



# **Cutler-Orosi Joint Unified School District**

## **Business and Personnel Review**

March 30, 2010

Joel D. Montero  
Chief Executive Officer





**CSIS California School Information Services**

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March 30, 2010

Carolyn Kehrli, Ed.D., Superintendent  
Cutler-Orosi Joint Unified School District  
12623 Avenue 416  
Orosi, CA 93647

Dear Superintendent Kehrli:

In September 2009, the Cutler-Orosi Joint Unified School District entered into a study agreement with the Fiscal Crisis and Management Assistance Team (FCMAT) for FCMAT to perform the following:

1. **Business and Personnel Review:** The district requests that the team provide an in-depth review of the Business and Personnel Divisions' processes and procedures and make recommendations, if needed to improve the efficiency and productivity of the departments. The following functions of the Business and Personnel Department will be reviewed:

- ▶ Budget Development
- ▶ Internal Controls
- ▶ Payroll\Position Control
- ▶ Accounts Payable
- ▶ Cash Management
- ▶ Categorical Programs
- ▶ Financial Reporting
- ▶ Other Funds
- ▶ Year End Closing

FCMAT visited the district in December 2009 to collect data, conduct interviews and review documents. This report is the result of those activities. Thank you for allowing us to serve you, and please give our regards to all the employees of the Cutler-Orosi Joint Unified School District.

Sincerely,

Joel D. Montero  
Chief Executive Officer

**FCMAT**

Joel D. Montero, Chief Executive Officer

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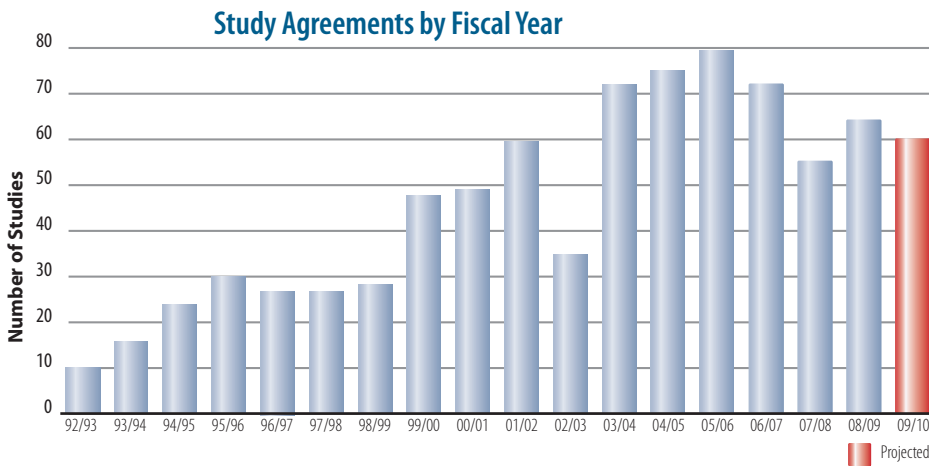
# Foreword - FCMAT Background

The Fiscal Crisis and Management Assistance Team (FCMAT) was created by legislation in accordance with Assembly Bill 1200 in 1992 as a service to assist local educational agencies (LEAs) in complying with fiscal accountability standards.

AB 1200 was established from a need to ensure that LEAs throughout California were adequately prepared to meet and sustain their financial obligations. AB 1200 is also a statewide plan for county offices of education and school districts to work together on a local level to improve fiscal procedures and accountability standards. The legislation expanded the role of the county office in monitoring school districts under certain fiscal constraints to ensure these districts could meet their financial commitments on a multiyear basis. AB 2756 provides specific responsibilities to FCMAT with regard to districts that have received emergency state loans. These include comprehensive assessments in five major operational areas and periodic reports that identify the district’s progress on the improvement plans.

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

Since 1992, FCMAT has been engaged to perform nearly 750 reviews for local educational agencies, including school districts, county offices of education, charter schools and community colleges. Services range from fiscal crisis intervention to management review and assistance. FCMAT also provides professional development training. The Kern County Superintendent of Schools is the administrative agent for FCMAT. The agency is guided under the leadership of 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.



<b>Total Number of Studies.....</b>	<b>743</b>
<b>Total Number of Districts in CA.....</b>	<b>1,050</b>
Management Assistance.....	705 (94.886%)
Fiscal Crisis/Emergency .....	38 (5.114%)
Note: Some districts had multiple studies.	
Eight (8) districts have received emergency loans from the state (Rev. 12/8/09)	





# Introduction

## Background

Located in Tulare County, the Cutler-Orosi Joint Unified School District has a seven-member governing board. The district serves approximately 4,200 kindergarten through twelfth grade students in four elementary, one middle school, one comprehensive high school, three alternative high schools, and a community day school. The district also offers an adult education program. The district's 2009-10 general fund revenue budget is \$44.1 million.

Approximately 56 percent of the district's students are English learners and 91 percent are eligible for free and reduced-price meals. According to the 2009 Adequate Yearly Progress (AYP) Report, the district has been a program improvement district since 2006-07. All schools and local educational agencies that do not make AYP are identified as Program Improvement (PI) under the federal Elementary and Secondary Education Act (ESEA). The ESEA requires all states to implement statewide accountability systems based on challenging state standards in reading and mathematics, annual testing for all students in grades three through eight, and annual statewide progress objectives ensuring that all groups of students reach proficiency within 12 years. Assessment results are disaggregated by socioeconomic status, race, ethnicity, disability, and limited English proficiency to ensure that no group is left behind. Schools that fail to make AYP toward statewide proficiency goals are subject to improvement and corrective action measures.

In September, 2009 the Fiscal Crisis and Management Assistance Team (FCMAT) entered into an agreement with the district for management assistance. The study agreement specifies that FCMAT will complete the following:

1. **Business and Personnel Review:** The district requests that the team provide an in depth review of the Business and Personnel Divisions' processes and procedures and make recommendations, if needed, to improve the efficiency and productivity of the departments. The following functions of the Business and Personnel Department will be reviewed:
  - Budget Development
  - Internal Controls
  - Payroll/Position Control
  - Accounts Payable
  - Cash Management
  - Categorical Programs
  - Financial Reporting
  - Other Funds
  - Year End Closing

## Study Team

The FCMAT study team was composed of the following members:

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Huntington Beach, California

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## Study Guidelines

FCMAT visited the district on December 16 and 17, 2009 to conduct interviews, collect data and review documentation. This report is the result of those activities and is divided into the following sections:

- I. Executive Summary
- II. Organization and Staffing
- III. Business Department Processes and Procedures
- IV. Personnel Department Processes and Procedures
- V. Appendices

## Executive Summary

The Cutler-Orosi Joint Unified School District's Administrative Services Division provides operational services and includes the Business and Personnel departments as well as several other departments. The Business Department provides budget, payroll, and accounting services to all sites and departments. The Personnel Department provides for the recruitment and selection of employees as well as all other personnel related functions.

The loss of two full-time positions in the Business and Personnel departments, the receptionist and a business services technician, has affected the support-staff workload. Several staff members report working extra hours because they cannot accomplish all the necessary tasks during a normal workday. The district should review the work assigned to each position and prioritize duties so that they can be completed in the regular workday. The district should also consider conducting a staffing comparison with unified districts that are similar in size to determine whether the departments are adequately staffed or if these positions should be filled as budgetary conditions permit.

The district provided cross-training in several areas of the Business and Personnel departments. However, minimal or no cross training has been provided for some of the key functions essential to district operations such as accounts receivable and the revolving cash fund. The district could be at risk if employees have not received cross-training in these functions.

In August 2009, the district hired a chief financial officer (CFO) to replace the previous employee who retired. The CFO has primary responsibility for developing the district's budget. During his tenure, the CFO has worked to improve budget development and monitoring. The district staff indicated that they performed an extensive review of the general fund budget at the 2009-10 first interim financial reporting period and that a detailed analysis revealed numerous necessary budget adjustments. In addition, the first interim reporting materials included charts, graphs and budget assumptions that provided additional tools for the governing board to better understand the district's budget.

The district should revise its budget development calendar to include each specific task, the position responsible, and the time line for completing each task. Site and department managers should be involved in budget development. This would help foster acceptance at the site and department level, promote a deeper understanding of budgetary issues, and possibly lead to fewer budget transfers throughout the year.

The district uses Excel spreadsheets for position control because the Standardized Account Code Structure (SACS) financial software does not offer a position control module. These spreadsheets cannot be uploaded to SACS for budgeting or payroll purposes. Using a spreadsheet to track employee costs can be cumbersome and time-consuming and increase the potential of errors. The district should continue to work

with the county office to determine whether a position control module can be added to SACS. The district should also review the account coding for each position listed on the position control spreadsheets to ensure they are coded and charged in compliance with the California School Accounting Manual.

Purchase requisitions are entered into SACS by school site and/or department staff and proceed through several levels of verification and budget review before they are approved and a purchase order is printed. The district should consider routing the requisitions to the appropriate departments before they are routed to the business office to save processing time. To help ensure proper internal controls, the district should require two signatures on purchase orders, one from a business office management staff member.

Open purchase orders should specify a specific length of time for use, such as one quarter of the fiscal year, and include the names of authorized purchasers on the face of the document. A statement should also be printed on each open purchase order indicating that the district will not honor purchases that exceed the dollar limit shown on the order.

Payroll and accounts payable warrants are returned to the business services technicians who processed them for payment after they are printed and released by the county office. Proper internal control procedures should prevent the same person from initiating, processing, and mailing transactions. The district should review this step and make adjustments to ensure the warrants do not return to the same individual who processed the payment.

A business services technician maintains the revolving cash fund, processing the checks, acting as an authorized signer, replenishing funds, and balancing the bank statement for the account. A sound internal control structure requires job duties to be segregated to properly maintain the district's assets. To help ensure that proper internal control procedures are followed, the revolving cash fund duties should be separated.

One business services technician opens the mail, logs the cash and checks received, prepares the receivables for deposit, and takes the deposit to the County Treasurer's Office. The same technician also prepares invoices. To help provide for proper internal controls, the duties for invoicing, cash receipting and depositing processes need to be separated. In addition, the district should ensure that deposits are made to the County Treasurer's Office at least once per week.

The district's 2006-07, 2007-08 and 2008-09 independent audit reports include several findings related to student attendance reporting. The district should work with its auditors to determine whether the student information system will provide the information needed for the state's attendance reports so that preparation of a separate Excel spreadsheet can be discontinued. The annual audit should be shared with all affected staff members, and training should be provided at the site and district levels so that employees have the information needed to correct the findings and ensure proper procedures are followed.

