

June 12, 2018

Stacey Adler, Superintendent  
Mono County Office of Education  
451 Sierra Park Rd.  
Mammoth Lakes, CA 93546

Dear Superintendent Adler:

The purpose of this management letter is to provide the findings and recommendations identified by the Fiscal Crisis and Management Assistance Team (FCMAT) following completion of fieldwork and document review conducted for the Mono County Office of Education.

In February 2018, FCMAT and the county office entered into an agreement for management assistance. The agreement states that FCMAT will perform the following:

1. Conduct a review of the county's compensation and payroll policies, procedures and related internal controls and make recommendations for improvement, if any.

FCMAT visited the county office on March 28-29, 2018, to conduct interviews, collect data and begin reviewing documents. In the weeks that followed, the FCMAT study team collected and reviewed policy and procedure documents from numerous county offices throughout the state.

This management letter contains the study team's findings and recommendations.

## Introduction

The Mono County Office of Education has an elected county superintendent of schools and a five-member elected county board of education. The county office serves approximately 383 students in grades 9-12 at three alternative education sites, provides special education services, and runs an Adult Education program. Mono County covers 3,030 square miles and has a population of 14,202. The county office provides services to and oversight of two K-12 school districts, and in 2016-17 was the authorizer of three charter schools with a combined enrollment of 453 students. As of July 1, 2017, only one charter school, with an enrollment of 280 students, remained under the sponsorship of the county office. According to Ed Data, the total countywide average daily attendance (ADA) was 1,998 in 2016-17.

### FCMAT

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Administrative Agent: Mary C. Barlow - Office of Kern County Superintendent of Schools

## Study Team

The study team was composed of the following members:

Shayleen Harte  
FCMAT Deputy Executive Officer  
Bakersfield, CA

Debbie Riedmiller, CFE  
FCMAT Intervention Specialist  
Bakersfield, CA

John Lotze  
FCMAT Technical Writer  
Bakersfield, CA

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

## Policies

The county office provided FCMAT with the following superintendent policies and administrative regulations related to payroll, compensation and leave:

- SP 4180.00, SP 4280.00, SP 4380.00 – Leaves, dated July 2002
- SP 4181.00, SP 4281.00, SP 4381.00 – Personal Necessity Leave, dated October 22, 2009
- SP 4264.00, SP 4364.00 – Vacations, dated September 2008
- AR 4180.02 – Personal Illness and Injury Leave, dated October 22, 2009
- AR 4243.8 – Exempt Positions Excluded from Overtime, dated July 2002
- AR 4261.00 – Paid Overtime, dated February 2005
- AR 4262.00 – Compensatory Time Off, dated July 2002
- AR 4280.02, AR 4380.02 – Personal Illness and Injury Leave, dated November 2003
- AR 4280.07, AR 4380.07 – Vacation Leave, dated July 2002
- AR 4900.04 – Vehicle Usage, dated December 2002

A review of the county office's policies and administrative regulations indicated that it lacks policies and regulations for some key functions, and that many existing policies and regulations are outdated; some are 16 years old. Policies and regulations need to be updated regularly to reflect current laws, regulations, court decisions and best practices. FCMAT also found that some policies and regulations are in conflict with collective bargaining agreements and/or the employee handbook.

Having superintendent-approved policies and regulations in key areas helps align procedures with the governing board's direction, increases transparency, and protects the county office. The county office needs to adopt and/or revise board policies and administrative regulations for key personnel topics as soon as possible. Using a well-recognized source of updated sample policies such as the California School Boards Association for this process is advisable.

FCMAT found the following inconsistencies among the county office's policies, administrative regulations, collective bargaining agreements, and employee handbook:

#### **AR 4180.02 – Personal Illness and Injury Leave**

This administrative regulation indicates that full-time certificated employees who work 180-190 days per year earn 10 days of sick leave each year, may use seven of the 10 days for personal necessity, and may use five of the seven personal necessity days for personal business. Full-time certificated employees who work 191 or more days per year earn 12 days of sick leave each year, with the same number of days for personal necessity and personal business as outlined above. The employee handbook permits the same amount of sick leave and the same allowances for personal necessity and personal business. The bargaining agreement with certificated employees does not state how many sick leave days a full-time certificated employee earns but entitles certificated employees to use ten days of sick leave for personal necessity and/or personal business.

