.

The coordinator is responsible for accounts payable, accounts receivable and miscellaneous accounting functions. This position oversees two accountant I, an account specialist II and three account specialist I positions.

Payroll technicians are responsible for preparing and distributing payroll for the county office, as well as, retirement reporting, auditing, and processing all school district payroll. All payroll staff members are new to their positions, and they lack a knowledgeable senior staff member to respond to their questions or concerns. Since they are learning their job functions, the payroll technicians are concerned that they have an insufficient amount of time to review their own work for accuracy.

During interviews, management described an annual rotation schedule as a strategy for cross-training the current staff. The staff is divided into four categories; payroll, auditing, processing and retiree reporting. The rotation schedule annually places each payroll technician in a completely new role so that in four years, each technician will have worked in each category. This division of duties is not advisable since it creates isolated groups of employees. A better solution that still allows for cross-training is the sharing of duties between at least two staff members in each area. For example, two technicians enter payroll, splitting districts and county office staff, and two technicians handle the PERS/STRS retirement reporting. This allows for backup for each function, and staff can collaborate and problem-solve together.

The Sutter County One-Stop program provides job placement and career development services to county residents and human resource assistance to employers. The accountant II assigned to support the program has been in the position for 2 ½ years. One-Stop has a complicated funding mechanism that includes the support of 30 grants. The accountant II position manages the grants, tracks in-kind contributions from the county office and invoices outside agencies that support the program.

Another accountant II position is assigned to support the county office's special education programs, and tracks services to students and the associated costs to facilitate invoicing. This position submits end-of-month payroll and supplemental payroll for all paraeducators and substitutes. Because of the complexity of special education reporting requirements, the pay structure for this department can be complicated. Training school site principals, secretaries, and paraeducators on proper procedures for submitting timesheets can decrease the amount of time spent making corrections.

The accountant II positions are busy and do not share workloads with other internal staff members. They operate like outside departments although they report to the internal business director.

Accountant I positions support the Feather River Academy, an alternative education program operated by the county office, ROP, TCIP and Educational Services as well as the Shady Creek Outdoor School and the county office Facility, Maintenance, Operations and Transportation Department (FMOT). The department provides services to some Sutter County districts, and the accountant I position prepares invoices to districts for FMOT services.

The account specialist II position is assigned to accounts receivable duties, managing petty cash, reconciling bank statements, and auditing accounts payable batches and payroll prelists.

The county office has two account specialist I positions assigned to accounts payable duties. In addition to payments to vendors, the accounts payable positions add vendors to the financial software, and both edit and print purchase orders. They distribute checks to districts and mail checks to county office vendors. The accounts payable personnel report that they receive many calls from vendors regarding delayed payment of invoices. Staff indicated payments are delayed because authorizations to pay are not received timely from department managers.

A third account specialist I has varied duties that do not involve accounts payable except to perform the first audit of county accounts payable batches. The position is assigned to distribute revenues to district funds when received at the county treasury, report county office and school districts' attendance to the state, and track assets.

## **Budget, Accounting, Financial Planning and Reporting**

Budget development and financial planning (multiyear projection and cash flow) is organized with a budget development calendar that lists specific duties, the position assigned to the task and the deadline for completion. The duties are segregated appropriately to staff. For instance, the coordinator III rolls current year positions into the new-year and into budget development in early March. After that task is completed, an accountant I prepares new year position control reports for department review and approval.

Business personnel reported that they are clear on their job duties and responsibilities and have adequate opportunities to be trained in their jobs. Duties do not overlap. Workers willingly help others catch up on their duties when big backloads occur. More streamlined processes would help staff be more efficient and complete their work on time.

Workloads are fairly balanced between desks in the Internal Business Services Department. Personnel are assigned duties commensurate with their job descriptions. During interviews with FCMAT, six members of the internal staff indicated that their workloads were excessive, and they lack the time to consider streamlining processes or make efforts to improve efficiency. Two stated they cannot complete tasks on time. Two reported that they had difficulty taking vacation time because of accrued compensatory hours or trouble finding a time with lower work demands.

Because many staff members are new to their positions, they report being diverted from their daily tasks to assist other staff with training, receive professional development or help reduce work backloads. Staff reported frustration with the failure of nonbusiness county office employees to comply with standard accounting processes, which results in an increased workload for business staff.

During interviews, staff indicated that requests for personnel changes are frequently incomplete or incorrect when submitted. A training workshop was held to explain the correct way to complete a request form, but only half of the departments in the county office sent a representative.

The position control system is unreliable, and salaries and benefit costs are projected manually. Manual calculations are a time-consuming and inefficient use of employee time. One of the major components of any local educational agency (LEA) budget is salary and benefits. Accurately projecting these costs requires a reliable position control system to prevent overbudgeting or underbudgeting for staffing expenditures. For position control to be fully functional, the system should be integrated with other financial modules such as payroll and budget.

Position control enables an organization to control and maintain staffing levels by focusing on authorized positions rather than number or names of employees. Implementing the position control module and establishing new policies and procedures will require acceptance by the staff in Human Resources and Business Services departments.

Staff hears complaints from various departments and sites that the process to request and pay vendors is cumbersome. Department managers sign a requisition, purchase order, packing slip and invoice. The process of approving and invoicing for agreements with districts on memorandums of understanding or contracts are not always approved until midyear. The process should be streamlined so that the agreements are formally approved before services begin.

