



**CSIS** California School Information Services

# Sausalito Marin City School District

**Management Review**  
April 10, 2012



**Joel D. Montero**  
Chief Executive Officer





April 10, 2012

Valerie Pitts, Superintendent  
Sausalito Marin City School District  
200 Phillips Drive  
Marin City, CA 94965

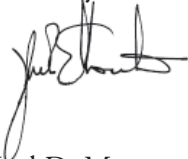
Dear Superintendent Pitts:

In October 2011, the Sausalito Marin City School District and the Fiscal Crisis and Management Assistance Team (FCMAT) entered into an agreement to provide the district with management assistance. Specifically, the agreement stated that FCMAT would perform the following:

1. A comprehensive review of the central office and administrative functions which shall include board policies, administrative regulations, budget development, financial reporting, direct service options from the County Office, payroll, position control, accounts payable, purchasing and personnel. The team will also make recommendations to increase the efficiency of the school district's operations.
2. The team will review the district's budget practices including expenditures of funds from Qualified Zone Academy Bonds for the Willow Creek Academy Charter School and make recommendations, if any.

This final report contains the study team's findings and recommendations in the above areas of review. We appreciate the opportunity to serve the Sausalito Marin City School District and extend our thanks to all the staff for their assistance during fieldwork.

Sincerely,



Joel D. Montero  
Chief Executive Officer

**FCMAT**

Joel D. Montero, Chief Executive Officer

1300 17<sup>th</sup> Street - CITY CENTRE, Bakersfield, CA 93301-4533 • Telephone 661-636-4611 • Fax 661-636-4647  
422 Petaluma Blvd North, Suite. C, Petaluma, CA 94952 • Telephone: 707-775-2850 • Fax: 707-775-2854 • [www.fcmat.org](http://www.fcmat.org)  
Administrative Agent: Christine L. Frazier - Office of Kern County Superintendent of Schools



# Table of contents

About FCMAT .....	iii
Introduction .....	1
Background.....	1
Study Guidelines .....	2
Study Team.....	2
Executive Summary.....	3
Findings and Recommendations.....	5
Internal Control.....	5
Central Office and Administrative Functions.....	11
Qualified Zone Academy Bonds .....	65
Appendices.....	69



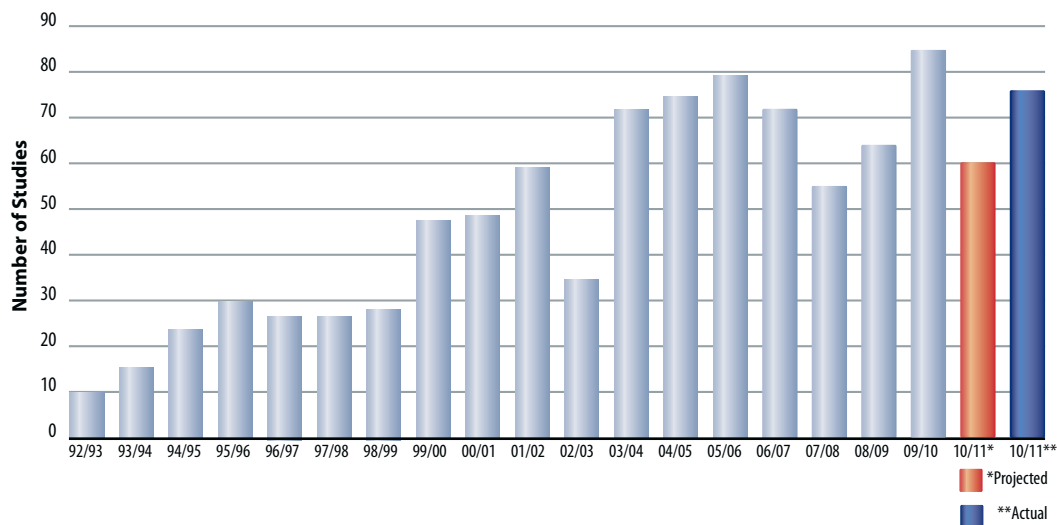
# About FCMAT

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

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

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

## Studies by Fiscal Year



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

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

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

Since 1992, FCMAT has been engaged to perform nearly 850 reviews for LEAs, including school districts, county offices of education, charter schools and community colleges. The Kern County Superintendent of Schools is the administrative agent for FCMAT. The team is led by Joel D. Montero, Chief Executive Officer, with funding derived through appropriations in the state budget and a modest fee schedule for charges to requesting agencies.

# Introduction

## Background

Located in Marin County, the Sausalito Marin City School District has a five-member elected governing board. The district serves approximately 150 students in kindergarten through eighth grade at one elementary school and one middle school. The district is also the authorizing agency for the Willow Creek Academy Charter School, an independent, direct-funded charter school organized as a California nonprofit public benefit corporation.