The Personnel Department recently developed a manual that includes numerous processes, procedures and forms for personnel-related functions. The manual is well written and provides legal guidelines for compliance purposes. The manual should be shared with all affected parties, and management staff members should receive training to ensure they are implementing the processes and procedures included in the manual. In addition, all parties included in the hiring process should be provided with information regarding the processes and procedures of employee selection. This should include the confidentiality requirements and emphasize that final employee selection is a governing board decision based on the recommendation from the superintendent or designee.

The district should consider membership in organizations such as the Cooperative Organization for the Development of Employee Selection Procedures (CODESP) and Cooperative Personnel Services (CPS) to further refine selection procedures and help maintain professional knowledge and skills in personnel-related issues.

The district should expand employee orientation procedures to include a time to meet with new classified employees and consider including some orientation materials and personnel forms on the district's Web page. The Web site should also be used to provide employees and the community with relevant information on each district department. This information could include foggy day schedules, board policies, job descriptions, salary schedules, health and welfare benefit information, districtwide forms, school site information, program improvement data, and agendas and minutes for governing board meetings.

A review of the job descriptions for staff members of the Business and Personnel departments indicated that minor revisions should be made. There is some confusion in the district's various written materials regarding the use of the terms position, job description, and class. The documents should be revised to ensure that the proper terminology is used. In addition, the district should consider allowing for the listing of different work years and/or hours per day on job descriptions that include positions with different assignments.

The classification index for the classified salary schedule should be reviewed to ensure that it contains gender neutral titles for each classification and that salary ranges are shown in a format that is easier to read.

The district should consider transferring the files of former employees to microfilm or an electronic format to reduce the need for storage space. If the district's record retention policy permits, some personnel forms, such as individual absence tracking documents, could be destroyed following the required retention period.

The district lacks a formal return-to-work program. This program can provide an opportunity for injured employees to return to work as soon as medically appropriate and help control workers' compensation costs. The district should consider implementing such a program.

# Findings and Recommendations

## Organization and Staffing

The district's Administrative Services Division consists of several departments including the Business and Personnel departments, food service, technology, and maintenance, operations and transportation. The assistant superintendent of administrative services has overall responsibility for the division, directly supervises the Personnel Department and performs some of the complex technical duties for credentials, seniority lists, procedure manuals, selection and evaluation of employees, and negotiations as well as administrative duties. This position is a member of the superintendent's cabinet. A review of the district's organizational chart found that the Personnel Department is not included.

The chief financial officer – budget supervisor (CFO) reports to the assistant superintendent and supervises the district's accounting and financial record-keeping activities as well as business office staff members. The CFO has the primary responsibility for developing the district's budget and the interim financial reports.

The primary functions of the positions in the Business and Personnel departments are as follows:

### **Business Services Technician**

Three business services technicians report to the CFO and are located close to one another in the office. The job description for this classification includes responsibility for business services functions such as payroll, accounts payable, accounts receivable, warehouse and grants management. The duties require the application of bookkeeping principles and skills to keep specialized accounts. Each position includes several primary areas of responsibility, and certain functions such as payroll and accounts payable are divided among incumbents.

Examples of duties for position 1: Processes payroll and handles absence tracking for child care employees; processes purchase requisitions and forwards to other technicians; enters budget information and keys journal entries into SACS; processes developer fee documents; prepares district invoices; processes accounts receivable; processes billings for Medi-Cal Administrative Activities.

Examples of duties for position 2: Processes payroll and handles absence tracking for classified employees; prints, signs and disburses purchase orders for designated sites/departments; processes accounts payable for vendors whose names begin with the letters A through N.

Examples of duties for position 3: Processes payroll and handles absence tracking for certificated employees; processes employee insurance documents and responds to insurance questions; prints, signs and disburses purchase orders for designated sites/departments; processes accounts payable for vendors whose names begin with the letters O through Z; performs tasks regarding the revolving cash fund; prepares state student attendance reports.

Examples of duties for position 4: This position was vacated in July 2009 and not filled due to budgetary concerns. The position had only been filled for approximately six months, and when the position was vacated, the duties were assigned to other positions.

### **Secretary, Assistant Superintendent**

This position reports to the assistant superintendent. The job description indicates that the secretary serves as the administrative assistant to the assistant superintendent and performs a variety of clerical, bookkeeping and technical duties. Examples of duties include: organizes recruitment and selection processes for all job openings; monitors credentials; enters employee demographic information into SACS; maintains seniority lists, personnel files and confidential records; prepares board agenda items.

### **Personnel/Business Services Clerk**

This position reports directly to the assistant superintendent and performs a wide variety of personnel duties and secretarial duties for the director of maintenance, operations and transportation. Examples of duties include: processes unemployment and workers' compensation claims; prepares board agenda items; updates vacancy spreadsheets for personnel; processes tuberculosis test records and fingerprints; maintains the worker order system for maintenance and operations.

### **Receptionist**

This position is vacant. An employee from another division uses this position's desk to perform duties related to her primary assignment. This employee answers the phone but does not perform other duties assigned to the receptionist. The Business and Personnel departments' staff members serve as the back-up positions for answering the telephone.

Business and personnel staff members report that although each person has a specific area of responsibility, they work well together. Support staff members indicate they were provided with the necessary training and appear technically competent in each area of responsibility. Staff members expressed a high level of dedication to the district. Some have been employed by the district for several years and have knowledge of past practices and procedures. Newer employees were trained by long-term incumbents.



The loss of two full-time positions in the Business and Personnel departments affected the support staff's workload, and staff members perceive that they are working at maximum capacity. Several staff members indicate that they work extra hours because they are unable to accomplish all the necessary tasks during the regular work day.

Staff members are located in a small area and communicate with each other daily, but indicate there are no formal staff meetings. Business services technicians are physically located near one another and can hear each other's communications, which can make it difficult to concentrate on the work at hand. The business and personnel office includes a considerable amount of open space with no separation from the public for several staff members. Frequent interruptions occur as individuals from outside the office make their way through the building. The district should discuss the working environment with staff members to ensure that it is conducive to the work being performed. This discussion should also help determine whether to install office partitions and/or a latched gate to separate the front office entrance from the rest of the building. This would help minimize noise and foot traffic throughout the office.

## Recommendations

*The district should:*

1. Include the Personnel Department in the organizational chart.
2. Consider assigning specific time slots for business and personnel staff to serve as the designated back-up support for answering the telephone. This will help ensure every staff member is not constantly interrupted by incoming calls.
3. Consider conducting a staffing comparison of unified districts that are similar in size to determine whether the Business and Personnel departments are adequately staffed.
4. Consider leaving the receptionist and business services technician positions open instead of eliminating them pending the outcome of the staffing comparison.
5. Consider hiring a part-time college student on a short-term basis to assist with filing and other routine duties in the office.
6. Evaluate the staff workload and prioritize duties so that they can be completed in an eight-hour workday. If overtime is required, it should be approved in advance by management and must be paid at time and-a-half or with compensatory time.

7. Hold monthly formal staff meetings with business and personnel staff members to discuss possible improvements in workflow, efficiencies and resolution of problems.
8. Consider installing office partitions and/or a latched gate in the building.

## Business Department Processes and Procedures

FCMAT has developed an extensive list of standards to evaluate the financial management functions of public school agencies. These standards cover the department's general functions such as policies and procedures, internal controls, budget development, monitoring and reporting, multiyear financial projections, accounting, purchasing and warehousing, collective bargaining, management information systems and fiscal controls. The district should review all the standards to ensure they are being met and to help develop best practices for its financial operations. The standards may be accessed and downloaded at the following Web address:

<http://wwwstatic.kern.org/gems/fcmat/FCMATStandards2009.pdf>

### Internal Controls

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

All educational agencies should establish internal control procedures to do the following:

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

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

- **A system of checks and balances.** Formal procedures should be implemented to initiate, approve, execute, record and reconcile transactions. These procedures should identify the employee responsible for each step and the time period for completion. Key areas of checks and balances include payroll, purchasing, accounts payable and cash receipts.
- **Segregation of duties.** Adequate internal accounting procedures should be implemented and necessary changes made to segregate job duties and properly protect the district's assets. No single employee should handle a transaction from initiation to reconciliation, and no single employee should have custody of an asset (such as cash or inventory) and maintain the records of related transactions.

- **Staff cross-training.** More than one person should be able to perform a job. All staff members should be required to use accrued vacation time while another staff member performs the related duties. Inadequate cross-training is often a problem even in the largest central business offices.
- **Use of prenumbered documents.** Checks, sales/cash receipts, purchase orders, receiving reports and tickets should be printed by an outside printer. Physical controls should be maintained over the check stock, cash receipt books and tickets. It is not sufficient simply to use prenumbered documents. A log of the documents and numbers should be maintained and reconciliation performed periodically.
- **Asset security.** Cash should be deposited daily, computer equipment should be secured, and access to supplies/stores, food stock, tools and gasoline should be restricted to designated employees.
- **Timely reconciliations.** Bank statements and account balances should be reconciled monthly by a person independent from the original transaction and recording process. For example, a central office accountant should reconcile ASB accounts every month, and the district office employee reconciling the revolving checking account should not be the same person who maintains the check stock.
- **Comprehensive annual budget.** The annual budget should include sufficient detail for revenues and expenditures (by school site, department and resource) to identify variances and determine whether financial goals were achieved. Material variances in revenues and expenditures should be investigated promptly and thoroughly. This includes ensuring that potential revenues and expenditures for ASB funds are identified at the start of each year.
- **Inventory records.** Inventory records should be maintained and identify items and quantities purchased and surplus/sold. Periodic physical inventory should be taken and reconciled with inventory records. Typical inventoried items include computer equipment, warehouse supplies, food service commodities, maintenance and transportation parts and student store goods.

The district provided cross-training in several areas of the Business Department including processing purchase orders, accounts payable and payroll. However, minimal or no cross training has occurred in other key functions. Examples include tasks associated with accounts receivable and the revolving cash fund, which are addressed in detail later in this report. These tasks are essential to operations, and the district could be at risk because of lack of cross-training.

The business office has two vacant positions, a business services technician that was hired and filled for approximately six months, and the district receptionist. The receptionist position is filled by an employee from another department who is responsible for answering the telephone but not other receptionist duties. The remaining staff members indicated they are attempting to absorb the essential duties of the two vacant positions but perceive that they are working at maximum capacity and often need to work extra hours to complete assigned tasks. If employees are working beyond capacity for extended periods of time, the district may be vulnerable to errors.