## Purchasing

The county office has no centralized purchasing department or purchasing personnel. Centralization of procurement activities help ensure standardized purchasing practices throughout the organization and provides the ability to ensure that purchases are made at the lowest price or that bid regulations are not violated. By centralizing procurement activities, the acquisition of goods and services becomes more efficient, and procurement issues are more easily resolved. This position typically collaborates with departments and site administrators to meet their procurement needs. At the county office, each department and school site works independently on procurement, contributing to weak controls countywide.

A fundamental element of internal control is segregation of certain key duties. Adequate segregation of duties reduces the likelihood that errors (intentional or unintentional) will remain undetected by providing for separate processing by different individuals at various stages of a transaction. Accounts payable staff members reported that they can create and edit purchase orders, and add new or modify existing vendors to the vendor master file. This is a weakness in internal controls over purchasing and accounts payable. No individual should be able to establish a new vendor, create a purchase order and pay a vendor. This presents an opportunity for fraud, misappropriation of funds and/or illegal acts. The document attached to this report as Appendix C provides a sample segregation of duties questionnaire for purchasing and accounts payable duties to assist the county office in assessing its controls.

Using best practices, a purchasing agent or buyer would be responsible for adding to the financial system, reviewing contracts and to approving purchase orders. The recipient of the goods or services would approve invoices for payment, and the accounts payable staff would process the payments. A business office employee who works with neither purchasing nor accounts payable would match the vendor name and address on the checks to the information on the invoice and mail the payments.

## Accounts Payable

Accounts payable functions include recording, analyzing, summarizing financial activities dealing with the payment of funds for nonsalary expenditures. The goal of the accounts payable function is prompt and accurate payment of good and services procured in accordance with governing board policy. Employees responsible for accounts payable should have up-to-date knowledge of the California Education Code, federal and state tax laws and regulations, generally accepted accounting principles and local board policies.

A best practice is for an accounts payable office to receive all invoices directly. The county office's account specialists in the accounts payable office receive most invoices directly, but some are forwarded from other sites or departments. This can cause a delay in payment to vendors.

The accounts payable workers create and edit purchase orders, add new or modify existing vendors to the vendor master file, print and mail purchase orders to vendors and process vendor payments. The accounts payable personnel also distribute the checks to vendors and to districts. The scope of work performed by the account specialist lacks proper segregation of duties; the same individuals who record or create the transaction should not process it. The requisition, ordering, receiving, paying and general accounting activities should be appropriately segregated if all control objectives are to be met. Strong internal control procedures reduce the threat of lost resources resulting from employee error or theft.

## Records Retention and Data Archival

The county office uses a digital document storage system as well as keeping paper copies of documents. Use of digital records is a space-saving and cost-effective way to keep records. Keeping paper copies along with digital records is a duplication of effort. The county officer should consider implementing a document retention policy that aligns to the California Code of Regulations ensuring that records are kept only as long as they have some administrative, fiscal or legal obligation. The bookstore on the California Association of School Business Officials website offers a records retention manual. The manual is an effective reference to ensure that permanent records are kept and temporary records are discarded in accordance with California Government Code.

## Recommendations

*The county office should:*

1. Assign a manager to carefully review payroll processing while payroll personnel are learning their jobs.
2. Develop streamlined procurement procedures to ensure that vendors are paid in a timely manner. The financial system used by the county office includes a remote requisition process that can greatly speed purchasing processes and uses digital approval.
3. Create a centralized purchasing department.
4. Assign the functions of these purchasing duties to existing staff or a new position. This position will relieve some of the separation of duties concerns for accounts payable staff and ensure compliance with best practices in procurement.

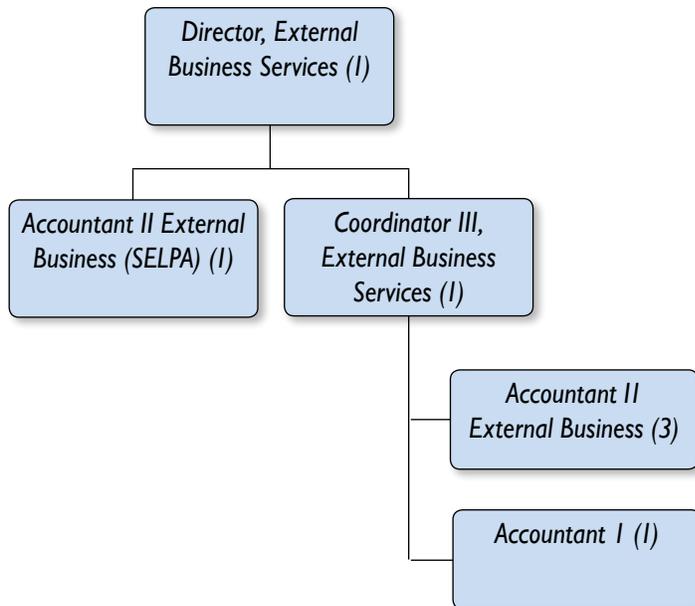
5. Reassign the functions of purchase order processing and mailing checks from the accounts payable person for better segregation of duties.
6. Adopt a records retention policy.
7. Review records retention practices to eliminate the unnecessary retention of nonpermanent records and eliminate duplication of effort.