The district's enrollment peaked in 2008-09 at 177 and has declined each year since then. Approximately 18.5% of its students are English Learners and 93.5% are eligible for free and reduced-price meals. According to the 2011 Adequate Yearly Progress (AYP) Report, neither the district nor any of its schools have entered program improvement (PI) although the district did not meet its AYP criteria for 2011. All schools and local educational agencies that do not make AYP for two consecutive years are identified as in program improvement 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 English-language arts 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 by fiscal year 2013-14. Assessment results are disaggregated by socioeconomic status, race, ethnicity, disability, and limited English proficiency to ensure that no group is left behind. LEAs and schools that fail to make AYP toward statewide proficiency goals are subject to improvement and corrective action measures. Once in PI, a school or LEA that fails to make AYP will advance further in PI status.

The district also suffered a 17 point loss in its Academic Performance Index (API) score moving from a 2010 score of 745 to 728 for 2011. API is used to meet part of the federal AYP requirements under ESEA. A school, LEA or the state must have a minimum API of 710 or have at least one point growth in API in addition to meeting the other AYP targets (participation rate, percent proficient, and graduation rate) in order to make AYP for 2011. Despite the district's loss of 17 points, the 2011 AYP LEA report reflects that the district met its 2011 API criteria. The 2011 Growth API LEA List of Schools Report reflects that the district's elementary school's API score decreased by 11 points from 763 in 2010 to 752 in 2011 and its middle school's API score decreased 34 points from 730 in 2010 to 696 in 2011. The district's elementary school's API scores have consistently been below that of Willow Creek since 2006-07, and Martin Luther King Jr. Academy, the district's middle school, has encountered the same situation since the 2004-05 school year. Those gaps have continued to widen, and Willow Creek is lauded as one of the top 10 charter schools in the state. The district has been providing additional financial assistance to Willow Creek beyond what may be legally required, while the district's students' scores decline.

In September 2011 the Fiscal Crisis and Management Assistance Team (FCMAT) received a request from the district for management assistance. The study agreement specifies that FCMAT will complete the following:

1. A comprehensive review of the central office and administrative functions which shall include board policies, administrative regulations, budget development, financial reporting, direct service options from the County Office, payroll, position control, accounts payable, purchasing and personnel. The team will also make recommendations to increase the efficiency of the school district's operations.
2. The team will review the district's budget practices including expenditures of funds from Qualified Zone Academy Bonds for the Willow Creek Academy Charter School and make recommendations, if any.

The study agreement is attached to this report as Appendix A.

## Study Guidelines

FCMAT visited the district on December 1 and 2, 2011, to conduct interviews, collect data and review documents. This report is the result of those activities and is divided into the following sections:

- Executive Summary
- Internal Control
- Central Office and Administrative Functions
- Qualified Zone Academy Bonds
- Appendices

## Study Team

The study team was composed of the following members:

Julie Auvil, CPA  
FCMAT Fiscal Intervention Specialist  
Bakersfield, California

Susan Grinsell  
FCMAT Consultant  
Ferndale, California

Anthony Bridges  
FCMAT Deputy Executive Officer  
Atascadero, California

Rory Livingston\*  
Assistant Superintendent Business/  
Human Resources  
King City Union School District  
King City, California

Laura Haywood  
FCMAT Technical Writer  
Bakersfield, California

\*As a member of this study team, this consultant was not representing his employer but was working solely as an independent contractor for FCMAT.

# Executive Summary

The Sausalito Marin City School District has recently undergone major changes in its executive leadership, with both the prior superintendent and business manager having retired at the end of the 2010-11 fiscal year. Both positions were filled for the 2011-12 fiscal year; however, the district decided to share the services of the superintendent with Larkspur-Corte Madera School District. The district's new business manager was hired full-time and has many years of experience with other school districts in the state.

The district's central office has a very small staff, with only one part-time and three full-time employees and is considered a direct services district for the Marin County Office of Education. This can make it difficult to segregate duties and provide proper internal controls. FCMAT examined processes and procedures in the business office such as personnel, payroll, purchasing and accounts payable, and found controls to be either nonexistent or seriously lacking. Instances were noted where one employee handled the entire financial transaction from inception to completion. In addition, the employee would pick up warrants/pay stubs issued by the county office on the way home and keep them at home overnight. This is a serious breach of internal control that allows unregulated access to the warrants by the employee and possibly others. FCMAT has provided step-by-step procedures to help the district strengthen its internal controls. Some procedures may require the district to revise job descriptions to achieve the level of internal control that should exist to prevent fraud, misappropriation of funds or other illegal activities.

The district does not have ongoing employee fraud prevention training and also lacks fraud detection methods, leaving it vulnerable to misappropriation of district assets.