Desk procedure manuals are important to ensure proper internal controls and provide for a better understanding of position responsibilities. The department has a Business Services Handbook that was updated on September 1, 2000 and includes a chart of accounts and the processes and procedures for several forms used in the business office. However, several documents are outdated. In addition, the department lacks procedure manuals that include step-by-step procedures for each position's job duties.

The district uses the California School Boards Association (CSBA) GAMUT policy subscription service as the resource for maintaining its board policies and administrative regulations. A review of the policies and administrative regulations relating to business services found that most documents have not been updated since 2006 and, therefore, may not reflect the most current information and regulations.

## **Recommendations**

*The district should:*

1. Review FCMAT's list of standards for financial management functions and ensure they are being met.
2. Ensure that solid internal control processes are implemented and that employees are cross-trained in all key areas of responsibility.
3. Update the Business Services Handbook annually, develop individual desk manuals for each position, and ensure employees include step-by-step procedures for all assigned duties in their desk manuals.
4. Compare the policies and regulations for business services with the most current GAMUT samples and update the district's documents where necessary.

## **Budget Development**

A review of the 2009-10 budget adoption documents found that the district adopts its annual budget within the statutory time lines established by Education Code Section 42127. This section requires the governing board to hold a public hearing on the budget to be adopted for the subsequent fiscal year on or before July 1. No later than five days after

that adoption or by July 1, whichever occurs first, the governing board is required to file that budget with the county superintendent of schools. The budget should reflect district goals and objectives that are developed annually and approved by the board.

Budget development is a detailed process that for some districts begins as early as November or December. Position control is revised and updated, revenues are estimated, and the district should prioritize its goals and ensure that expenditures reflect those goals. Districts should construct a budget development calendar so that each staff member understands and meets deadlines to allow the next budget function to proceed. The district's 2009-10 budget calendar includes the following line item:

January – June	Staff develops 2010-11 budget
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A more detailed calendar should be implemented that includes the specific function, staff member responsible and due date for each task. For example, the calendar should indicate the person responsible for enrollment and staffing projections and the date each of these tasks is to be completed. The calendar should also include the date the budget worksheets should be distributed to the sites and departments as well as the date the worksheets are due at the business office. The date the budget will be made available for public inspection before adoption by the governing board should also be included.

The district lacked a formal process for developing, monitoring, updating and validating the budget, and one central office staff member had the primary responsibility for building the budget. However, a new CFO was hired a few months ago and is making changes in this area. Interviews indicated that with a few exceptions, such as the special education budget, the district used rollover budgets in the past. In this process, the current year budget is used to develop the budget for the following year with minimal review of each line item to determine any necessary changes. However, there were concerns about the assumptions used to develop the adopted budget, particularly regarding expenditure budgets. As a result, the district contracted with an outside agency to review and validate the 2009-10 general fund adopted budget. The agency's report was not complete at the time of FCMAT's fieldwork.

While assigning one staff member to create the budget may speed the process, site and department managers should be involved in budget development. This would foster acceptance at the site and department level, promote a deeper understanding of budgetary issues, and possibly result in fewer budget transfers throughout the year. In the initial stages, implementing such a process will require substantial effort by the Business Department to prepare budget development materials and hold a budget workshop as well as provide help and answer questions as the process progresses.

Accurately projecting employee salary and benefit costs is an essential element in budgeting for expenditures. To help ensure proper staffing levels and budget the proper amounts for salary and benefit costs at all reporting periods, the district should develop current staffing formulas for all classifications and use them to determine staffing allocations for each department and site. The formulas should ensure that ratios are within applicable contract guidelines, meet students' needs, and agree with approved goals and objectives, including the goal of fiscal solvency. Staffing levels should be monitored throughout the year to prevent overstaffing.

### **Budget Monitoring**

The Education Code requires the amounts budgeted in each major object category to be the maximum that can be expended under each classification. Budgets should be monitored and adjustments made during the fiscal year to ensure that appropriations are not overspent and that revenues received and expenditures made are the same as those projected. Any revisions are subject to board approval. The budget should be monitored and revised monthly to reduce the potential of overspending. The review should be at the resource and object levels to ensure the district knows its projected fund balance at any given time. Budget transfers, adjustments and journal entries should be completed monthly.

An encumbrance is a commitment to purchase goods and services, including salary and employee benefit obligations. Encumbrances are a major source of budgetary control, an important strategy in preventing overspending of an appropriation and budget line, and an excellent way to monitor budgets to ensure that committed monies are protected from being spent in any other manner. Encumbrances are crucial in providing a complete picture of district finances. Further, encumbering payroll (salary and benefits) is important in ensuring any differences between position control and payroll are readily recognized. Statutory and health and welfare benefits should follow the salary accounts for each employee to ensure each program is charged correctly.

The district staff reported that they performed an extensive budget review at the 2009-10 first interim reporting period and that a detailed line-by-line analysis found numerous necessary adjustments. These included the following: an extra duty budget was not included, one-time special projects expenditure budgets were carried over to the current year, and utility budgets were not updated to reflect annual projections based on prior-year expenditures.

FCMAT performed a summary review of the district's unrestricted general fund as reflected on the 2009-10 first interim report. This cursory review found more than \$800,000 in increases to the salaries and benefits budget and more than \$1.9 million in reductions to the supplies, services and capital outlay budgets between the 2009-10 adopted budget and the first interim report. School district budgets are not static. Revenue, expense and the estimated ending balance of each fund change during the year

because of factors such as the state-adopted budget, changes in personnel and negotiation settlements. However, the reason for budget adjustments should be explained at each reporting period. Unless large budget adjustments can be explained by a specific event, such as a negotiated salary settlement or loss of funding, they may prompt questions about the validity of the fiscal information.

The 2009-10 first interim report projects an unrestricted ending balance of \$7.6 million. However, the report also projects deficit spending of \$1.4 million in unrestricted funds and \$3.7 million in the total general fund for 2009-10. Given the current budget crisis at the national and state level, revenue limit deficits and cash deferrals are being passed on to local educational agencies at an all-time high rate. This makes it crucial for the district to be conservative and accurate when projecting each line item in the budget.

FCMAT's review of the 2009-10 first interim report found that several amounts reported as revenues and expenditures in the column entitled "Original Budget" did not match the adoption budget. Unless the county office has provided different direction, the district should carefully review the revenue and expenditure amounts reported in this column to ensure they are the same as the adoption budget.

Open and ongoing communication is integral to creating an environment of trust and cooperation. District leadership meetings should include time to discuss periodic fiscal and other business-related information to increase knowledge of the district's fiscal position and provide updates on changes to policies and procedures.

## **Recommendations**

*The district should:*

1. Implement a more detailed budget development calendar that includes the staff member responsible for each task and the due date for each specific function.
2. Assign site and department managers to develop their budgets in the spring. The Business Department should be assigned to develop and design budget materials and a workshop to provide the necessary tools and knowledge to complete the task.
3. Develop staffing formulas for each classification.
4. Evaluate each line item of the annual budget during its development in the spring and ensure that the most current information and assumption factors are included.
5. Ensure each line of the budget is reviewed and adjusted as necessary at each reporting period.



6. Carefully review the amounts reported in the “Original Budget” column of its state budget reports to ensure that the adoption budget is reflected.
7. Include time to discuss fiscal and other business-related information at the district’s leadership meetings.

### **Position Control**

One of the most important elements in budgeting for expenditures is accurately projecting employee salary and benefit costs. These costs are the largest part of school district budgets, averaging approximately 91% of the unrestricted general fund budget in unified districts throughout the state. A review of Cutler-Orosi Unified’s first interim report found that salaries and benefits account for 89.3% of the unrestricted general fund expenditure budget.

A reliable position control system establishes positions by site or department, assigns a unique number for each position, and helps prevent overbudgeting or underbudgeting of staff by including all district-approved positions. In addition, a reliable position control system prevents the omission of routine annual expenses tied to district positions from the budgeting process such as substitutes, extra duty pay, stipends, vacation payouts and estimated column changes. To be effective, there should be one position control system that is integrated with other financial modules such as budget and payroll. Position control functions must be separated to ensure proper internal controls. The controls must ensure that only board-authorized positions are entered into the system, human resources hires only employees for authorized positions, and the Payroll Department pays only employees hired for authorized positions. The proper separation of duties is a key factor in creating strong internal controls and a reliable position control system.

Internal controls help ensure efficient operations, reliable financial information and legal compliance. They also help protect the district from material weaknesses, serious errors and fraud. These controls should be part of any position control system. The following table provides a suggested distribution of labor between the Business and Personnel departments to help provide the necessary internal control structure.

<b>Task</b>	<b>Responsibility</b>
Approve or authorize position	Governing Board
Input approved position into position control, with estimated salary/budget. Each position is given a unique number.	Business Department
Enter demographic data into the main demographic screen, including: Employee name Employee address Social Security number Credential Classification Salary schedule placement Annual review of employee assignments	Personnel Department
Update employee benefits Review and update employee work calendars	Business or Personnel Department
Annually review and update salary schedules	Business Department
Account codes Budget development Budget projections Multiyear projections Salary projections	Business Department

The rollover of position control data from the current fiscal year to the budget year provides a starting point to develop the district's budget and should be completed early in the cycle. Position control files for the budget year should then be updated to eliminate positions as necessary, add new approved positions, make changes in statutory and health and welfare benefit rates and any other adjustments that will affect salaries and benefits for the budget year. A fully functioning position control system helps districts maintain accurate budget projections, employee demographic data and salary and benefit information. The system should be fully integrated with payroll and budget modules and used to update the budget at each reporting period.

The district uses the Standardized Account Code Structure (SACS) financial software through the Tulare County Office of Education. Because SACS does not offer a position control module, the district uses Excel spreadsheets to track board-approved positions and the associated employer cost of salary, statutory and health/welfare benefits. These spreadsheets are compiled by a business services technician and reviewed by the assistant superintendent. Interviews indicated that the Excel spreadsheets cannot be uploaded to SACS for budgeting or payroll purposes. Using a spreadsheet to track employee costs can be cumbersome and time consuming and increases the possibility of error since information must be manually entered in three separate applications. The use of spreadsheets also requires additional time for verification among the human resources, payroll and budget staff to ensure that all three systems agree.

The district's position control spreadsheets contain only contracted positions and do not include routine annual expenses for such items as substitutes, extra duty pay, stipends, vacation payouts and retiree health and welfare benefits. Including these types of employee-driven costs in the position control spreadsheets, and eventually in a position control system, would reduce the number of separate spreadsheets used for budgeting purposes and the potential for errors resulting from reliance on a manual system.