## External Business Services

FCMAT identified inconsistency of job titles for each position listed in documentation provided by county office staff including organizational charts, job descriptions and website staff lists. For the purpose of the following section, FCMAT is using the titles from job descriptions provided by the county office.

Under the leadership of a director of external business the external services department is staffed with one coordinator III position, four accountant II positions and one accountant I position.



The director of external business services has been in her position for approximately three years. The duties reported by the director of external services are as follows:

- Oversees AB1200
- Reviews the Local Control Accountability Plan (LCAP)
- Reads new guidance and regulations on school finance
- Handles special education maintenance of effort and excess cost review
- Reviews district audit reports
- Assists districts with developing multiyear financial projections for collective bargaining
- Files interim reports with the state superintendent of public instruction and state controller's office
- Responds to public records requests
- Prepares fiscal contracts
- Participates on interview panels for county office positions
- Plans and presents at various annual county office trainings

- Attends, develops materials, present and/or maintains minutes for various county office departmental, county and committee meetings including district chief financial officer (CFO)/chief business officer (CBO) meetings, payroll meetings, safety meetings, QSS and Laser Fiche huddles, building 300 and fiscal and support team (FAST) meetings.
- Serves in representative positions of professional organizations including the California Association of School Business Officials and the California Department of Education/ County Office of Education External Services Subcommittee (ESSCO)
- Attends professional organization meetings (CASBO, California County Superintendents Educational Services Association (CCSESA), ESSCO, Standardized Account code structure (SACS) Forum, LCAP, Charter Authorizers Regional Support Network (CARNet), School Services of California (SSC), etc.) conferences and other professional development offerings to gather and relay information and provide support to county and district staff relative to school finance

The coordinator III, external business services has been in that current position for approximately three years and served as the LEA external services coordinator for the preceding two years. The LEA external services coordinator position was modified to include duties associated with managing, supervising, training and evaluating external business staff and retitled to the coordinator III, external business service. No other material modifications to the job description were made.

The coordinator III, external business services serves as primary backup to the director, external business services. Many of the routine duties reported by the coordinator III, external services are more consistent with duties typically aligned with the director of external services and include the following:

- Provides guidance to district personnel regarding financial and payroll matters
- Performs AB1200 review of all district budget and unaudited actuals
- Rolls district budget, revised budget and posts beginning balances in the financial system
- Approves all district budget and cash transfers in the financial system
- Manages chart of account/budget codes in the financial system
- Receives and logs district board resolutions, certifications and audit contracts
- Conducts review and follow-up of district audit findings and resolutions
- Oversees subordinate staff responsible for external fiscal and payroll support duties
- Manages and consults with the Payroll Department under the leadership of the director of internal business
- Serves as backup for payroll audits and/or approvals
- Reviews and approves payroll trust account reconciliations
- Approves and tracks all absences for external business staff
- Provides training to new staff (county office external and district)
- Participates on interview panels for county office positions
- Plans and presents at various annual county office trainings

- Attends, develops materials, present and/or maintains minutes for various county office departmental, county and committee meetings including district CFO/CBO meetings, payroll meetings, safety meetings, QSS and Laser Fiche huddles, building 300 and FAST meetings
- Serves in representative positions of professional organizations including the CASBO and Quintessential School Systems Users Group (QSSUG)
- Attends professional organization meetings (CASBO, CCSESA, SACS Forum, Employer Advisory Council (EAC), California Superintendent of Schools payroll & retirement administrators (CSSPRA), California Public Employees Retirement System (CalPERS), QSS Users Group (QSSUG), SSC, etc.) conferences and other professional development offerings to gather and relay information and provide support to county and district staff relative to school finance and the QSS/QCC financial system software

The External Business Services Division of the Business Services Department provides fiscal support and oversight services for 12 districts and nine charter schools in Sutter County. The level of service provided to each district varies depending on the size of the LEA and the capacity of its employees.

Fiscal support and oversight services commonly performed by county offices include the following:

- Disseminating general fiscal information and guidance and acting as liaison between the California Department of Education (CDE) and districts
- Handling budget and financial accounting and reporting support and guidance
- Routine cash monitoring
- Assuming state financial accountability requirements under AB1200 and subsequent legislation including annual budget and subsequent 45-day revision review and determining compliance with the standards and criteria adopted by the State Board of Education (Education Code Section 33127)
- Reviewing and analyzing budget and interim reports:
  - \* Determining whether the budget allows the district to meet its financial obligations (budget year and multiyear)
  - \* Determining whether the adopted budget includes the expenditures necessary to implement the local control and accountability plan or annual update to the local control and accountability plan approved by the county superintendent of schools
  - \* Determining whether the budget includes ending fund balances that exceed the minimum recommended reserve for economic uncertainties and, if so, verifying that the school district complied with the requirements for a public hearing and disclosure
  - \* Approving, conditionally approving, or disapproving the adopted budget
- Certifying the special advance apportionment based on pupil estimates for new or significantly expanding charters Pupil Estimates for New or Significantly Expanding Charters (PENSEC) data for newly operational charter schools and continuing charter schools adding one or more grade levels