This administrative regulation also allows certificated employees to receive substitute differential pay (that is, be paid the difference between what their substitute is costing and what they would receive) for up to 100 days in case of absence due to injury or extended illness. Any paid leave the employee has is used first; the differential pay then begins and continues for the remainder of the 100 day period.

However, neither the employee handbook nor the bargaining agreement with certificated employees has provisions for substitute differential pay for extended absence due to illness or injury. The county office needs to review this administrative regulation and its collective bargaining agreement, employee handbook and current practice, and revise the regulation and/or other documents as needed to ensure they are consistent with one another and in compliance with current laws and regulations.

#### **SP 4181.00, SP 4281.00, SP 4381.00 – Personal Necessity Leave**

These superintendent's policies relate to certificated, classified, administrative and supervisory personnel. These policies state that employees may use up to seven days of sick leave for personal necessity during the school year but do not state how many days can be used for personal business. As previously mentioned, the employee handbook permits certificated employees seven days of personal necessity leave, with five of the seven allowed to be used for personal business. The employee handbook gives classified employees eight days of personal necessity leave but makes no mention of days that may be used for personal business. The collective bargaining agreement with certificated employees entitles those employees either 10 or 12 earned days of sick leave as outlined above, and allows 10 of the sick leave days to be used for personal necessity and/or personal business. The county office will need to review the above superintendent's policies and its administrative regulations, collective bargaining agreement, employee handbook and current practice, and revise its policies and/or other documents as needed to ensure they are consistent with one another and in compliance with current laws and regulations.

#### **AR 4280.02, AR 4380.02 – Personal Illness and Injury Leave**

These administrative regulations entitle full-time classified employees to 12 days of sick leave per fiscal year. Seven of the 12 days may be used for personal necessity, and two of the seven days may be used for personal business. The employee handbook entitles full-time classified employees to 13 days of sick leave, allows eight of those days to be used for personal necessity, and makes no mention of days that may be used for personal business. The bargaining agreement with classified employees entitles full-time employees to 13 days of sick leave, allows eight of those days to be used for personal necessity, and makes no mention of days that may be used for personal business. The county office's absence information sheet indicates that classified employees receive 13 days of sick leave, seven days for personal necessity, and two days for personal business.

In addition, these administrative regulations entitle classified employees to substitute differential pay for up to 100 days in case of absence due to injury or extended illness. Any paid leave the employee has is

used first; the differential pay then begins and continues for the remainder of the 100 day period. The collective bargaining agreement with classified employees allows up to five months of differential pay for extended absence due to injury or illness. The county office needs to review this administrative regulation and revise it to be consistent with the bargaining agreement.

#### **AR 4280.07, AR 4380.07 – Vacation Leave**

These administrative regulations govern vacation leave and accrual for classified employees. The regulations prohibit employees from carrying over more than 240 hours of vacation leave into the next fiscal year. Staff reported that vacation leave balances over 240 hours are paid out to employees at the end of the fiscal year; however, these regulations do not specify such payouts. The county office will need to review these regulations and its collective bargaining agreement with classified employees, its employee handbook, and its current practice, and revise its regulations and/or other documents as needed to ensure they are consistent with one another and in compliance with current laws and regulations. Appendix A of this letter contains sample policies that may help the county office as it reviews and revises these regulations.

#### **AR 4243.8 – Exempt Positions Excluded From Overtime**

This administrative regulation identifies two classified positions as exempt from overtime. One of the positions listed no longer exists. The county office needs to revise this regulation. Appendix B of this letter contains sample policies in this area that may help the county office as it reviews and revises this policy.

#### **AR 4261.00 – Paid Overtime**

This administrative regulation specifies overtime pay for work over eight hours in one day and/or over 40 hours in one week. The regulation does not specify that overtime pay is one and one-half times the rate of regular pay. Appendix C of this letter contains sample policies in this area that may help the county office correct this issue and revise and update its policy.

#### **AR 4262.00 – Compensatory Time Off**

This administrative regulation allows employees to choose either compensatory time off at one and one-half hours for each hour of overtime worked, or overtime pay. The regulation states compensatory time off must be taken within 12 calendar months following the month in which it was earned. It also states compensatory time off must be taken during the fiscal year in which it is earned, with the exception that two days may be carried forward into the first pay period of the following fiscal year if authorized by the county superintendent. These statements contradict each other. Staff report that compensatory leave balances are paid out at the end of the fiscal year; however, the administrative regulation does not state to do so.