The district received funding from the State School Facility Program and is therefore required to have an ongoing and major maintenance account (resource 8150) as outlined in Education Code Section 17070.75(b)(1) to provide maintenance for school facilities. Education Code Section 17070.77 defines major maintenance as "...all actions necessary to keep roofing, siding, painting, floor and window coverings, fixtures, cabinets, heating and cooling systems, landscaping, fences, and other items designated by the governing board of the school district in good repair." Major maintenance excludes activities related to keeping the facilities clean or maintaining grounds (see California School Accounting Manual, 2008 Edition, Procedure 325-30 through 325-31) since cleaning/custodial duties and grounds/gardening duties are classified as operational. A review of the position control spreadsheets indicated that 40% of the salaries and benefits of five lead custodians are charged to resource 8150, and the personnel/business services clerk and maintenance, operations and transportation (MOT) director are charged entirely to this resource. The district should ensure these positions are coded to resource 8150 only for the portion of the employees' time spent on maintenance duties as specified in the California School Accounting Manual.

The position control spreadsheets also show that half the salary and benefits for the assistant superintendent of administrative services is charged to ongoing and major maintenance, 10% is charged to transportation, and 10% to food service. As outlined in procedures 905 and 915 of the CSAM, the standard method used to recover districtwide administrative costs from federal and state programs is through the indirect cost rate process. Otherwise, a time accounting is required for each program. The CSAM defines indirect cost as "those costs of general management that are agencywide. General management costs consist of expenditures for administrative activities necessary for the general operation of the LEA (e.g., accounting, budgeting, payroll preparation, personnel management, purchasing, centralized data processing)."

## **Recommendations**

*The district should:*

1. Continue to work with the county office to determine whether a position control module can be added to the SACS financial software.
2. Revise the position control spreadsheets to include such items as substitutes, extra duty pay, stipends, vacation payouts, and retiree health and welfare benefits.

3. Review the account coding for lead custodians, the personnel/business services clerk, MOT director, and the assistant superintendent of administrative services to ensure they are coded to comply with the California School Accounting Manual.

## Payroll

Payroll processing duties are assigned to the three business services technicians. One technician processes certificated payroll, one processes classified payroll, and one processes payroll for child-care program employees. The staff indicated that a personnel staff member enters employee demographic data into the SACS financial system before the business office staff members can access the screens required to pay an individual. In addition, payroll staff members have view-only access to the demographic screens.

As part of the payroll procedure, all district employees were required to submit to the business office a monthly timesheet showing the hours worked each day. Because this was cumbersome, the district is attempting to streamline the process by requiring employees to sign a daily log at their work sites. The log is submitted to the district office each month in summary form. This activity is helpful in recording the employee's attendance and can be useful in charging the appropriate account code when processing pay for substitutes. However, this type of positive attendance system creates the need for additional clerical time to sort, compile, enter and file the paper documents. The district should re-evaluate this procedure and determine whether it is beneficial to continue to submit the positive attendance information for each employee to the business office.

The district's payroll warrants are processed by the county office. Once warrants are issued, they are returned to the district, where the business services technicians prepare them for delivery. Proper internal controls and separation of duties should prevent the same person from initiating and distributing payroll warrants. The district's system presents an internal control weakness by allowing the business services technicians to have custody of the warrants once they have been issued by the county office.

## Recommendations

*The district should:*

1. Continue to review the positive monthly attendance system used for employees and determine whether the advantages outweigh the disadvantages.
2. Ensure that the staff member processing a particular payroll warrant does not have access to the warrant when it is received from the county office.

## **Purchasing**

The district uses the electronic requisition process included in the SACS financial software. Purchase requisitions are entered by school site and/or department staff and proceed through several levels of verification and budget review before they are approved, and a purchase order is printed. If the purchase is funded by resources other than the unrestricted general fund, the initial online budget review is made by a district business services technician and forwarded to the appropriate district department. There, the purchase is checked for program compliance and proper account coding before being routed back to the business office for a secondary budget review and to ensure that all department approvals are included. If everything is complete, a purchase order is printed and issued by a business services technician. Further steps are required if funds are not available in the designated account, including a call to the issuing site, additional budget review to determine if funds are available in another account, and a request for a budget transfer to accommodate the purchase. Routing purchase requisitions that require approval by another district department to that department before routing them to the business office would eliminate a duplicate review and save time.

When all necessary approvals are obtained for a purchase requisition, it is routed to the business services technicians to be printed, signed and disbursed to the appropriate parties. To help ensure proper internal controls, the district should require two signatures on purchase orders including one from a business office management staff member.

The district issues open purchase orders for some purchases including those to local vendors for custodial and/or maintenance supplies. The open purchase orders include a not-to-exceed dollar amount, but not a specific length of time for use such as one quarter of the fiscal year. In addition, some open purchase orders do not include the names of authorized purchasers. Interviews indicated that several vendors have traditionally allowed purchases of more than the dollar amount included on the purchase order. The district recently tightened the controls on this purchasing method and instituted a process of mailing with the open purchase order a form letter that outlines the district's open purchase order policy. However, several vendors still do not consistently monitor their purchase order balances as part of the check-out procedure. In some instances, this practice has led to budget over-runs, which create additional processing time and often necessitate budget revisions so that available resources can be moved to cover the expenditures.

## **Travel Expenses**

The district's Business Services Handbook includes a Request to Attend Meetings form, dated September 1993, for employees wishing to attend conferences, trainings and workshops. This form serves as the authorization and includes estimated costs. Many districts implement cost-saving procedures such as establishing departure or arrival times to qualify for pre- or post-conference hotel accommodations and meals, requiring two employees of the same gender to share a room if overnight accommodations are

necessary, excluding meal allowances for events where food is included in the registration fee, and sharing automobile transportation if several people attend the same event.

The district has instituted some cost saving measures in Board Policy (BP) 3350 that encourages employees to carpool and requires them to seek the most economical means of travel when conducting school business. Administrative Regulation (AR) 3350 establishes meal reimbursement amounts at the approved IRS rate for that area. However, the Request to Attending Meetings form includes a per diem rate of \$30 per day for meals. The district should review its current policies and procedures and consider implementing additional cost-saving policies for conferences. The district should also consider printing its conference attendance policies and procedures on the back of the Request to Attend Meetings form to help employees comply with those policies and complete the form accurately.

Because district employees are considered government employees, many hotels accept a waiver of the transient occupancy tax. Utilizing this waiver can result in a substantial savings for the district over the course of a fiscal year. When making hotel reservations, employees should ask whether the hotel will accept a waiver. If so, a Hotel/Motel Transient Occupancy Tax Waiver Exemption Claim for Governmental Agencies form (see appendix to this report for a sample form) should be faxed to the hotel or taken with the attendee for use at the time of arrival. In addition, many hotels also offer a state government rate to employees of local education agencies when they travel for school business.

### **Bidding Procedures**

Public Contract Code Sections 20111 and 22002 require school districts to bid and award to the lowest responsible bidder any contract for \$15,000 or more for the construction, reconstruction, erection, renovation, alteration, improvement, demolition, and repair of publicly owned, leased or operated facilities; and \$78,500 for equipment, materials, supplies and services not defined as public works projects. Public Contract Code Section 20116 prohibits splitting or separating into smaller work orders or projects any work, project, service or purchase for the purpose of evading the law that requires competitive bidding.

The bid limit attached to public works projects has not been adjusted for many years. However, the limit associated with equipment, materials or supplies is adjusted annually for inflation, with the new limit issued each December and effective the following January 1. The district adopted AR 3311 which states, “The amount by which contracts shall be competitively bid shall escalate automatically based upon the annual adjustment by the Superintendent of Public Instruction.” As of January 1, 2010, the bid limit for equipment, materials, supplies, services and repairs (that are not defined as public works projects) was raised to \$78,500. However, the Bid and Contract Information included in the Business Services Handbook includes a bid limit of \$51,500.

## Recommendations

*The district should:*

1. Route purchase requisitions to the appropriate district department before it goes to the business office so that the business office does not have to review them twice.
2. Require two signatures on purchase orders including one from a business office management staff member.
3. Print a specific length of time, such as a fiscal quarter, and the names of all authorized purchasers on each open purchase order.
4. Print a statement on each open purchase order indicating that the district will not honor purchases that exceed the dollar limit shown on the order.
5. Revise its Request to Attend Meetings form to conform to BP and AR 3350.
6. Consider implementing additional cost-saving policies and procedures for conferences and travel.
7. Consider printing conference attendance policies and procedures on the back of the Request to Attend Meetings form.
8. Modify conference attendance procedures to require the employee making hotel reservations to request a waiver of the transient occupancy tax and to obtain the state government rate when available.
9. Update the Business Services Handbook to conform to AR 3311.

## Accounts Payable

Accounts payable duties are split between two of the business services technicians. The accounts are assigned alphabetically. One technician is responsible for vendors with names that begin with the letters A through N while the other is responsible for those whose names begin with O through Z. Accounts payable warrants are processed weekly except for the week that technicians are required to process the monthly payroll. The county office's accounts payable cutoff is every Thursday. Business services technicians finalize the accounts payable batches on Thursday, and a district staff member delivers the required backup documents to the county office on Friday. To save time, the district should consider finalizing its accounts payable batches on Wednesdays so that it can use the county courier service provided each Thursday to transport the required documentation to the county office. If the county office allows for such a process, the district could also consider scanning the necessary documents and sending them to the county office electronically.

Once the accounts payable warrants are printed and released by the county office, they are returned to the district and prepared for mailing by the business services technician who processed the payment. Proper internal control procedures should prevent the same person from initiating, processing and mailing transactions. The district's current system presents a control weakness by allowing the business services technician custody of the warrants once they have been issued by the county office. The district should review this step and make adjustments as necessary. For example, the technician that processes payments for the A-N vendors could mail and/or distribute the warrants for the O-Z vendors.

One business services technician maintains the revolving cash fund. The technician processes checks from the revolving cash fund, is an authorized signer on the account, replenishes funds, and balances the bank statement for the account. Interviews indicated that these tasks were assigned to one technician when it was determined that the open business services technician position would not be filled. A sound internal control structure requires job duties to be segregated to properly maintain the district's assets. No single employee should handle a transaction from initiation to reconciliation, and no single employee should have custody of an asset and maintain the records of related transactions. To help ensure proper internal control procedures are followed, the revolving cash fund duties should be separated. The employee who processes checks for the revolving fund should not be an authorized signer on the account. In addition, the employee who processes checks on the account should not balance the account's bank statement.