- Performing LCFF calculations
- Reviewing and approving the LCAP (although not required for charter schools, it is a best practice for county offices to review and approve the LCAP)
- Completing 22-day forms for newly operational charter schools and continuing charter schools adding one or more grade levels
- Reviewing nonvoter-approved debt and ensuring public comment; county office approval is required prior to issuance for any district with a qualified or negative budget
- Disclosing the collective bargaining agreement, including review and public comment
- Handling AB602 special education funding allocations and distributions to the special education local plan area (SELPA)
- Monitoring interfund transfers and short-term borrowing from other funds
- Taking responsibility for unaudited actuals review and compliance verifications
- Auditing and processing all district payments including payroll and vendor payment
- Collecting and reporting countywide tax information
- Countywide attendance accounting and LCFF data collection and state export
- Collecting countywide LEA infant data and reporting to the state
- Providing technical support for county-office hosted financial system(s)
- Monitoring compliance with various program requirements, including but not limited to routine repair and regular maintenance fund and/or ongoing and major maintenance account transfers
- Handling annual auditor selection; audit report collection, extension, audit finding resolution and corrective action follow-up

While the above list is a summary of primary support services commonly provided to all school districts in a given county, many county offices provide additional support to small school districts, often referred to as direct-service districts, that struggle to perform the required duties. Small school districts have limited resources to provide the staffing necessary to perform all routine functions of a school district business office and often find it difficult to attract and retain qualified personnel.

Direct-service districts include elementary schools with less than 901 average daily attendance (ADA), unified school districts with less than 1,501 ADA, and high school districts with less than 301. Based on 2015-16 enrollment obtained from EdData, nine of the 12 districts in Sutter County, or 75 percent, meet the definition of direct-service districts.

The External Services Department staffs four accounting II positions, three dedicated to district support services and one to the SELPA.

The accounting II, external services that works with the SELPA has been in her position for approximately six months. This position is responsible for allocating and distributing special education AB602 apportionment to districts; preparing excess cost billings, applying for and overseeing compliance with program based grants, managing and updating the SELPA budget and collecting district data for grant reporting.

The duties of this position are consistent with those of similar positions in other counties. The reporting of this position varies from county office to county office and may also report under the educational services department where special education programs are managed and operated.

The three accountant II, external business services positions provide supplemental support to eight of the counties smallest school districts and one charter school in Sutter County. The number of sites is equally distributed among the three staff. The support service activities described by county office staff extend beyond what is customary for most county offices and in most cases include those typical of a district chief business official or business manager. Services described by staff include, but are not limited to, the following:

- Developing the budget, making interim revisions and year end state financial reporting, multiyear financial and cashflow projection development, supporting narratives and presentations
- Making site visits with superintendents and staff to provide budget monitoring and technical guidance on an as needed basis
- Handling routine technical support to district staff including payroll entry corrections, Rural Educational Achievement Programs (REAP) draws, sales tax return preparation, cash management, state reporting, LCAP expenditure tracking and completing workers compensation claim forms
- Performing routine day to day business activities when backfill is needed by the district, including vendor and payroll processing
- Preparing documentation for independent audits
- Providing board trainings on budgets, interpretation of financial reports and responsibilities for bond funds

The accountant I under external services has been in her position just under one year and is responsible for many routine tasks supporting external district services including the following:

- Inputting and maintaining position control data in the QSS financial system module for nine small LEAs (this has since been set aside for other priorities)
- Maintaining district revenue and expenditure budget spreadsheets
- Auditing P1, P2 and Annual attendance reports
- Reconciling cash balances between county auditor's office and financial system
- Preparing payroll trust reconciliations
- Auditing accounts payable batches for nine LEAs
- Assisting districts with annual LCAP updates
- Preparing interest allocations to federal programs
- Assisting and/or preparing calculations for retro payrolls, pay docks, final pay and settlements
- Maintaining and updating salary spreadsheets for monthly payroll and audit against salary schedules
- Helping develop interim reports

- Helping districts and the county office Education Services Department accurately prepare the consolidated application
- Developing and setting up a countywide benefits management process for monthly payroll deductions; fielding questions on the program
- Preparing data for transparent California reporting for all districts and J-90 data for the county office
- Preparing the Affordable Care Act reporting forms for districts and county employees
- Preparing Worker's Compensation calculations and updates at each interim for all districts
- Planning and presenting at various county office trainings

Staff reported that the charter school mentioned above receives a lower level of fiscal services support.

Although districts are responsible for many of the duties described, cost efficiencies can be achieved by establishing a centralized service department or shared cost pool so multiple small districts can divide the expense of staff performing these duties.

Interviews with district superintendents indicate some believe the state requires the current level of service the county office provides to direct service districts. Other interviews indicated the county office provides supplemental services to larger districts inconsistently. The business office admitted that the approach to contracting services has historically been unstructured and flexible. Written service agreements are often not executed before the start of a given year, if at all, and fees for services are inconsistently applied. The county office reportedly does not have a formally established fee structure for supplemental business services although there was some indication that an hourly fee of \$50 may be assessed.

County offices of education historically received funding to help at least partly offset the cost of providing support activities to direct-service districts. However, with the implementation of the LCFF, county office funding is based on the count of school districts in the county and the total countywide ADA, according to Education Code Section 2574(a). The types of services county offices provide to their districts are at the county superintendent's discretion.

While a county office may allocate unrestricted resources at its discretion, contractual supplemental service agreements are commonly executed to help at least partly offset the costs of the additional personnel needed to provide supplemental business support services to districts.

Providing support services at a level higher than the industry standard may be advantageous to the county office because of the number of small school districts in the county. A reduced level of support service at the beginning may result in a higher level of follow-up and support later because of the potential increase in errors, omissions, audit findings and financial solvency issues resulting from lack of guidance.