The district's small number of office staff makes it essential to cross train employees and have up-to-date desk manuals. When an employee is away due to vacation, illness, jury duty, or resigns/retires, taking these measures enables a district to smoothly conduct its normal day-to-day business.

Board policies and administrative regulations were revised extensively in February 2010; however, changes to laws and regulations require constant updates. While the district has received updates from GAMUT, the California School Boards Association's policy information service, three times each year, none have been revised since February 2010. Of particular note is that the district has not revised its board policy (BP) 3100 for Budget to comply with Governmental Accounting Standards Board Statement 54, which will be required for the district to close its books for the 2011-12 fiscal year.

Although a position control system is available in its accounting software program, the district lacks a system that plays a key role in budget development and financial reporting. The district's reliance on spreadsheets to perform this critical task places extra burdens on its business manager, makes information less reliable and presents internal control risks.

The district's budget development process historically has been performed by the business manager without the benefit of a detailed budget development calendar, board goals/objectives, position control or input from site administrators/department heads. This does not create a sense of ownership or responsibility among all stakeholders. The board should adopt annual budget goals/objectives. Further, the district should incorporate the knowledge and expertise of its site administrators/department heads in the budget development process as early as possible. Implementing such a goal requires a great deal of effort and time and may not be something that can be accomplished for the 2012-13 budget cycle.

The district has not charged indirect costs to the majority of its categorical or restricted programs in the past. This places the burden for almost all administrative costs on the unrestricted side of the budget even though the categorical programs use these services. All programs should be charged for their share of administrative costs through the application of the district's indirect cost rate.

During the district's annual financial audit for fiscal year 2009-10, the independent auditors found that neither of the district's school sites could produce teacher-certified attendance records and had to disallow all of the average daily attendance (ADA) for that fiscal year. Since Sausalito Marin City is a basic aid district, this did not affect its state aid revenue. However, the district receives revenue based on ADA for its special education programs and may have to return \$98,000. The district has filed an appeal with the state Education Audit Appeals Panel. The business manager has given explicit instructions to the district's certificated personnel as to proper attendance procedures and has instituted additional monitoring procedures; however, teachers continue to provide inaccurate and incomplete attendance records. The district needs to correct this matter immediately and take appropriate disciplinary action should employees circumvent or deviate from attendance requirements.

For the 2011-12 fiscal year, the district will receive approximately \$14,000 in funding from the county office because its small size qualifies it for direct services. This funding is being used to partially offset over \$500,000 in contractual services from the county office such as nursing, psychology and special education. Prior to entering into agreements for such services for the 2012-13 fiscal year, the district should determine whether it would be more economical to hire its own personnel.

The district has declining API scores in both its schools, declining enrollment and the operational burden and expense of two separate campuses for a 150-student population. The district should consider different site or district grade level configurations in an effort to reduce duplicate operational costs. Adding to the district's budgetary constraints are questionable payments and costs to the Willow Creek Academy Charter School, an independent, direct funded charter school for which the district is the authorizing agent. The district transfers approximately \$400,000 annually that appears to be in excess of the district's payment requirement for in-lieu taxes. These questionable items are being evaluated by legal counsel with expertise in charter school law.

The charter school shares a school site with the district's elementary school. Qualified Zone Academy Bonds (QZABs) were used to improve both the shared elementary site and the middle school site, and the use of those funds to improve a site occupied by a charter school has been in question by some district staff. While the district had no financial or legal obligation to improve the facilities leased by the charter school, the district owns the site and the expenditures were determined to be allowable under QZAB financing regulations.

# Findings and Recommendations

## Internal Control

The term “internal control” is clearly defined by the accounting industry as it applies to organizations, including school agencies. An organization establishes control over its operations by setting goals, objectives, budgets and performance expectations. Several factors influence the effectiveness of internal controls in an organization including the social environment and how it affects employees’ behavior, the availability and quality of information used to monitor the organization’s operations, and the policies and procedures that guide the organization.

Internal control helps an organization obtain timely feedback on its progress in meeting operational goals and guiding principles, producing reliable financial reports and ensuring compliance with applicable laws and regulations. Internal control provides the means by which an organization’s assets and resources are directed, monitored and measured, and plays an important role in protecting it from fraud, abuse or misappropriation.

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

1. Prevent internal controls from being overridden by management.
2. Ensure ongoing state and federal compliance.
3. Provide assurance to the governing board that the internal control system is sound.
4. Help identify and correct inefficient processes.
5. Ensure that employees are aware of the expectation that proper internal controls will be utilized.