## **Recommendations**

The district should:

1. Revise the accounts payable schedule to use the weekly county courier service and save district staff time, or scan and send the required documents to the county office electronically.
2. Review its warrant processing procedures to ensure that custody of warrants does not return to the business services technician once they are issued.
3. Ensure that the employee who processes checks for the revolving cash fund is not an authorized signer on the account and does not balance the account's bank statement.

## **Cash Management/Accounts Receivable**

With the current budget crisis at the state and national levels, cash management is one of the main concerns in every local educational agency. The state has a history of deferring payments to school districts, starting with deferral of the 2002-03 June apportionment to the 2003-04 fiscal year, which has continued each fiscal year. The 2008-09 and 2009-



10 state budget acts further complicated the situation by adding numerous one-time and ongoing deferrals. In addition, the July 2009 state budget revisions included SBX4 16, which changed statutory apportionment schedules for local educational agencies and defers state funding to later in the fiscal year. Every school district should frequently monitor its cash level and project cash flow to determine whether cash will be sufficient to meet financial needs.

District personnel utilize the financial system to monitor the district's current cash balance and, as required by the state, the district prepares a cash flow spreadsheet as part of its first and second interim reports. The district should review its cash assumptions to ensure they captured all deferrals in accordance with the revised budget act, and include the new statutory apportionment schedules. Given the additional deferrals by the state, the district should complete cash flow projections monthly for the current and next fiscal year.

A review of the 2009-10 first interim Cashflow Worksheet found that the July beginning cash balance did not match the 2008-09 unaudited actuals cash balance and that the prior-year accounts receivable and accounts payable transactions did not tie back to the 2008-09 unaudited actuals report. In addition, the revenue and expenditure totals do not match those reflected on Form 01 of the first interim report. This provides an inaccurate picture of the district's cash flow. Each section of the Cashflow Worksheet, including the beginning cash, revenue, expenditure, prior-year transactions and net increase/decrease should be carefully reviewed to ensure they match the appropriate current-year or prior-year budget document.

### **Accounts Receivable**

One business services technician opens the mail, logs the cash and checks received, prepares the receivables for deposit, and takes the deposit to the County Treasurer's Office. The same technician is also responsible for preparing invoices. A sound internal control structure requires job duties to be segregated to properly protect the district's assets. No single employee should handle a transaction from initiation to reconciliation, and no single employee should have custody of an asset (such as cash) and maintain the records of related transactions.

Additional procedures should be implemented that provide for appropriate segregation of duties for invoicing and the receipt and recording of cash. For example, the employee that opens the mail could make a control list of all receipts and endorse all checks received "for deposit only." Marking the checks "for deposit only" would help prevent unauthorized endorsement of checks before deposit. Another employee could be responsible for preparing the deposit and taking it to the county. Once the funds are processed and deposited at the bank, a separate employee should compare the deposit slips to the control list to ensure all funds are deposited. In addition, the person who receipts the cash/checks should not prepare invoices. These procedures and internal controls should be used for all cash collections in the district. Additional procedures

should be added when dealing with large amounts of cash such as cafeteria collections, including duplicate counting at the collection site, signatures at delivery, and another cash count to verify before deposit.

## **Recommendations**

*The district should:*

1. Review its assumptions regarding deferrals and the new apportionment schedule to ensure the correct schedule is reflected as well as all the deferrals included in the state budget act.
2. Complete cash flow projections for the 2009-10 and 2010-11 fiscal years monthly.
3. Carefully review the beginning cash, revenue, expenditure, prior-year transactions and net increase/decrease amounts reported in its Cashflow Worksheet to ensure they match the appropriate numbers reflected in Form 01 and the unaudited actuals report.
4. Separate duties in invoicing, cash receipting and depositing and ensure that deposits are made to the County Treasurer's Office at least once a week.

## **Categorical Programs**

Categorical program revenues and expenditures should be reviewed and evaluated in the same manner as the unrestricted general fund. Categorical program budget development should be integrated with the district's goals and used to address student needs. Deferred revenue and the fund balances of categorical programs also should be monitored to avoid spending unrestricted dollars over restricted dollars and ensure compliance with time limitations for the deferred revenue or fund balance.

It is important to ensure that funds are specifically allotted to cover expenditures that are consistent with categorical funding guidelines and restrictions. Categorical funding should be spent in the year it is earned whenever possible. In some cases, there is a plan for carryover to be used for a large future purchase. These types of exceptions should be approved by district administration, and sites should understand that carryover of large restricted balances is an exception.

Categorical program managers should be included in budget development, which typically occurs from January through May each year for the following fiscal year. Categorical budgets should also be monitored and updated throughout the year and at each reporting period to ensure that funds are not overspent and that the most current revenue information is provided to program managers. The district provided budget worksheets

for each applicable funding source to the site managers. These sheets included prior-year expenditure information as well as data regarding the employees funded by each resource. However, this information was provided during the fall for the current fiscal year.

The 2009 Adequate Yearly Progress (AYP) Report indicates that the district is a Year 3 Program Improvement District. The staff indicated that there has been a District Assistance and Intervention Team (DAIT) since the 2008-09 fiscal year. The staff also indicated that the Curriculum and Instruction Department has more responsibility for categorical program budgeting. This is because there is a greater districtwide emphasis on ensuring the appropriate instructional resources are available and necessary staff training opportunities are provided.

The staff reported that the district devotes time during management meetings throughout the year to discussing budget issues centered on the instructional programs and categorical funds. Monthly meetings are conducted by the Student Services Department to review the categorical budgets and help ensure that school site budgets are charged appropriately.

## **Recommendations**

*The district should:*

1. Include the applicable site and program managers in spring budget development.
2. Continue to provide meeting time throughout the year for managers to discuss categorical funding and budgeting issues.

## **Other Funds**

In addition to the general fund, the district's 2009-10 adopted budget included the following funds:

- Adult Education
- Child Development
- Cafeteria
- Deferred Maintenance
- Special Reserve Fund for Other Than Capital Outlay Projects
- Building
- Capital Facilities
- County School Facilities
- Special Reserve Fund for Capital Outlay Projects
- Bond Interest and Redemption
- Debt Service

Revenues and expenditures for other funds should be reviewed and monitored throughout the year in the same manner as the general fund. State regulations require interim reports to be completed for the other funds only if they are projected to have a negative ending balance in the current fiscal year. However, the district has chosen to include each fund in the 2009-10 first interim report, which is a commendable business practice. A review of the first interim report for other funds indicated that some budgets were not updated to account for projected receipts and expenditures based on actual transactions to date. For example, the capital facilities fund shows \$20,800 in actual revenues to date but does not include a budget for this line item. Further, expenditures to date are reflected as \$280,682, but a budget has not been included for these expenditures.

### **Capital Facilities/Developer Fee Fund (Fund 25)**

According to Education Code Sections 17620-17626, a capital facilities fund otherwise known as the developer fee fund (Fund 25) is used primarily to account for funds received from fees levied on developers or other agencies as a condition of approving a development. Expenditures from this fund are limited to the purposes specified in Government Code Sections 65970-65981 or to specified items contained in agreements with developers (Government Code Section 66006). Education Code Section 17620 provides for up to 3% of the fees collected to be used for administrative costs and transferred to the district's general fund.

One of the district's business services technicians reviews developer fee forms and calculates associated school fees. These documents are also reviewed by the district's chief financial officer; however, the district does not collect the developer fees at the district office. The current procedure requires the builder to pay the district's share of the developer fees at the Tulare County Resource Management Service Office. The county processes a payment to the district for its share of the developer fees and assesses a processing fee of \$55 for each transaction. District staff members indicated that in the past, payments were typically posted within a week, but it currently takes three to four weeks before the district receives the actual funds. This delay creates a loss in accrued interest and in the availability of cash for district use.

According to the independent audit report dated June 30, 2008, the district issued \$4 million in certificates of participation (COPs) on August 1, 2005 to do the following:

- Pay off capital leases and other state debt
- Finance the construction, reconstruction and equipping of the district's school and educational facilities
- Fund a debt service reserve fund
- Pay the costs related to the execution and delivery of the certificates.

Annual payments of approximately \$355,000 per year are to be made through 2020. In the past, these payments were made using developer fees. However, because of the current economic crisis throughout the state and the resulting slowdown in new construction, annual developer fees have declined from approximately \$500,000 in fiscal year 2005-06 to \$78,000 in 2008-09. The 2008-09 unaudited actuals show an ending fund balance of \$15,915. Therefore, the district cannot rely on developer fees to support the annual COP payment and must rely on the unrestricted general fund.

## Recommendations

*The district should:*

1. Continue to include all funds in its interim financial reports.
2. Ensure that each budget line item is reviewed and budgets are adjusted accordingly based on the most recent fiscal information, including the actual receipts and expenditures to date.
3. Consider collecting developer fees at the district office so that the administrative fees may be kept by the district and fees can be deposited in the district's account timely.
4. Ensure that the annual COP payment is budgeted from the general fund if developer fees and/or special reserve funds can no longer support the payment.

## Financial Reporting

According to Education Code Section 42130 and 42131, school districts are required to "... submit two reports to the governing board of the district during each fiscal year. The first report shall cover the financial and budgetary status for the period ending October 31. The second report shall cover the period ending January 31. Both reports shall be approved by the district governing board no later than 45 days after the close of the period being reported."

In addition, Education Code Section 42100 requires the governing board of each district to approve a statement of all receipts and expenditures of the district for the preceding fiscal year by September 15. This statement, with the district's budget for the current year, is also known as the unaudited actuals report, which is filed with the county superintendent's office. The district's independent auditors use this report as the basis for their review of the district's books to issue their audited financial statements.

The Business Department should communicate regularly with the governing board and the community at board meetings about the status of the district finances and the financial impact of proposed expenditures. Budget presentations should include charts and graphs and be in a format that is easily understood by the public.

In reviewing the district's 2009-10 adoption budget presentation materials, FCMAT found that the packet contained only the state's Standardized Account Code Structure (SACS) documents. However, the 2009-10 first interim report presentation materials included numerous charts, graphs and budget assumptions utilizing the User Friendly Budget software provided by School Services of California, Inc. The district should consider including a spreadsheet with summarized financial data, including the beginning balance and the projected revenue, expense and ending balance, for each fund and resource to help simplify the budget information included in SACS documents. The district should also consider including the charts, graphs and summarized budget information in a PowerPoint presentation so that the public can understand and follow along with the budget information being presented to the governing board.