For the benefit of districts and the county office, a distinction should be made between required routine business support activities and supplemental business services. A supplemental service fee schedule should be established and reviewed annually to ensure the cost of services coincides with the expense of providing them. The county office should communicate and collaborate with districts and charter schools throughout this process to establish expectations regarding any changes to the offerings to help mitigate and plan for changes relative to fiscal impact.

Supplemental support service needs should be clearly identified for each district interested in contracting services from the county office instead of hiring its own staff. Executed contractual agreements should be established before the start of each fiscal year to ensure a fiscal balance.

The External Business Services Department also staffs one account specialist for internal business; however, many of this position's routine duties are more commonly aligned with the district support service activities provided to all LEAs including the following:

- Preparing county treasury deposit permits
- Preparing journal entries
- Reviewing and processing reports of revenue and cash transfers
- Reviewing and processing auditors journal entries
- Auditing account payable batches
- Processing returned and stale dated checks and canceled warrants
- Processing and posting apportionment distributions
- Reconciling cash for all funds with county treasury
- Submitting check requests for apportionments being paid to charter schools
- Posting interest and tax collections
- Collecting and submitting attendance to state
- Collecting attendance and California Basic Educational Data System (CBEDS) data for trend analysis

This position is also responsible for reporting CBEDS enrollment, tracking e-rate and Calnet activity, maintaining and updating inventory and fixed assets and managing the counties asset surplus disposal program. Interviews indicated that inventory activities are time-consuming.

Most External Business Services Department employees invest an extensive amount of time in planning, preparing, presenting and/or attending both internal and external meetings and professional development events. While these types of activities are valuable in developing and sustaining professional experience, each LEA should consider the required time commitment to ensure these efforts coincide with the priorities of the county office and each position.

## Recommendations

*The county office should:*

1. Ensure that organizational charts and website department staff listings are updated to include the most current board-approved positions.
2. Review in detail the distribution of duties and assignment of responsibilities of the director, external services and the coordinator III, external services. Evaluate the activities and the time spent on each in conjunction with county office priorities and modify as necessary.
3. Identify all supplemental support services provided to the districts and charter schools. Evaluate the staffing costs and related benefits of nonrequired

services provided by the county office to these LEAs. Distinguish services that the county office will continue as a courtesy to benefit all LEAs and the county office from those that will be offered for a fee.

4. Establish a fee for service schedule for supplemental service offerings and re-evaluate fees annually.
5. Communicate and collaborate with districts and charter schools throughout this process to establish expectations for any changes to the offerings to help mitigate and plan for the financial impact of these changes.
6. Establish and execute supplemental service contracts with each individual LEA annually before the start of each fiscal year.
7. Consider reassigning the account specialist position under external business.
8. Review the amount of time all personnel in the external business services spend on internal and external meetings, committees and professional development activities. Evaluate activities and time spent on each in conjunction with county office priorities, and modify as necessary.

## County Office Comparisons

The functions and responsibilities of a county superintendent are specified in hundreds of California Education Code references. In 1997 and again in 2006, the California County Superintendents Educational Services Association (CCSESA) asked legal counsel to review and identify the general duties and authority of superintendents of schools and county boards of education. The 2006 report was further revised in June 2014 to reflect the increasingly expanded statutory role of county superintendents. This document can be found at: <http://ccsesa.org/wp-content/uploads/2013/12/6-2014-Statutory-Functions-Documents-FINAL.pdf>

These responsibilities include administration of the county office, fiscal oversight and assistance to districts and charter schools, operational review, distribution of legal and other information, recordkeeping, credential monitoring, and enforcement of curricula for school districts in the county. The superintendent is also responsible for administration of the county office budget once it is approved by the county board of education and the state superintendent of public instruction, and for county office personnel oversight, the setting of salaries, collective bargaining, special education, community day schools, juvenile court schools, local child care and development planning councils, charter school oversight, and other programs.

The Education Code imposes many duties and functions on county superintendents and county boards of education. Core functions and services provided by the county superintendent, office of education and board of education are central to their respective roles and align with the mission of the agency. These include statutory services, mandated functions, and functions required for the county office to operate.

Additional functions and services are permitted in the Education Code or improve educational services. At the county office, these include infant, special education, vocation/occupational, outdoor science and alternative education programs, and others determined by the superintendent to support school districts.

The California County Superintendents Educational Services Association (CCSESA) classifies county offices based on prior year K-12 ADA. These calculations include districts, county-operated programs, and charter schools but not ROC/P, adult education or community colleges. The eight classifications for county offices are as follows:

- Class I (more than 750,000 ADA)
- Class II (140,000 - 749,999 ADA)
- Class III (60,000 - 139,999 ADA)
- Class IV (30,000 - 59,999 ADA)
- Class V (15,000 - 29,999 ADA)
- Class VI (7,000 - 14,999 ADA)
- Class VII (1,000 - 6,999 ADA)
- Class VIII (less than 1,000 ADA)

This comparison explains how other county offices organize their functions and services and provides a comparison of staffing in the internal and external departments.

FCMAT obtained staffing and service information for the Business Services Department, both internal and external, from the Mendocino, Butte, Kings, and El Dorado county offices. These were selected based on their classification with CDE, similar enrollment and number of school districts and charter schools they each support. FCMAT prepared a staffing and organization structure questionnaire and electronically forwarded it to the four county offices.