Internal control has five components:

- **Control Environment** is the tone of the organization and influences the behavior of its people. It is the foundation for all other components of internal control.
- **Risk Assessment** identifies and analyzes the risks that the organization will not achieve its objectives. This component forms the basis for how these risks should be managed.
- **Information and Communication** require systems that identify, gather and exchange information in a format and a time frame that enable the people in the organization to successfully perform their duties.
- **Control Activities** help ensure that management directives are carried out. Control activities are also designed to discourage errors or irregularities from occurring or find them after they have occurred.
- **Monitoring** is used to assess the quality of internal control performance over time.

Each person in an organization is responsible for internal control in some capacity because nearly everyone either produces information used by the internal control system or takes action to

implement organizational control. Further, each individual within the organization should take responsibility for appropriately communicating problems in operations, noncompliance with policies or illegal actions. Ultimately, internal control should pervade every level of the organization; however, district administrators and program managers, governing board members and auditors have particular roles to play.

The superintendent, as the visionary and chief executive of an organization, sets the organizational tone. This tone influences all decisions and activities of an organization and the control consciousness of its employees. Factors that contribute to a positive control environment include integrity, ethical values, management philosophy and operating style, organizational structure or configuration, assignment of authority and responsibility, and employee expertise and proficiency.

The chief business official oversees the integration of all five internal control components into one cohesive structure. The administrative team provides leadership and direction to managers and reviews and gives them feedback on their internal control decisions. In turn, the managers assign the responsibility for establishing specific internal control policies and procedures, control activities and monitoring to the personnel responsible for unit functions.

The governing board works as a group to provide governance, guidance and oversight. Individual board members particularly enhance the control environment when they are informed, free of bias, inquisitive, conduct themselves in a principled and ethical manner and expect the same standard of conduct from everyone in the organization.

Independent auditors assess whether the controls are properly designed and implemented, and monitor whether the controls are working effectively. They also make recommendations for improving internal controls.

The district has recently undergone sweeping changes in its leadership, with both the superintendent and business manager/chief business official (CBO) having retired and new employees having filled those positions. As is common, changing leadership brings new ideas and approaches to how processes should be performed. Although changes in district leadership can be stressful, employees interviewed by FCMAT were generally engaged, thoughtful, open and responsive. Many came to the interviews with recommendations for improving the district's systems, processes and efficiency. However, district staff reported that the organization's culture is "isolated" and lacking in communication both inside and outside of the organization.

The district should solicit feedback on current communication practices; provide a set of guidelines for effective communications within and between departments; establish a variety of communication avenues such as employee surveys, meetings, an e-mail "suggestion box," develop communication networks such as Facebook or Twitter; implement regular communication from the superintendent regarding the district's vision, plans, goals, and challenges; and encourage attendance at meetings or trainings outside of the district. Clear contact points, such as a manager or a specific staff member, should be designated for particular issues. Increasing opportunities for coordination between all employees in the district and with professional colleagues outside the district will promote a stronger association with goals and objectives and an understanding of challenges that are common throughout public education in California.

FCMAT found that the district's control environment was not well defined and was lacking throughout the organization. The district has adopted board policies regarding a code of ethics and professional standards, but in most instances there are no written policies and procedures regarding internal controls. Assistance with the district's written policies and procedures as they relate to district office functions is one focus of this report and will give a point at which to start imple-

mentation. The district's control environment would be further strengthened by communicating to employees the expectations of compliance with all policies and procedures, code of ethics and standards of conduct as well as control environment philosophies. These philosophies include:

- Personal and professional leadership is based on the highest levels of integrity.
- The leadership philosophy and operating style promotes internal control throughout the district.
- Accountability is enhanced by assignment of authority and responsibility at the highest possible level.
- The district's policies and procedures reflect its internal control objectives and are strictly followed.
- All employees know and understand district policies and procedures as well as those specifically related to school sites or departments in which they operate.
- Employees are aware of their internal control responsibilities.
- Fraud (embezzlement, stealing, misuse of equipment, technology or supplies, etc.) and conflicts of interest are not tolerated.
- Employees are responsible to continually self-monitor operations and job performance.

Occupational fraud is a global problem in today's business environment. A recent study by the Association of Certified Fraud Examiners concluded that organizations lost up to 5% of their annual revenue to fraud. The sectors most commonly victimized in the study included government and public administration. The study, completed in 2010, examined 90 cases in education, which represented 5% of the total cases included in the study. The median annual loss amount for the education organizations studied was \$71,000. Given the high costs of occupational fraud, all organizations should have a strong fraud prevention and detection program in place.

Fraud and the misuse of physical or cash assets occur when three factors converge: pressure or motive, opportunity, and rationalization or lack of integrity. This is known as the "fraud triangle." When two of the three factors are present, the probability that fraud will occur increases. When all three factors are present, it is almost certain that fraud will occur.

The opportunity for fraud varies throughout the district depending on the duties assigned to an employee. Rationalization and lack of integrity are more likely to be present in organizations that do not implement and/or promote anti-fraud policies.