A review of the 2008-09 unaudited actuals report found that some of the unrestricted revenue and expenditure amounts reported in the "2009-10 Budget" column did not match the adoption budget. Unless the county office has provided different direction, the district should ensure the amounts reported in this column are the same as the adoption budget.

Further review of the 2008-09 unaudited actuals report found that the Form CAT used to report a summary of financial transactions for each categorical program was not included. In addition, Form ASSET that is used to reflect a schedule of the district's capital assets was not completed.

On December 15, 2006, the California Department of Education (CDE) issued a letter to districts advising them of an account code change regarding the costs associated with a district's annual independent audit conducted pursuant to Education Code Section 14503 and the Single Audit Act. That change relates to the separation of the single audit cost from the total audit cost so that the cost associated with the single audit can be included in the indirect cost pool. The portion of the cost of the audit attributable to the single audit conducted pursuant to OMB Circular A-133 should reflect a function code of 7190 with the remainder of the charge for the audit continuing with its current function code of 7191. A review of the 2008-09 Indirect Cost Rate Worksheet found that this separation had not been completed, which would cause the district's indirect cost rate to be underreported.

The December 15, 2006 letter from the CDE also included direction regarding the reporting of employment separation costs. These are costs paid by the district when an employee separates from service and can be categorized as either normal or abnormal/mass separation costs. Normal separation costs are defined as those costs paid for accumulated unused leave or severance pay offered pursuant to district policy. Abnormal/mass separation costs are defined as early retirement incentives. The 2008-09 independent audit report reflects a long-term obligation for a PARS Supplementary Retirement Plan. The district should consult with its independent auditors to determine if

the costs associated with this plan qualify as abnormal/mass separation costs and if any of the costs should be included in the Indirect Cost Rate Worksheet to properly report and capture indirect costs. CDE's letter is available on the following Web site:

<http://www.cde.ca.gov/fg/ac/co/icr121506plan.asp>.

### **Student Attendance Reporting**

The district uses Aeries as its student information system, and one of the business services technicians is responsible for reporting student attendance data to the California Department of Education. The staff indicated that the district's external auditor requires an Excel spreadsheet to be prepared for the collection of the districtwide student attendance data needed for the P-1, P-2 and annual attendance reports. If the student attendance system can generate a report that includes this information, it would alleviate the need for a separate Excel spreadsheet, saving staff time and reducing the increased risk for error that occurs when entering data manually. For example, the independent audit reports for 2006-07, 2007-08 and 2008-09 include findings regarding errors in the summary spreadsheet used to consolidate attendance information resulting in incorrect attendance information being reported to the state.

A review of the district's 2008-09 P-1, P-2 and Annual student attendance reports found that ADA for special education is not reflected on the designated lines. The district should ensure that ADA for each special education program is reported correctly. In addition, if the special education ADA was not been included in the total district ADA, the P-2 and Annual reports should be amended and resubmitted to the state.

### **Recommendations**

*The district should:*

1. Continue using charts and graphs in budget presentation materials at each reporting period.
2. Consider including a spreadsheet summarizing the financial data for each fund and resource with budget presentation materials at each reporting period.
3. Consider including the charts, graphs and summarized budget information in a PowerPoint presentation at each reporting period.
4. Carefully review the amounts included in the unaudited actuals report to ensure the adopted budget is reflected correctly.
5. Ensure that all required forms are completed and included in the unaudited actuals report.

6. Revise its coding of the costs related to its annual independent audit to comply with the CDE's advice and to properly report and capture indirect costs.
7. Consult with its independent auditor to determine if the coding for separation costs comply with the CDE's advice and make any changes necessary to properly report and capture indirect costs.
8. Investigate the capabilities of its student information system to determine whether the necessary P-1, P-2 and annual attendance reporting information is available through the system.
9. Ensure that ADA for special education is reported correctly on the P-1, P-2 and Annual student attendance reports and submit amended reports as necessary to the state.

### **Year-End Closing**

Year-end closing is a time consuming process to close nominal accounts and prepare the post-closing trial balance and the unaudited actuals report. To complete the post-closing trial balance, many Business Department functions must work together in a specific sequence to meet time lines. For example, the prior-year postings to accounts receivable and accounts payable should be resolved and cleared to zero as early in the year as possible, purchase orders are cut off on a specific date and all due to/due from amounts that existed at June 30 of the prior year must be repaid according to Education Code Section 42603. Many districts construct a year-end closing calendar so that each staff member is aware of their deadlines, can meet them, and can allow the next function to proceed.

The district uses the Year End Closing Check List provided by the county office during closing. This checklist includes a detailed list of tasks but not the district staff member assigned and the completion date. This can result in confusion over the order of tasks, causing delays in the closing process.

### **Annual Independent Audit**

Student attendance reporting errors are often a source of audit findings. Audit findings are required to be reviewed, a resolution formulated, and the issue reported to the governing board and the public through the audited financial statements. The district's 2006-07, 2007-08 and 2008-09 independent audit reports include numerous findings related to student attendance reporting and often include the same types of findings in each report. The district should ensure that the annual audit is shared with all applicable staff members and that training is provided at the site and district levels to ensure staff have the information necessary to correct annual audit findings and ensure correct procedures are followed.



## Recommendations

The district should:

1. Include the district staff member assigned and the completion date for each task on the year-end closing checklist.
2. Share the annual independent audit with all applicable staff members and provide any training necessary to ensure correct procedures are followed.



## Personnel Department Processes and Procedures

FCMAT has developed an extensive list of standards for personnel management functions in public school agencies. These standards cover the general functions of the department such as policies and procedures, job descriptions, internal and external communication, employee recruitment, selection, orientation and training, legal compliance with state and federal laws, use of technology, staff training, evaluation and due process procedures, employee services, and employer and employee relations. The district should review all the standards to ensure they are being met and to help develop best practices for its personnel operations. The standards may be accessed and downloaded at the following Web address:

<http://wwwstatic.kern.org/gems/fcmat/FCMATStandards2009.pdf>

### Employee Recruitment/Selection

The district uses EdJoin, a Web site utilized statewide to post education jobs, recruit candidates and access applications. This site is an efficient way to advertise positions and acquire job candidates, and the district also accepts paper applications. The Personnel Department staff posts job openings, and the assistant superintendent of administrative services and/or other management personnel screen the applications. The district reports that it has no lack of qualified candidates.

The Personnel Department screens applications for completeness and compliance with qualifications for the position. The assistant superintendent of administrative services screens all teacher applications and ensures the candidate has the appropriate credentials before sending the application materials to another management staff member for further screening. Applicants must submit a district application form or an online EdJoin application; an up-to date resume; and at least three current letters of reference. In addition, certificated applicants must submit a copy of their credential and/or other verifications, including the California Basic Educational Skills Test, the California Subject Examination for Teachers, and the Reading Instruction Competence Assessment, if applicable.

Additional screening is completed by the principal or program supervisor either online or in the Personnel Department. All application materials are kept in the Personnel Department and the process is confidential. Criteria for screening include the following:

- Possession of credential/certificate/license
- Experience/training related to the position
- Care given to preparation of application papers (neatness, spelling and grammar)
- Academic or vocational training related to the position
- Experience in teaching and/or administration
- Areas of special skill or knowledge
- Professional reference letters

The personnel manual includes a standard form for paper screening. The form lists the screening criteria and requires that the paper screener choose from the following recommendations for each candidate: Interview recommended, possible consideration for interview, do not consider for interview. The form requires reasons for not recommending an interview. Discussions with staff members indicated that the paper screening form has not been provided to the individuals that screen applications.

The printed job postings are clear, legible and colorful. The district's employment applications meet legal standards and are clear and easy to complete. However, the employment applications do not include a supplemental application form, which can be helpful in the screening process, especially as a test for classified positions. Examples of these documents may be obtained from other school districts or by joining the Cooperative Organization for the Development of Employee Selection Procedures (CODESP).

The applications include a statement that the district is an Equal Employment Opportunity Employer as do the postings of vacancies. Required state and federal legal postings are in staff lounges. The district purchased the postings from a private firm that puts the legal information on a large laminated wall chart and includes updated information about wages, hours, harassment, overtime, and workers' compensation as well as other legal requirements. The private firm updates the charts to comply with all new state and federal requirements. The district ordered a sufficient number of charts to post at all sites including the district office, and FCMAT observed that the chart posted in the district office is the standard used in many districts.

The district has fingerprinting procedures for all new employees and volunteers as well as procedures to monitor tuberculosis testing requirements.

Section 2 of the personnel manual, entitled Personnel Selection, includes extensive procedures and forms for employee selection. The materials are clear and detailed, and the questions and instructions meet legal requirements. Section 2 covers topics such as vacancy determination, job posting, application screening, testing, interview scheduling, interviews, reference checks and the notification of a selection. It concludes with hiring/orientation and the instructions for when an employee may start to work. The manual was new at the time of fieldwork, and interviews indicated that many procedures were put in writing in the last few months. FCMAT was unable to determine whether all the written procedures were fully implemented.

The district uses the Ventures in Excellence interviewing format to select new teachers and some classified staff members. This format was primarily developed to select candidates for teaching and administrative positions. Candidates are asked specific questions to determine a match with the answers given by others in the same profession who are considered to be excellent in their field. A private company developed and validated this approach, which has gained popularity with many human resources administrators and districts. This is an effective and modern process.

The assessments used in screening and interviewing for all positions are fairly standard, and panel members receive instructions about legal and illegal questions as well as interview tips and rating pitfalls. Other types of performance or written testing for classified positions are limited, and the personnel manual indicates there may be a written test or a typing test for some positions.

The Equal Employment Opportunity Commission (EEOC) provides standards (which are also followed for claims filed under state Department of Fair Employment and Housing) called the Uniform Guidelines on Employee Selection Procedures. These guidelines require employers to demonstrate that each examination they administer, including paper screening, written, oral, and performance tests, does not show adverse impact. An adverse impact is a substantially different rate of selection in hiring, promotion or other employment decision that works to the disadvantage of members of a race, sex, ethnic, or other protected group under Title VII of the Civil Rights Act. If adverse impact is present, employers must demonstrate that their exams are valid.

Employers demonstrate test validity by operationally defining important knowledge, skills, abilities, and other qualifications and how they are actually used on the job, and developing or purchasing examinations that specifically measure these.