Although comparative information is useful, it should not be considered the only measure of appropriate staffing levels. LEAs like county offices of education are complex and vary widely in demographics, resources, and organization. Careful evaluation is necessary because generalization can be misleading if significant local circumstances are not considered.

County office organization varies according to the needs of the school districts and students served. County offices are mandated to provide specific core services and perform specific functions as the intermediate agency. However, they may choose to operate many optional programs, and each organizes division functions according to its programs, staff, and resources. Therefore, the number of staff by division or department can vary widely. The table below summarizes the staffing for each county office selected for comparison with the Sutter County Superintendent of Schools.

### *Business Services Division Staffing Comparison*

County Office	SCSOS	Mendocino	Butte	Kings	El Dorado
Department					
Internal Business	17*	10.5*	15.75*	14*	17*
External Business	7	8.5	4.25	3	7.1
TOTAL	24	19	20	17	24.1
Number of students served	22,632	13,161	31,380	28,881	26,983
Number of Districts and Charter Schools Served	21	21	32	25	24

*\*Includes the deputy superintendent/assistant superintendent position for all departments within the Business Services Department.*

The leadership model for each Business Services Department in the comparison is consistent among all comparative LEAs, each having an assistant or deputy superintendent overseeing the division. Each administrator is also supported by an administrative assistant or secretary. Each county office separates its internal and external responsibilities into two departments each led by a director.

Staffing comparisons for internal business services are fairly consistent among the comparison LEAs. Although job titles vary, the functions assigned to positions are relatively consistent with the exception of the Mendocino county office, where internal business staffing is significantly less than other county offices. Mendocino was considered as a comparison county office because it supports a similar number of districts and charter schools; however Mendocino's countywide enrollment is significantly less than Sutter and the other three county offices.

***Internal FTE Staffing Comparison Data\****

	<b>Sutter</b>	<b>Mendocino</b>	<b>Butte</b>	<b>Kings</b>	<b>El Dorado</b>
Asst Sup/Deputy Sup	1.0	1.0	1.0	1.0	1.0
Director	1.0	1.0	1.0	1.0	1.0
Secretarial	1.0	1.5	.75	1.0	.5
Accounting	9.0	3.0	10.0	7.0	9.5
Totals	12.0	6.5	12.75	10.0	12

*\*This table does not include the payroll function as it is displayed in the table below.*

Sutter County's Internal Business Services Department has more FTEs than two of the comparison counties, and one has .75 FTE more than Sutter. All county offices' accounting staffs oversee the operational day-to-day functions. Mendocino has approximately 174 employees, which is 40% less than Sutter and processed 60% less account payable warrants in fiscal year 2015-16. Those factors would account for the reduced number of FTEs.

***Payroll FTE Staffing Comparison Data***

<b>District</b>	<b>Sutter</b>	<b>Mendocino</b>	<b>Butte</b>	<b>Kings</b>	<b>El Dorado</b>
Lead/Manager	1.0*		1.0		
Internal Payroll Tech:	4.0		2.0**	3.0	3.0
External Payroll Tech:		4.0		1.0	2.0
Total	5.0	4.0	3.0	4.0	5.0

*\*Sutter county FTE includes the additional supervisory coordinator position that was approved during FCMAT's visit*

*\*\* Payroll services are reported under human resources department*

Each of the comparable counties has 3.0 to 5.0 FTE payroll positions, and Sutter has 4.0 FTE, but approved another supervisory position during FCMAT's visit. The duties of the payroll departments vary widely since some including Sutter handle all of the STRS/PERS retirement reporting for all county and school district staff. However, two comparable county offices handle the retirement reporting and audit of school districts' payroll under external services.

Payroll department staffing varied widely between county offices since Butte has payroll job duties assigned under the Human Resources Department, and one has those duties assigned under the external business department. This is the opposite of Sutter, which has its positions under the internal business department. The last two have the payroll job duties positions divided between internal and external departments. The duties performed are all consistent; however, for the positions that directly support school districts in the county. For example Mendocino's account technicians are in the external department, and Kings has 1 accountant in that external department. This position audits the school district payroll and is responsible for retirement reporting. El Dorado has its payroll functions divided between internal and external, and the two external positions are responsible for retirement reporting.

***External FTE Staffing Comparison Data***

	<b>Sutter</b>	<b>Mendocino</b>	<b>Butte</b>	<b>Kings</b>	<b>El Dorado</b>
Director	1.0	1.0	1.0	1.0	1.0
Secretarial		.5	.25		.5
Accounting	6.0	7.0	3.0	2.0	5.6
Totals	7.0	8.5	4.25	3.0	7.1

Unlike internal business services structures, the data for external business services data varies considerably between each county office. Kings and Butte have 3.0-4.25 FTE that handle all of the counties' AB 1200 reviews, attendance reporting, apportionment transfers and other mandated functions. Of those two counties Butte (with 4.0 FTE) handles budgeting, payroll and accounts payable for five small school districts; two charter schools receive the same services under a fee-for-services contract. Sutter and two other comparable county offices range from 7.0-8.5 FTEs, Sutter having 7.0 FTE in its external business services department.