Ongoing employee education can help prevent and detect occupational fraud. However, the district does not have an employee training and awareness program. In-depth employee training should be provided regularly regarding what constitutes fraud, how it hurts everyone in the organization, widely found fraud schemes and common behavior signs. Employees should have multiple avenues for reporting improprieties and should be encouraged to not ignore warning signs. Risk awareness training about suspicious situations that merit reporting will help create a district-wide culture that supports appropriate reporting.

The district should also implement common fraud detection methods such as an anonymous employee hotline, surprise audits or fraud risk assessments. The knowledge that someone is checking or could anonymously report suspicious behavior can deter fraudulent activity.

As is common in smaller districts, the risk assessment component of internal control at Sausalito Marin City has been assigned to its independent auditors as part of their annual audit. However, the scope of the auditors' review is limited to consideration of internal control as a basis for designing audit procedures. Consequently, independent auditors do not express an opinion on the effectiveness of the district's internal control and they should not be the only tool used by the district for monitoring internal controls.

The study team reviewed the district's independent audit reports for the past three fiscal years. Both the 2009 and 2010 audit reports identified material weaknesses in internal control over financial statement reporting and compliance with federal and state programs. Such weaknesses could result in a material misstatement of the financial statements or in material noncompliance with a program requirement because the district's internal control could not prevent, detect and correct problems in a timely manner. Further, the audit reports for all three years cite instances of significant deficiencies in internal control. Some of these findings and recommendations occur in more than one year, such as the ongoing deficit spending pattern in the cafeteria fund. Findings and recommendations from the independent auditors require a district response, and Education Code (EC) Section 41020.3 also requires that the board review any audit exceptions or management letter findings or recommendations, descriptions of corrective actions or plans to correct items. Consistent review and follow-up by the board on audit findings and exceptions will help strengthen the district's control activities.

The following basic concepts and procedures help to ensure a strong internal control structure exists:

- **System of checks and balances** – Formal procedures should be implemented to initiate, approve, execute, record and reconcile transactions. The procedures should identify the employees responsible for each step and the time period for completion. Key areas requiring checks and balances include payroll, purchasing, accounts payable and cash receipts.
- **Segregation of duties** – Adequate internal accounting procedures must be implemented and necessary changes made to segregate job duties and protect the district's assets. No single employee should handle a transaction from initiation to reconciliation and no single employee should have custody of an asset, such as cash, and maintain the records of its transactions.
- **Staff cross-training** – More than one employee should be able to perform each job. Each staff member should be required to use accrued vacation time during which another staff member is assigned to perform those duties. Inadequate cross-training is often a problem regardless of the size of an organization.
- **Use of pre-numbered documents** – Checks, cash receipts, purchase orders, receiving reports and tickets should all be printed by an entity independent of the district. Physical controls should be maintained over the check stock, cash receipt books and tickets. It is not sufficient to simply use pre-numbered documents without an independently reconciled log of numbers.
- **Asset security** – Cash should be deposited daily, and other property of the district such as computers and other equipment should be secured. Access to supplies, including but not limited to stores, food, tools and gasoline should be restricted to designated employees.

- **Timely reconciliations** – Bank statements and account balances should be reconciled monthly by an employee independent from the individual assigned the original transaction and recording process. For example, a central office employee should reconcile Associated Student Body accounts (ASB) every month; the 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 revenue 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 from ASB funds are identified at the start of each year.
- **Inventory records** – Inventory records should be maintained that identify the items and quantities purchased, sold or designated as surplus. Physical inventory should be taken periodically and reconciled with inventory records. Inventoried items particularly susceptible to misappropriation include: computer equipment, warehouse supplies, food service commodities, maintenance and transportation parts and student store goods.

With the departure of two long-term key employees, the district has identified the need to document business processes and procedures and to cross train business and central office clerical staff. Cross training in a very small district can be challenging. However, at least one additional employee should be trained for each position so they can temporarily perform critical duties in the event of illness, vacation or resignation. This will enable the district to continue essential business office functions without interruption.

The district lacks desk manuals that include step-by-step procedures for business-related job duties. Desk manuals ensure consistent application of internal controls and designate the responsibilities that each position(s) holds relative to internal control.

Similarly, a business department policies and procedures manual provides an opportunity to plan and diagram internal controls and written standards for the business office, school sites and other district departments to follow. Desk manuals and business department policy and procedure manuals are especially helpful for new staff. They can provide training, help preserve institutional knowledge, and effectively document and monitor segregation of duties district-wide. These manuals should be made available to the district office, school sites and other district departments to assist with processes and standards regarding business transactions and best practices.