The safest approach is for employers to document that the screening criteria for all selection procedures are job-related and valid. This is why it is important that oral rating instruments, screening forms, and other selection materials reflect important and critical knowledge, skills, abilities, and other qualifications linked directly to important tasks performed on the job. The district should consider obtaining the book entitled *Adverse Impact and Test Validation: A Practitioner's Guide to Valid and Defensible Employment Testing*, 2<sup>nd</sup> Edition by Dan Biddle, which provides specific instructions for meeting selection requirements.

The district should consider membership in an organization such as the Cooperative Organization for the Development of Employee Selection Procedures (CODESP). By utilizing CODESP services, members are often able to improve their selection procedures for classified positions and develop valid employee test instruments to meet federal and state employment regulations. Members can maximize staff resources by using the CODESP Automated Test System (CATS). The online bank includes multiple-choice questions developed to test applicants on their job knowledge in a variety of subject areas. Other test materials available online to members include interview questions, performance examinations, writing exercises and supplemental application forms. If appropriate test materials cannot be found online, CODESP staff will develop custom materials for the member agency. Test materials and an online Job Description Builder are available to member agencies directly through CODESP's password-protected secure Web site.

CODESP offers training and other professional development activities so that members can develop and maintain current professional knowledge and skills in employee selection. Cooperative Personnel Services (CPS), a self-supporting public agency based in Sacramento, also provides human resource services to public, government and nonprofit clients in the western U.S. The district should send personnel staff members to training conducted by CODESP and/or CPS on subjects including developing recruitment and selection plans in compliance with Equal Employment Opportunity law, adverse impact and test validation, position classification and compensation practices in the public sector, and leaves and benefits administration. This training would increase staff knowledge of the full range of duties typically performed in educational personnel departments.

Staff interviews indicated that people outside the interview panel sometimes learn the name of the candidate chosen for a job before the selection process is completed. The personnel manual contains a confidentiality agreement that should be read and signed by all interview panel members. The Personnel Department should ensure that this document is completed by all panel members and take any necessary action if the agreement is not followed.

Interviews also indicated that a significant change occurred in the last few years regarding how district employees are hired. In the past, the perception was that people received jobs because of who they knew or how long they were employed by the district instead of through a structured process based on appropriate qualifications. This is an improvement in the district culture, but the transition has been difficult in some instances.

The collective bargaining agreements between the district and the Cutler-Orosi Unified Teachers Association (COUTA) and the district and California School Employees Association (CSEA) include language on transferring bargaining unit members to vacancies. The CTA agreement requires school vacancies to be posted at that site and filled on a voluntary basis before the vacancy opens districtwide or to applicants outside the district. Transfers are based on educational needs, program needs, evaluations, and observations. The district also considers special skills, possession of the credential to perform the services, areas of study emphasis, expertise and the affirmative action policy. The contract provides for voluntary and involuntary transfers. The procedures are extensive and clear about the process, including the employees' right to request a meeting accompanied by an association representative, and/or a written statement regarding the specific reasons for denial of a voluntary transfer.

The CSEA agreement covers the lateral transfer and promotion of classified employees, who are required to receive first consideration. Bargaining unit members who meet the qualifications and submit the required paperwork in a timely manner are considered for a vacant position. If two or more applicants meet the qualifications for a vacant position, the position will be awarded according to qualifications, the most recent evaluation, and seniority. The administration reserves the right to refuse to transfer or promote any applicant for operational reasons. Written reasons for a refusal are required to be provided upon request. These procedures are extensive and clear.

## Recommendations

*The district should:*

1. Review FCMAT's list of standards for personnel management functions and ensure they are being met.
2. Ensure that procedures included in the newly developed personnel manual have been implemented, including the use of the paper-screening form.
3. Provide copies of the personnel selection procedures to board members, the management staff and association leaders.
4. Ensure that management staff members have received training in the personnel selection process.
5. Establish a process to ensure that all personnel in the district are aware of the hiring procedures and understand their role and responsibility in the process.
6. Consider using a supplemental application form to screen classified candidates in the selection process.
7. Consider using the services of an organization such as CODESP to develop employee test instruments.
8. Consider sending staff members to the personnel services training provided by CODESP and/or CPS.
9. Ensure all parties in the hiring process understand the confidentiality requirements and that members of each interview panel sign the confidentiality agreement.
10. Ensure all parties in the hiring process understand that the final selection of employees is a governing board decision based on the recommendation from the superintendent or designee.

## Induction and Professional Development

The district provides new employees with a complete packet of employment materials that includes numerous forms such as the oath of office, Form W-4 and an Internet use agreement. Required documents are returned to the personnel office for review and creation of the official personnel file. The packet contains all the forms required for processing the employee for payroll as well as general information. However, some policies and regulations are dated.

Section 4 of the personnel manual is on employee procedures and includes several important documents. There is extensive information on topics such as child abuse, sexual harassment, preventing student-to-student sexual harassment, mandated reporting of consensual sexual activity, emergency incident reporting, restraining orders and injunctions, dangerous students, time sheet procedures, summer school payroll procedures, salary advancement, and other information. FCMAT did not determine whether all these materials were provided to new employees when they were hired or at the official orientation for teachers. It would be beneficial to incorporate as much of this information as possible in an employee handbook or post it on the district's Web page.

New teachers are required to attend a weeklong orientation before school starts. There is no official orientation for classified employees, but district staff members indicated this is under consideration. The district should also consider expanding orientation for new employees to incorporate the use of Internet resources on its Web page. Such a program could incorporate some aspects of the new employee orientations and be available to existing employees at any time as a refresher. Examples may include the use of the district's Web page to provide standard information regarding the district's health and welfare plans, safety practices or procedures for obtaining a substitute.

The personnel manual has a complete and detailed section on hiring certificated substitutes and another that explains the responsibility of maintaining a valid credential. Both sections are comprehensive and provide easy-to-understand processes for new employees.

The assistant superintendent of administrative services indicated that all legal mandates are being met regarding sexual harassment training for staff, reporting of sexual harassment and the availability of complaint procedures. Written documentation is included in the personnel manual, and administrators have completed mandatory training in sexual harassment.

Collective bargaining agreements with certificated and classified employee groups include articles on professional growth opportunities. In addition, staff members indicated they can attend trainings and workshops when needed.

## **Recommendations**

*The district should:*

1. Review the materials included in the new employee orientation packets to ensure the policies and regulations are current.
2. Include information from the personnel manual in an employee handbook and/or post the relevant information on the district's Web site.



3. Implement orientation for all new classified employees.
4. Consider providing some aspects of new employee orientations online.

### **Evaluation and Due Process**

The collective bargaining agreements with classified and certificated employee groups include specific language on evaluation and discipline. Section 6 of the personnel manual includes evaluation procedures for the certificated and classified staff as well as sample form letters for corrective action and disciplinary matters.

The personnel manual has the list of California Standards for the Teaching Profession and a time line for evaluation procedures for certificated teachers including probationary, temporary and permanent employees. The manual further defines procedures for classified evaluations, the process for an employee charged with a crime, and the procedure for reporting teacher misconduct to the Commission on Teacher Credentialing. All the forms used to evaluate certificated and classified employees are included in the manual or in the respective collective bargaining agreements. The evaluation forms are up to date and easy to use. FCMAT did not determine whether the evaluations are completed in a timely manner or whether the Personnel Department monitors due dates.

Documents in the personnel manual indicate that standard progressive discipline is used and includes sample documents used for counseling employees as well as for oral and written reprimands. Specific direction is given for the steps in this process.

Section 8 of the district's personnel manual is on investigations and includes a two-page checklist on how to investigate a serious personnel issue up to and including issuance of the required Skelly Notice for a proposed disciplinary action. One requirement is that the Personnel Department should be contacted for assistance/guidance in these instances. The assistant superintendent of administrative services indicated he is involved in all serious disciplinary matters.

Section 9 of the district's personnel manual, Employee Dismissal, outlines the procedures for certificated and classified employee layoffs and for release during the probationary period. However, it does not contain procedures regarding due process for disciplinary matters. This section should be renamed Employee Layoff and Release during Probation or something similar to better define its contents. The section should also include procedures for sending layoff notices to an employee by registered mail when the employee is on leave.

## Recommendations

*The district should:*

1. Ensure that mandatory training is provided for all management team members regarding the evaluation process and collective bargaining contract administration.
2. Make evaluation forms available to all management team members on the district's Web site so they can be accessed and printed as needed.
3. Ensure that a standard procedure for notifying department and site managers of evaluation due dates is implemented and that performance evaluations are completed timely.
4. Rename Section 9 of the personnel manual to better define its contents and include procedures for sending layoff notices to employees who are on leave from the district.

## Classification/Reclassification

A review of the job descriptions for the positions in the Business and Personnel departments found that the descriptions are in a clear and appropriate format. The descriptions include sections on basic function, essential job functions, education and experience, knowledge and abilities, and working conditions. The descriptions comply with the Americans with Disabilities Act. However, some descriptions contain minor technical errors, and several are missing the board approval date.

The job description for business services technician includes the following examples of minor technical errors.

- The description includes the following statement: "Perform and coordinate office, secretarial and clerical work to assist the Principal with a variety of administrative tasks." Because this position reports to the chief financial officer, the term "principal" should be replaced with the proper term.
- This job description also states that the position reports to the business manager; however, it should state that the position reports to the chief financial officer. In addition, the district should determine whether writing in shorthand and operating a typewriter are still appropriate duties.

The job description for personnel/business services clerk does not match the duties assigned to the position and should be updated to include the secretarial duties for maintenance, operations, and transportation. The district should then determine whether

this change requires the position to be reclassified or the responsibility level is still appropriate for the salary ratio included in the job description. This job description also states that the position is supervised by and provides assistance to the director of operations/personnel; however, the district does not have a director of operations/personnel.

Standard human resources definitions include the following:

Position - Typically a set of duties performed by one individual.

Class/Classification - May include just one position or may contain many positions that share the same kind and level of duties so that the title, salary and minimum qualifications are the same. Incumbents in a classification may perform different duties such as the incumbents who are business services technicians. It is appropriate to use the words job description and class to mean the same thing. In addition, seniority lists for classified employees are based on class.

There is some confusion in the district's various written materials regarding the use of the terms position, job description, and class. For example the term "management/administrative" is listed as the classification on the Business and Personnel departments' job descriptions. However, this term is not a classification but an employee group to which the classification has been assigned for representation purposes under collective bargaining laws.

A review of the district's certificated and classified salary schedules found that the certificated salary schedule is easy to read and in a standard format. The classified salary schedule is in a standard format; however, the classification index is difficult to understand because the occupational hierarchies, listed by department, are not in any particular order. The district should work with CSEA to change the format of the classification index so that the titles in each group of occupational families are sorted by salary range from high to low, salary range from low to high, or alphabetically by classification.