County offices provide local school districts with fiscal oversight and technical assistance. The specific roles, activities and capabilities of these services can vary greatly depending on local characteristics. Typical business advisory and support services include routine and financial responsibilities; distribution of state apportionment and other revenues; preparation of deposits and journal entries; fund, accounting and cash reconciliations; commercial warrant auditing and review; 1099 tax reporting; and oversight, including monitoring and approval of financial and budget activities and collective bargaining commitments under Assembly Bill (AB) 1200 and AB 2756.

County offices serving many small districts tend to be more involved in covering basic business services functions, focusing on ensuring ongoing fiscal solvency. FCMATs interviews with Sutter County Office personnel found that the extent of fiscal support offered to LEAs was not weighed consistently, and the extent of the services offered exceeds the industry standards based on the size of districts. Sutter County should clearly define a fee-for-services contract that outlines the services it can offer apart from those mandated by law.

## Recommendations

*The district should:*

1. Assess business office staffing levels based on changes in enrollment, educational programs offered and services provided to school districts.
2. Define the basic services offered to districts.
3. Develop a fee for the external accounting services contract that is available to the county's varying sized districts. Include language and additional fees for districts that have authorized charter schools.

# Appendices

**A: Study Agreement**

**B: Comparison Data**

**C: Segregation of Duties Questionnaire**



## Appendix A – Study Agreement



### FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM STUDY AGREEMENT December 19, 2016

The Fiscal Crisis and Management Assistance Team (FCMAT), hereinafter referred to as the team, and the Sutter County Superintendent of Schools, hereinafter referred to as the COE, mutually agree as follows:

#### 1. BASIS OF AGREEMENT

The team provides a variety of services to local educational agencies (LEAs). The COE has requested that the team assign professionals to study specific aspects of the county 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.

#### 2. SCOPE OF THE WORK

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

1. Conduct a comprehensive analysis of the organizational structure and staffing of the Business Services Department, including internal and external business services, provide comparative staffing data from three county offices of the same or similar classification and provide recommendations for staffing improvements or reductions, if any.
2. Evaluate the current work flow and distribution of functions in the internal and external business services divisions, and provide recommendations for improved efficiency, if any.
3. Review the types of external business services provided to districts, and provide comparative data from three county offices of the same or similar classification, making recommendations for improvements or reductions, if any.

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

1. **Orientation Meeting** - The team will conduct an orientation session at the COE to brief COE 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 COE office and at school sites if necessary.
3. **Exit Meeting** - The team will hold an exit meeting at the conclusion of the on-site review to inform the COE 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 memorializing the topics discussed in the exit meeting.
5. **Draft Report** - Electronic copies of a preliminary draft report will be delivered to the COE's administration for review and comment.
6. **Final Report** - Electronic copies of the final report will be delivered to the COE's administration following completion of the review. The final report will be published on the FCMAT website. Printed copies are available from FCMAT upon request.
7. **Follow-Up Support** - If requested by the COE within six to 12 months after completion of the study, FCMAT will return to the COE at no cost to assess the COE's progress in implementing the recommendations included in the report. Progress in implementing the recommendations will be documented to the COE in a FCMAT management letter. FCMAT will work with the COE on a mutually convenient time to return for follow-up support that is no sooner than eight months and no later than 18 months after the completion of the study.

**PROJECT PERSONNEL**

The study team will be supervised by Michael H. Fine, Chief Administrative Officer, Fiscal Crisis and Management Assistance Team, Kern County Superintendent of Schools Office. The study team may also include:

- |           |                                |                                |
|-----------|--------------------------------|--------------------------------|
| <b>A.</b> | <b><i>To Be Determined</i></b> | <b><i>FCMAT Staff</i></b>      |
| <b>B.</b> | <b><i>To be determined</i></b> | <b><i>FCMAT Consultant</i></b> |

#### 4. PROJECT COSTS

The cost for studies requested pursuant to Education Code (EC) 42127.8(d)(1) shall be as follows:

- A. \$650.00 per day for each staff team member while on site, conducting fieldwork at other locations, presenting reports, or participating in meetings. The cost of independent FCMAT consultants will be billed at their actual daily rate for all work performed.
- B. All out-of-pocket expenses, including travel, meals, and lodging.
- C. The COE 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 COE's acceptance of the final report.

**Based on the elements identified in section 2A, the total not-to-exceed cost of the study will be \$16,300.**

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

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

#### 5. RESPONSIBILITIES OF THE COE

- A. The COE will provide office and conference room space during on-site reviews.
- B. The COE 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 COE and sent to FCMAT in electronic format.
  5. Documents should be provided in advance of fieldwork; any delay in the receipt of the requested documents may affect the start date and/or completion date of the project. Upon approval of the signed study agreement, access will be provided to FCMAT's online SharePoint document repository, where the COE shall upload all requested documents.

- C. The COE'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(e), representatives of FCMAT will have limited contact with pupils. The COE shall take appropriate steps to comply with EC 45125.1(e).