Departures of long-term staff often require new staff to frequently access district records. With the retirement of the former superintendent and business manager, staff reported difficulties in accessing the district's electronic records, business records were not organized effectively and historical information was not readily available. This required staff to spend excessive amounts of time to fulfill FCMAT's documentation requests for this study. In some cases, these efforts were futile or produced minimal results. Each employee should bear the responsibility for safekeeping, organizing, and ensuring access to important records related to their duties. Each employee's supervisor should oversee their work performance in this area. There are various effective methods of organization of documents that the district can follow. The California Education Code, California Administrative Code – Title 5, Commercial Code and Government Code all provide record retention guidelines for school agencies. The California Administrative Code – Title 5, Sections 16020-16027 categorize records into classes based on specific criteria.

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

Each employee should be given training and dedicated time, as needed, to ensure that they understand their responsibility for records retention and to ensure compliance with the records retention requirements of Title 5, Sections 16020-16027.

## Recommendations

*The district should:*

1. Improve communication practices, identify measurable objectives and implement strategies to achieve those objectives.
2. Communicate to every employee the expectation of compliance with all policies and procedures, code of ethics and standards of conduct.
3. Develop and implement ongoing employee fraud prevention training programs.
4. Develop and implement fraud detection methods.
5. Review and follow up on any audit exceptions or management letter findings or recommendations, descriptions of corrective actions or plans to correct items.
6. Ensure that employees are cross-trained in all key areas of responsibility.
7. Develop desk manuals of employee duties; ensure that each employee includes step-by-step procedures for all assigned duties in their desk manual.
8. Create a policies and procedures manual for the business department.
9. Ensure that each employee understands their responsibility for records retention. Provide education and dedicated time, as needed, to ensure the district complies with the record retention requirements specified in Title 5, Sections 16020-16027.

# Central Office and Administrative Functions

## Board Policies and Administrative Regulations

Board policies (BPs) and administrative regulations (ARs) are based on state and federal laws and regulations, case law and district practice. Board policies and regulations provide guidelines and directives by which a district and its staff operate, and are a key component of internal controls. Because they are based on laws and regulations that are revised frequently, board policies should be updated to reflect those changes.

The district's board policies and administrative regulations were extensively updated in February 2010. However, due to subsequent legislation, many policies and regulations no longer comply with current laws and are therefore out of date. A few examples are provided below:

Reference Number	Description	Date Update Needed
1250 BP & AR	Outside Visitors	7/10
1312.4 AR & E	Williams Uniform Complaint Procedures	11/10
2210 BP	Administrative Discretion Regarding Board Policy	7/11
3290 BP	Gifts, Grants and Bequests	7/11
3320 BP & AR	Claims and Actions Against the District	3/10
3516.3 AR	Earthquake Emergency Procedure System	3/11
3550 BP& AR	Food Service/Child Nutrition Program	3/11
4020 BP	Drug and Alcohol-Free Workplace	11/10
4158 BP	Employee Security	3/11
4257 BP	Employee Safety	3/10
5022 BP & AR	Student and Family Privacy Rights	3/11
5113.1 BP	Truancy	11/10
5117 BP & AR	Interdistrict Attendance	11/10
6011 BP	Academic Standards	11/10
6111 BP	School Calendar	7/11
6158 BP & AR	Independent Study	7/10
6161.1 BP, AR & E	Selection and Evaluation of Instructional Materials	11/10
6164.4 BP & AR	Identification and Evaluation of Individuals for Special Education	11/10
9140 BB	Board Representatives	3/11
9323.2 BB	Actions by the Board	3/11

BP 3100, Budget, also needs immediate attention. On March 11, 2009, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, which changed the way fund balances are reported. Under GASB 54, fund balances are reported as restricted, committed, assigned or unassigned. Pursuant to GASB 54, the board has the sole authority to specify the purposes of funds as “committed” and must also express, or delegate the authority to express, the intended purposes

of any fund balance reported as “assigned.” This new financial standard is effective for fiscal years beginning after June 15, 2010. FCMAT’s review of BP 3100 indicates that the board policy has not been updated to include this new standard, and board action will be required for district administration to close the books for the 2011-12 fiscal year.

FCMAT also found that:

1. Many of the district’s administrative regulations regarding personnel (the 4000 series) were not available on the website because the superintendent and board have questioned whether it was appropriate to place these policies on the website. The district has turned these questions over to legal counsel.
2. No board policies or administrative regulations regarding facilities (the 7000 series) were available on the website due to a board member’s request to review them prior to posting. There has been no further communication from the board member who requested the additional review time.
3. The district has been contracting with and paying the California School Boards Association (CSBA) for the use of the GAMUT online policy service, but has not adopted some board policies and administrative regulations provided through the online service. These may be unnecessary, but all online policies and regulations should be reviewed for relevance. A few examples are provided below:

Reference Number	Description	Updated
1330.1 BP	Joint Use Agreements	2/10
3430 BP & AR	Investing	3/05
4031 AR	Complaints Concerning Discrimination In Employment	3/10
5118 BP, AR & E	Open Enrollment Act Transfers	11/10
5119 BP	Students Expelled From Other Districts	3/07

The district receives GAMUT’s periodic updates, but they have been set aside because staff has not had the time to review the policies and include the district’s practices.