The county office will need to revise these administrative regulations or adopt a new one that combines paid overtime and compensatory time off. Appendix D of this letter contains sample policies related to compensatory time off that may help the county office make these changes.

#### **Catastrophic Leave**

The county office has catastrophic leave provisions in its bargaining agreements with certificated and classified employees; however, it has no superintendent policy related to catastrophic leave, nor does its employee handbook mention this type of leave. The county office needs to update its employee handbook and adopt a catastrophic leave policy that is consistent with the law, its bargaining agreements and current practice. Appendix E of this letter contains sample board policies and administrative regulations in this area that may help the county as it crafts a new policy.

#### AR 4900.04 – Vehicle Usage

This administrative regulation governs employee use of county-owned vehicles as well as privately owned vehicles used for county office business. The regulation states that employees who use their personal vehicle when a county-owned vehicle is available will be reimbursed at the current cost of operating the county-owned vehicle, or approximately \$0.25 per mile. However, the county office's mileage reimbursement forms and instructions indicate a mileage reimbursement rate of 80% of the IRS rate.

The county office's current mileage rates are lower than the IRS rate, which is allowable. If the county office chooses to reimburse employees at a mileage rate higher than the IRS rate, the amount in excess of the IRS rate is considered a taxable wage and should be processed through payroll. Further information can be found in IRS Publication 463, available at <https://www.irs.gov/forms-instructions>.

The administrative regulation also states that employees must submit a claim for reimbursement within five days following the 20th of the month in which the mileage is accrued. As written, this AR would make it impossible to submit for reimbursement if the travel occurred on the 26<sup>th</sup> through the end of the month, though staff did not report that this was a problem. However, the county office's mileage reimbursement form indicates that claims must be submitted within 30 days of travel. The county office needs to review and revise this administrative regulation to ensure consistency with practice and that end of the month travel is included.

It may also benefit the county office to adopt a separate policy and regulations concerning approval of and reimbursement for employees' travel expenses other than mileage; such a policy will typically provide more specific direction on various travel expenses.

If the county office chooses to adopt a separate policy and regulations related to employee travel expenses, it is best practice to include the following elements:

- Approval request for out-of-county or out-of-state travel.
- Procedures and timelines for submission of travel request.
- Procedures and timelines for submission of claim for reimbursement.
- Types of reimbursable expenses (e.g. registration, lodging, meals, mileage).
- Rate of mileage reimbursement.
- A maximum amount for lodging; amounts exceeding the maximum rate requires superintendent approval.
- Specific amounts for, and departure or return times required to qualify for, reimbursements for breakfast, lunch, and dinner.
- Meals reimbursements only for trips that require overnight travel (per IRS regulations, if overnight travel is not necessary and meals are reimbursed, this must be reported as taxable income).
- A maximum allowable gratuity amount.
- Miscellaneous reimbursable expenses (e.g., parking, tolls).
- Prohibition of reimbursements for personal expenses including alcohol, laundry, valet, entertainment, traffic violations, and expenses of family member.

- Requirement for documentation of conference, workshop and meeting attendance (e.g., registration form, flyer, or agenda) that specifies the date(s) and time(s) of the conference, workshop or meeting, and whether meals are included.
- Requirement for documentation of all expense, including itemized receipts for all expenses. Meals are exempt from this requirement if the county office chooses to reimburse at the per diem amount.

Appendix F of this letter contains sample policies that may help the county revise its policies and create new policies needed in this area.

The county office will need to set aside time to review and revise outdated policies and regulations and to develop and implement recommended new personnel-related policies and regulations. Policies and regulations should reflect current laws and regulations, including the California Education Code, Labor Code, Government Code and others. The county office will also need to review bargaining agreements, employee handbooks, and forms and instructions, to ensure that policies, regulations, and procedures are consistent.

Appendix G of this letter contains the following samples of policies and regulations that the county office either does not have or for which it has outdated versions.