## 6. PROJECT SCHEDULE

The following schedule outlines the planned completion dates for different phases of the study and will be established upon the receipt of a signed study agreement:

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

## 7. COMMENCEMENT, TERMINATION AND COMPLETION OF WORK

FCMAT will begin work as soon as it has assembled an available and appropriate study team consisting of FCMAT staff and independent consultants, taking into consideration other jobs FCMAT has previously undertaken and assignments from the state. The team will work expeditiously to complete its work and deliver its report, subject to the cooperation of the COE and any other parties from which, in the team's judgment, it must obtain information. Once the team has completed its fieldwork, it will proceed to prepare a preliminary draft report and a final report. Prior to completion of fieldwork, the COE may terminate its request for service and will be responsible for all costs incurred by FCMAT to the date of termination under Section 4 (Project Costs). If the COE does not provide written notice of termination prior to completion of fieldwork, the team will complete its work and deliver its report and the COE will be responsible for the full costs. The COE understands and agrees that FCMAT is a state agency and all FCMAT reports are published on the FCMAT website and made available to interested parties in state government. In the absence of extraordinary circumstances, FCMAT will not withhold preparation, publication and distribution of a report once fieldwork has been completed, and the COE shall not request that it do so.

## 8. INDEPENDENT CONTRACTOR

FCMAT is an independent contractor and is not an employee or engaged in any manner with the COE. The manner in which FCMAT's services are rendered shall be within its sole control and discretion. FCMAT representatives are not authorized to speak for,

represent, or obligate the COE in any manner without prior express written authorization from an officer of the COE.

9. **INSURANCE**

During the term of this agreement, FCMAT shall maintain liability insurance of not less than \$1 million unless otherwise agreed upon in writing by the COE, automobile liability insurance in the amount required under California state law, and workers compensation as required under California state law. FCMAT shall provide certificates of insurance, with Sutter County Superintendent of Schools named as additional insured, indicating applicable insurance coverages upon request.

10. **HOLD HARMLESS**

FCMAT shall hold the COE, its board, officers, agents and employees harmless from all suits, claims and liabilities resulting from negligent acts or omissions of its board, officers, agents and employees undertaken under this agreement. Conversely, the COE shall hold FCMAT, its board, officers, agents and employees harmless from all suits, claims and liabilities resulting from negligent acts or omissions of its board, officers, agents and employees undertaken under this agreement.

11. **CONTACT PERSON**

Contact person: Gail Atwood  
 Telephone: (530) 822-2957  
 E-mail: [gaila@sutter.k12.ca.us](mailto:gaila@sutter.k12.ca.us)

Dr. Baljinder Dhillon 12/20/16

Dr. Baljinder Dhillon, Superintendent  
 Sutter County Superintendent of Schools

Date

Michael H. Fine

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 Chief Administrative Officer  
 Fiscal Crisis and Management Assistance Team

December 19, 2016

Date







## Appendix C – Segregation of Duties Questionnaire

### *Segregation of Duties Questionnaire – Purchasing and AP*

A fundamental element of internal control is the segregation of certain key duties. Adequate segregation of duties reduces the likelihood that errors (intentional or unintentional) will remain undetected by providing for separate processing by different individuals at various stages of a transaction and for independent reviews of the work performed.

The basic idea underlying segregation of duties is that no employee or group should be in a position both to perpetrate and to conceal errors or fraud in the normal course of their duties. In general, the principal incompatible duties to be segregated are:

- Custody of assets;
- Authorization or approval of related transactions affecting those assets;
- Recording or reporting of related transactions, and
- Execution of the transaction or transaction activity

In addition, a control over the processing of a transaction generally should not be performed by the same individual responsible for recording or reporting the transaction.

The requisition, ordering, receiving, paying, and general accounting activities need to be appropriately segregated if all control objectives are to be met. For example, those who perform the ordering (purchasing) activity, including those who maintain contact with outside suppliers and issue purchase orders, should not perform any receiving, accounting, or cash disbursement activities.

The duties to be considered in determining the adequacy of segregation of duties among those responsible for purchases transactions are listed in the following table. In smaller organizations, these duties may also need to be reviewed along with those of other functions, as some individuals may have responsibilities in more than one area.

List the names of individuals responsible for each function in the column indicated (e.g., the names of the individuals who are responsible for issuing purchase orders would fall into the recording column). If a function is performed by a computer application, then indicate “computer” or “IT” in the applicable column. If an individual performs a function by using an IT application, make an “IT” notation (where applicable) to facilitate consideration of the relevant application access controls.

Review the table for individuals whose names are listed in more than one column, and then determine whether that represents a potential lack of segregation of duties. Also consider whether individuals are performing incompatible duties within the same column (e.g. Control Procedure). If an individual is identified as performing incompatible duties, all duties performed by that individual should be reviewed to determine whether the effectiveness of those duties or whether there is a risk of fraud due to the lack of segregation of duties.

Completion of this table is intended to highlight potentially conflicting duties, but is not intended to be the only method of identifying all such conflicting duties. Additional reporting and review processes or spot checks may be included to ensure identification of fraud.

	Authorization	Custody of Assets	Recording	Control Procedure
Issuance of purchase requisitions				
Approval of purchase requisitions				
Issuance of purchase orders				
Approval of access to vendor master files				
Approval of purchase orders				
Approval of access to purchase-related data files				

	Authorization	Custody of Assets	Recording	Control Procedure
Issuance of debit memos to vendors				
Issuance and signing of receiving reports				
Matching of invoices to purchase orders and receiving reports				
Coding account distribution of vendor invoices				
Approval of voucher packages for payment				
Preparation of checks				
Signing of check				
Mailing of checks				
Maintenance of the purchases journals				
Maintenance of accounts payable records				
Reconciliation of the accounts payable records (or the total of unpaid vouchers) with the general ledger control account				
Control of the accuracy, completeness of, and access to purchasing and accounts payable programs and data files				