Based on the number of policies and administrative regulations that require updating, the district may want to use CSBA’s Policy Audit Program to identify policies that are missing or out of date and attend the CSBA policy development workshop to complete the review and update.

## Recommendations

*The district should:*

1. Take immediate board action to update BP 3100 to comply with Governmental Accounting Standards Board (GASB) Statement No. 54.
2. Update all board policies and administrative regulations by the end of the fiscal year. Consider using CSBA's Policy Audit Program and policy development workshop to facilitate this endeavor.
3. Develop and implement a protocol to ensure future required changes to board policies and administrative regulations are adopted by the district in a timely fashion.
4. Ensure that all board policies and administrative regulations are posted to its website.

## Budget Development

Good budget development processes, ongoing monitoring and adjustments to the financial plan of any educational entity are essential to providing responsive and high quality services to students and communities. This has been especially true during the nation's deep recession and reductions in California's budget that have resulted in substantial cuts to education over the past four years.

School districts in California adopt their annual budgets in accordance with the statutory timelines established by EC Section 42127, which requires that on or before July 1 each fiscal year, the governing board holds a public hearing on the budget for the subsequent fiscal year. No later than five days after that action, or by July 1, whichever comes first, the governing board must file the adopted budget of the district with the county superintendent of schools. The district's staff reported and its budget documents confirm that the district has historically met these timelines.

A district's budget should reflect its goals and objectives, which are developed annually and approved by the board. However, the district did not adopt annual goals and objectives for 2011-12. Formal action by the governing board, along with input from internal and external stakeholders, to adopt annual goals and objectives provides district staff responsible for budget development valuable insight and information about the board's aspirations for district programs, services and use of financial resources.

While the board's goals and objectives change annually to address student and community needs or for economic reasons, guiding principles, which can also be adopted by a governing board, generally represent an unwavering dedication to the wise use of taxpayer dollars, provide a framework for decisions and reflect the district's financial commitments. Board adoption of appropriate guiding principles will focus discussions and related activities at all levels of the organization on these ideologies and become particularly helpful during annual budget development. A sampling of guiding principles follows:

- All programs and services are self-supporting utilizing the federal, state and local funds specifically allocated for those purposes unless the use of other available funds to support these programs is authorized by the governing board.
- Ongoing expenses are tied to ongoing revenues; one-time revenues may be used to cover planned excess costs occurring within the budget year.
- Restricted/categorical programs are self-sustaining, which includes providing sufficient resources to support all related administrative (direct and indirect) costs unless the governing board makes a specific exemption or legal restrictions specify otherwise.
- Staffing levels are adjusted in each program/service area to align with changes in pupil enrollment, level of service demands and available revenues.
- To help ensure ongoing fiscal stability, a minimum amount of cash and unrestricted general fund balance reserve is specified and maintained.
- Reserve funds may be used to support program priorities providing that a plan is developed to restore those reserves in future years.

Budget development is a detailed process that can begin as early as November or December of the preceding fiscal year. An annual budget development calendar is a key tool for organizing the process. The business manager retired in summer 2011, and the new business manager was given a new computer. Many documents are either no longer available from the former business manager's computer, or they do not exist except in paper form. The new business manager was not able to provide FCMAT with a prior year budget calendar but has drafted a calendar that has been presented to the board for approval. In FCMAT's review of this draft calendar, it was noted that many groups and constituents are included in the budget development process along with the months in which tasks are to be completed. However, an effective calendar should include specific critical tasks and their deadlines, and identify the staff member responsible for the successful completion of each task. For example:

Date	Task	Person Responsible
3-8-12	Draft position control to business manager	Assistant to business manager
3-12-12	Revisions to position control to assistant	Business manager
3-15-12	Position control complete	Assistant to business manager
4-6-12	Budget reports to sites/departments	Assistant to business manager
4-27-12	Budget reports due from sites/departments	Administrators
5-18-12	Entry of budget lines into model	Business manager
5-21/22-12	May Revise Workshop	Business manager
6-1-12	Revisions to model and balance all resources	Business manager
6-13-12	SACS forms complete	Business manager
6-13-12	Publication of notice of inspection	Marin COE
6-14-12	Public hearing for flexibility funds	Business manager
6-18-12	Budget available for public inspection	Exec. assistant to superintendent.
6-25-12	Board agenda posted	Exec. assistant to superintendent
6-28-12	Board meeting to adopt budget	Board

Budget development can be a centralized or decentralized process. For Sausalito Marin City, budget development has been centralized and primarily the responsibility of the district's business manager. Although having a single staff member create the budget may speed its development, best business practices include site administrators and department managers in the process. This helps create a sense of shared ownership and responsibility, and a deeper understanding of budgetary issues that can lead to fewer, less material budget adjustments throughout the year. A district's administrators and managers have invaluable in-depth knowledge, past experience and expertise in their individual school and support program needs and operations. They are also responsible for implementing programs and services and managing their results. For these reasons, the district should consider decentralizing its budget development process.