Federal and state laws require a classification title to be gender neutral and exclude the word "man." The classification index in the appendix section of the classified collective bargaining agreement lists the title of warehouseman. This should be changed so that it is gender neutral.

The job descriptions format includes a section for the hours per day and the work year. However, the job description would not be accurate for classifications that have several positions with different assigned hours per day and work years. This is also an example of some of the unclear distinctions used by the district for a particular position instead of a classification.

## Recommendations

*The district should:*

1. Review the Business and Personnel departments' job descriptions and make minor technical updates as necessary, including the board approval date.
2. Review the personnel/business services clerk job description and make necessary updates regarding assigned duties and determine whether the position should be reclassified.
3. Ensure the terms position, job description and classification are used appropriately on written materials, including job descriptions.
4. Work with the CSEA to change the format of the classification index so that the titles in each series are sorted by salary range or alphabetically.
5. Change title of warehouseman to a gender-neutral term.
6. Allow for the listing of different work years and/or hours per day on the job description for classifications that include different assigned times.

## Operational Procedures

The district's personnel files are appropriately stored in lockable file cabinets that are in a locked room. Personnel files were neat and available for inspection. The district keeps personnel files indefinitely in paper form, which necessitates the use of numerous fireproof file cabinets and an inordinate amount of office space. The district should consider transferring the files of former employees to microfilm or an electronic format to reduce the need for storage space.

Staff members are responsible for filing paper documents that are also recorded on the SACS system. For example, individual absence requests completed by employees are kept indefinitely and occupy a large amount of file space in a back office. If the district's record retention policy permits, these forms could be destroyed after the required retention period. Depending on the length of time this data may be stored in the SACS system, the district should print an annual attendance record for each employee, file this summarized document, and destroy the individual forms.

A review of the forms used by the Personnel Department found that the district has appropriate forms for basic personnel functions such as leaves and transfers. The department has recently developed several forms, but still uses a few forms that are dated and stored in the warehouse on no-carbon-required (NCR) paper. The district should

consider posting the personnel forms to its Web site so that employees can access them more readily, help ensure that the most current forms are being used, and save the cost of printing and storing the forms in the warehouse.

An examination of the district's Web page found that materials were not attached to the department links on the page. To provide as much information as possible in a timely manner, the district should consider including information for each department on its Web site. This information could include foggy day schedules, board policies, employee job descriptions and salary schedules, health and welfare benefit information, districtwide forms, school site information, program improvement data and governing board meeting agendas and minutes. Posting this information would make it more readily available to the employees and community members and may help to save time and reduce the number of telephone calls regarding these routine issues.

The Personnel Department processes workers' compensation claims by ensuring that the required paperwork is completed and reporting the information to the district's workers' compensation insurance provider. Interviews indicated that the district does not have a formal return-to-work program. This program can provide an opportunity for injured employees to return to work as soon as medically appropriate and help control workers' compensation costs.

Desk procedure manuals are important in ensuring proper internal controls and providing for a better understanding of position responsibilities. The department recently developed a personnel manual that defines the roles of various parties relative to recruitment, hiring, evaluation, and employee discipline as well as a calendar of monthly personnel activities. The manual is well written and provides legal guidelines. However, the department has not completed procedures manuals that include step-by-step procedures for the job duties of each department position.

The district uses CSBA's GAMUT policy subscription service to maintain board policies and administrative regulations. A review of the policies and administrative regulations relating to personnel services indicated that most documents have not been updated since 2006 and, therefore, may not reflect the most current information and regulations.

Organizations should always have more than one employee who can perform each job task. The Personnel Department has long-term employees who know the various responsibilities of other office positions. However, cross training has not been completed in all areas. Providing this training would enable the staff to perform personnel functions when employees are absent. Examples of additional cross-training opportunities include training the business/personnel clerk in more areas of recruitment and selection, credential requirements and entry of employee demographic information in SACS.

## Recommendations

*The district should:*

1. Consider microfilming or using an electronic media for storing terminated personnel files.
2. Review the district's records retention policy and determine whether some personnel forms, such as employee absences, must be kept indefinitely.
3. Consider eliminating NCR forms and posting personnel forms to the district Web site.
4. Complete the development of the district Web page and use it to make relevant information available to employees and community members.
5. Consider implementing a return-to-work program for injured employees.
6. Continue developing individual desk manuals for each position and ensure that employees include in these manuals the step-by-step procedure for all assigned duties. Manuals should be updated as changes occur.
7. Compare the policies and regulations for personnel services to the most current GAMUT samples and update the district's documents where necessary.
8. Continue to cross train employees in the Personnel Department.

## *Appendices*

- A. Hotel/Motel Transient Occupancy Waiver Form
- B. Study Agreement





**HOTEL/MOTEL TRANSIENT OCCUPANCY TAX WAIVER  
EXEMPTION CLAIM FOR GOVERNMENT AGENCIES**

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Employed By: \_\_\_\_\_  
District Name/Federal ID Number

Hotel/Motel: \_\_\_\_\_

Location: \_\_\_\_\_

Arrival: \_\_\_\_\_

Departure: \_\_\_\_\_

This is to certify that I, the undersigned, am a representative or employee of the school district indicated above. The district is an agency of the State of California. The charges for the occupancy at the above establishment on the dates set forth have been, or will be, paid for by such governmental agency, and such charges are incurred in the performance of my official duties as a representative or employee of the above-noted governmental agency.

I hereby declare, under penalty of perjury, that the foregoing statements are true and correct.

\_\_\_\_\_  
Signature of Employee

\_\_\_\_\_  
Date

**INSTRUCTIONS TO EMPLOYEE:** Please check with the hotel/motel when making your reservations to see if they allow Transient Occupancy Tax Exemptions. If they do, complete this form and fax it to the hotel/motel either ahead of your arrival or, if acceptable to them, at the time of registration.

**INSTRUCTIONS TO HOTEL/MOTEL:** Please retain this form for your files in order to substantiate your tax report.



# FCMAT

FISCAL CRISIS & MANAGEMENT  
ASSISTANCE TEAM

CSIS California School Information Services

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## FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM STUDY AGREEMENT August 31, 2009

The FISCAL CRISIS AND MANAGEMENT ASSISTANCE TEAM (FCMAT), hereinafter referred to as the **Team**, and the **Cutler-Orosi Joint Unified School District**, hereinafter referred to as the **District**, mutually agree as follows:

### 1. BASIS OF AGREEMENT

The Team provides a variety of services to school districts and county offices of education upon request. The District has requested that the Team provide for the assignment of professionals to study specific aspects of the District. 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) **Business and Personnel Review:** The District requests that the team provide an in depth review of the Business and Personnel Divisions processes and procedures and make recommendations, if needed to improve the efficiency and productivity of the departments. The following functions of the Business and Personnel Department will be reviewed:

- ▶ Budget Development
- ▶ Internal Controls
- ▶ Payroll\Position Control
- ▶ Accounts Payable
- ▶ Cash Management
- ▶ Categorical Programs
- ▶ Financial Reporting
- ▶ Other Funds
- ▶ Year End Closing

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

- 1) Orientation Meeting - The Team will conduct an orientation session at the District to brief management and supervisory personnel on the procedures of the Team and on the purpose and schedule of the study.
- 2) On-site Review - The Team will conduct an on-site review at the District office and at school sites if necessary.
- 3) Progress Reports - The Team will hold an exit meeting at the conclusion of the on-site review to inform the District of significant findings and recommendations to that point.
- 4) Exit Letter - The Team will issue an exit letter approximately 10 days after the exit meeting detailing significant findings and recommendations to date and memorializing the topics discussed in the exit meeting.
- 5) Draft Reports - Sufficient copies of a preliminary draft report will be delivered to the district administration for review and comment.
- 6) Final Report - Sufficient copies of the final study report will be delivered to the District following completion of the review.
- 7) Follow-Up Support – Six months after the completion of the study, FCMAT will return to the District, if requested, to confirm the District’s progress in implementing the recommendations included in the report, at no cost. Status of the recommendations will be documented to the District in a FCMAT Management Letter.

**3. PROJECT PERSONNEL**

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

- A. Diane Branham, FCMAT Fiscal Intervention Specialist
- B. Margaret Rosales, FCMAT Fiscal Consultant
- C. FCMAT Personnel Consultant

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

#### 4. PROJECT COSTS

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

- A. \$500.00 per day for each Team Member while on site, conducting fieldwork and analysis at other locations, preparing and presenting reports, or participating in meetings.
- B. All out-of-pocket expenses, including travel, meals, lodging, etc. Based on the scope of work identified in section 2 A, estimated total cost is **\$10,500.00**. The District will be invoiced at actual costs, with 50% of the estimated cost due following the completion of the on-site review and the remaining amount due upon acceptance of the final report by the District...
- C. 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 DISTRICT

- A. The District will provide office and conference room space while on-site reviews are in progress.
- B. The District will provide the following (if requested):
  - 1) A map of the local area
  - 2) Existing policies, regulations and prior reports addressing the study request
  - 3) Current organizational charts
  - 4) Current and four (4) prior years' audit reports
  - 5) Any documents requested on a supplemental listing
- C. The District Administration will review a preliminary draft copy of the study. Any comments regarding the accuracy of the data presented in the report or the practicability of the recommendations will be reviewed with the Team prior to completion of the final report.

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

6. PROJECT SCHEDULE

The following schedule outlines the planned completion dates for key study milestones:

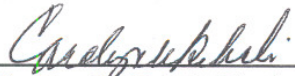
<b>Orientation:</b>	<i>November</i>
<b>Staff Interviews:</b>	<i>to be determined</i>
<b>Exit Interviews:</b>	<i>to be determined</i>
<b>Preliminary Report Submitted:</b>	<i>to be determined</i>
<b>Final Report Submitted:</b>	<i>to be determined</i>
<b>Board Presentation:</b>	<i>to be determined</i>
<b>Follow-Up Support:</b>	<i>If requested</i>


7. CONTACT PERSON

Please print name of contact person: Craig Drennan, Asst. Superintendent

Telephone 559-528-4763 FAX 559-528-3132

Internet Address: cbdrennan@cojUSD.org

  
 \_\_\_\_\_ September 10, 2009  
 Dr. Carolyn W. Kehrl, District Superintendent Date  
 Cutler-Orosi Joint Unified School District

  
 \_\_\_\_\_ August 31, 2009  
 Anthony L. Bridges, Deputy Executive Officer Date  
 Fiscal Crisis and Management Assistance Team