- AR 4112.1 – Contracts
- AR 4121 – Substitute/Temporary Certificated Personnel
- SP 4151, 4251, 4351 – Employee Compensation
- SP 4157.1, 4257.1, 4357.1 – Work-Related Injuries
- SP 4161, 4261, 4361 – Leaves
- AR 4161, 4261, 4361 – Leaves
- AR 4161.1, 4361.1 – Personal Illness/Injury Leave
- AR 4161.11, 4361.11 – Industrial Accident/Illness Leave
- AR 4161.2, 4261.2, 4361.2 – Personal Leaves
- AR 4161.3 – Professional Leaves
- AR 4161.5, 4261.5, 4361.5 – Military Leave
- AR 4161.8, 4261.8, 4361.8 – Family Care and Medical Leave
- AR 4221 – Substitute/Temporary Classified Personnel
- SP 4251.1 – Substitute Salary Schedule
- AR 4261.1 – Personal Illness/Injury Leave
- AR 4261.11 – Industrial Accident Leave
- SP 4312.1 – Contracts
- BB 9000 – Role of the Board
- BB 9500 – County Superintendent’s Remuneration

It would benefit the county office to review, use and customize the above sample policies and regulations as needed as it develops new and revises existing policies and regulations.

## **Recommendations**

*The county office should:*

1. Review its polices 4181.00, 4281.00, 4381.00 and administrative regulations 4180.02, 4243.8, 4261.00, 4262.00, 4280.02, 4380.02, 4280.7, 4380.07 and 4900.04, and revise these policies and administrative regulations and/or current practices and other documents such as collective bargaining agreements and the employee handbook to ensure they are consistent with one another and in compliance with current laws and regulations.
2. Develop and adopt policies and regulations for catastrophic leave and for travel expenses other than vehicle mileage. Ensure consistency between and among these new policies and its collective bargaining agreements, employee handbook, and existing practices, as well as compliance with current laws and regulations.
3. Develop a schedule for regularly and systematically reviewing all of its existing policies, regulations and other guiding documents to ensure they reflect current laws, regulations, court decisions and best practices.
4. Ensure employees consistently follow policies, regulations and other guiding documents such as collective bargaining agreements, the employee handbook, and best practices once they are updated and aligned with one another and in compliance with current laws and regulations.

## **Procedures**

Staff reported that employees are often unsure which procedure to follow or whether one exists. The county office has few written procedures, and in some cases stated procedures differ or conflict with one another. Every employee FCMAT interviewed commented on the lack of well-defined administrative regulations and/or desk procedures detailing various roles and responsibilities.

The county office has recently formalized some payroll procedures. However, because it is a small organization with few employees overall and even fewer who perform the same duties, it is imperative that the county office create a desk manual for each position that outlines the procedures needed to successfully complete each job function. Having desk manuals in place allows another employee to more easily perform duties when an employee is absent.

### **New Employees or Positions**

Departments start a request for a new employee or a new position by completing and submitting an employee position request form. Most requests are completed using the online Talent Ed system, but some are submitted using a paper form. The form is routed for approval either electronically or manually to the department supervisor, business manager, chief business officer, payroll specialist, human resources administrator, and superintendent. Once approved, human resources staff enter employee demographic information and assign the employee to a position in the position control system. The payroll specialist completes information on taxes, retirement, direct deposit and deductions, and verifies salary infor-

mation. The business manager enters and maintains employee leave information. This process is well documented, and proper internal controls are in place. It would benefit the county office to ensure that all position requests are submitted and routed using the Talent Ed online system. The electronic process is more efficient, eliminates the potential for lost forms, and creates an electronic workflow that tracks the approval process.

### **Time Sheets**

Classified hourly employees, substitutes, adult education teachers, library workers, Peapod leaders, and First 5 staff complete monthly time sheets using paper forms. These are routed for approval manually to the department supervisor and then to the payroll specialist for entry into the financial system. Although a time sheet requires the employee's and supervisor's signatures, there is no certification statement indicating that the signatures attest that the time reported is true and correct. The monthly time sheet instructions indicate that a payroll processing schedule is posted on the county office website. However, the payroll calendar on the website at the time of FCMAT's review was for the 2015-16 fiscal year.

### **Overtime**

Overtime hours worked must be approved in advance by an employee's supervisor, and are reported on the overtime authorization form. Employees may request either pay or compensatory leave time for overtime hours worked. The overtime authorization form is signed by the employee and supervisor and is then routed to payroll. The form has no certification statement indicating that the signatures attest that the time reported is true and correct.

If an employee wishes to be paid for overtime, the payroll specialist inputs the time into the payroll system. If the employee wishes to accrue compensatory leave time, the payroll specialist forwards the overtime form to the business manager, who inputs the time into the employee leave tracking system. The business manager monitors employees' leave accrual balances and sends monthly reports to the chief business officer and to program directors. The county office does not have an electronic overtime authorization form in its Talent Ed system but could create one; doing so would enable it to route this form electronically for approvals, increasing efficiency, reducing the potential for lost forms and creating an electronic workflow that tracks the approval process.

### **Stipend and other Supplemental Pay**

The county office pays various stipends to employees for short-term or one-time assignments beyond their normal duties. Typically, the employee's department director sends an email to the chief business officer, who forwards the email to payroll. The payroll specialist makes the entry in the payroll system. This process lacks good internal controls and does not provide adequate documentation of approval for the stipend payment.

It is best practice to include provisions regarding stipends in collective bargaining agreements or on a salary schedule, and to have a formal process for payment of stipends. FCMAT has rarely seen stipends for additional duties that fall outside of the collective bargaining agreement or salary schedule, especially at the management level.

To initiate a stipend payment to an employee, staff and administrators should follow the same general process used for other pay requests. This would ideally include using the existing employee position request form or a newly created supplemental pay authorization form. Any new form for this purpose would need to include all types of supplemental pay, including short-term and extra help, long-term substitute certificated staff, added assignments, working out of classification, and stipends. This form



would also need to be added to the Talent Ed system so it can be originated and routed for approvals electronically. Any additional pay for the county superintendent requires board approval.

### **Catastrophic/Calamitous Leave**

The collective bargaining agreement with classified employees states that employees may donate sick leave to the catastrophic/calamitous leave bank, specifies an open enrollment period during which employees may donate leave, states that employees may contribute a minimum of eight hours (four hours if they work half time or less) and a maximum of 40 hours (20 hours if they work half time or less), and indicates that donations shall be to the leave bank as a whole rather than for a specific employee.

However, the county office's vacation donation form and accompanying instructions state that sick leave may not be donated, that employees may donate vacation hours at any time, that an employee may donate from one to 40 hours of leave, and that donations will not be accepted without the donation recipient's name and signature.

The county office needs to revise its vacation donation forms to be consistent with what is stated in the collective bargaining agreements.

### **Travel Expense Reimbursement**

The county office uses a generic expense reimbursement form for employee reimbursement requests, including for travel. The instructions for the form require the employee to attach the travel request form. The expense reimbursement form does not include fields for mileage, meals, dates of travel, destination, purpose, departure and return times, meal type (breakfast, lunch, dinner) and cost, or other travel-related expenses. The form also lacks a statement that the information entered is true and correct and was incurred for official county office business. These items need to be included.

Many education agencies use the per diem amounts for meals specified by the General Services Administration (GSA) for the continental United States (CONUS). These are the maximum amounts federal employees are reimbursed for expenses incurred while on official travel. Per diem rates can be claimed instead of submitting receipts for each meal. The rates may be found online at <https://www.gsa.gov/travel/plan-book/per-diem-rates>.

## **Recommendations**

*The county office should:*

1. Train and require all employees to use the Talent Ed online system when adding new employees. Eliminate the use of paper employee position request forms.
2. Add a certification statement to its overtime authorization and supplemental pay authorization forms above the signature line to ensure that signers attest that the time reported is true and correct.

Add these forms to the Talent Ed system so workflow and approvals are performed and tracked electronically.

3. Add a certification statement to its monthly time sheet above the signature line to ensure that signers attest that the time reported is true and correct.
4. Ensure that its website includes the payroll calendar for the current fiscal year.

5. Ensure that all stipends are specified in its collective bargaining agreements or on its salary schedules, and that any requests for stipend payments are initiated and follow a formal process that includes use of its existing employee position request form or a newly created supplemental pay authorization form. Ensure whichever form is used is routed electronically through the Talent Ed online system for approvals. Ensure any additional pay for the county superintendent has board approval.
6. Revise its vacation donation form to align with its collective bargaining agreement with classified employees.
7. Create a travel reimbursement form that includes fields for dates of travel, departure and arrival times, destination, purpose, mileage, meals, lodging, and other expenses. Ensure that the form also includes a certification statement that the information entered is a true and correct and that the expenses were incurred for official county office business.

FCMAT appreciates the opportunity to serve you and extends thanks to all the staff of the Mono County Office of Education for their assistance and cooperation during this review.

Sincerely,

A handwritten signature in black ink that reads "Shayleen Harte". The signature is written in a cursive, flowing style.

Shayleen Harte  
FCMAT Deputy Executive Officer