Implementing a budget process that includes sites and department staff requires a significant initial effort. Given the business manager's other responsibilities, it may not be feasible to implement in time for the 2012-13 fiscal year. However, the district should include site administrators/department heads in the process to the extent possible. A fully inclusionary process would require the business office staff to develop training materials, provide a budget workshop to all administrative staff responsible for program or service management, and be available to assist and answer questions as work progresses. Budgetary tools that will allow site administrators and department managers to become more involved in budget development and become more accountable for their programs' fiscal performance include:

- Budget development worksheets by funding resource that are the responsibility of the appropriate site administrator or department manager. Completed worksheets should include total projected revenues, personnel costs and all operating expenditures as well as the source of funding for any encroachment.
  - Revenue estimates provided by the business office.
  - Ongoing staffing expenditures provided by the business office. The site/department should be provided with position control reports that include a list of all employees charged to each funding source, their salary, related statutory and health benefit costs and full-time equivalent (FTE) assignment. Site and department managers should review the staffing information for accuracy and immediately report any inconsistencies to the business office. This helps to verify the position control database, which affects the personnel costs to be budgeted.
    - If staffing adjustments are requested, an Excel spreadsheet should be provided to aid in calculating total salary and benefits.
  - Total indirect costs would be provided by the business office.
  - The site administrator or department manager should supply all remaining expenditures, including operating costs.
  - Many districts also require a written explanation to accompany a request for increased expenditure.
- Online, read-only access to the financial software system, which allows access to current financial information and saves staff time.
- Initial and ongoing training programs for site administrators and department heads on accessing financial information electronically, reading and understanding that financial information, effective use of categorical funding and indirect cost rates.

The basic framework for the budget comes from the governor's annual budget proposals in January and May and the board's goals and objectives for the upcoming year.

Estimated revenues and projected expenditures are based on a set of assumptions. Revenue estimates should be built on the best information available for each funding stream and come from such sources as the governor's January budget proposal/May Revise, California Department of Education (CDE), School Services of California dashboard, grant letters, county office of education (COE) estimates, revenue limit calculations, property tax estimates from Marin County, etc. Revenue limit resources provide most of the funding for school districts. School districts are either revenue limit districts that receive most of their funding from a formula derived from average daily attendance, or are basic aid districts whose property tax revenues exceed the state aid revenue limit calculations. Sausalito Marin City is a basic aid school district and, therefore, relies heavily on the estimates of local property taxes provided by Marin County.

Enrollment estimates also are made in budget development. Vendors that specialize in student demographic analysis can assist in providing this information. Some districts utilize birth rate statistics to estimate kindergarten enrollments and the cohort survival method for the remainder of the grades. The cohort survival method groups students by grade level upon entry and tracks them through each year that they stay in school. This method evaluates the longitudinal relationship of the number of students passing from one grade to the next in a subsequent year. This closely accounts for retention, dropouts and student transfers to and from the district grade by grade. Although other enrollment projection methods are available, the cohort survival method usually is the best choice for school districts because of its sensitivity to incremental changes in several key variables.

The district's estimated enrollment determines its staffing needs, and those needs are translated into the district's position control module. Position control is updated each year during budget development to reflect employee separations such as retirements, resignations, or layoffs, as well as the natural step and column movement of its employees. The district will also receive notifications of changes to statutory benefits such as unemployment insurance, workers' compensation insurance, state disability insurance, etc. and will communicate with its health insurance carriers to obtain estimates of increases in those benefits. In good financial times, the district may also include new positions. All of these changes are then incorporated into position control.

Other expenditures for books, supplies, materials, utilities, professional services, etc. are either based on estimates provided by site administrators/department heads or on contractual obligations, board goals or assumptions founded on a base year – such as an assumption that utility costs will rise by 5% over the prior year or fuel expenditures for district home-to-school transportation will rise by 15% in the coming year.

Budget assumptions can change quickly. While some districts obtain board approval of budget assumptions, there is no statutory requirement to do so. In fact, there may not be sufficient time between learning of a change in an assumption and putting it into the budget to obtain board approval. However, written budget assumptions should be provided to the board with each reporting period whether or not the board approves them in advance of budget adoption. Board involvement in the budget development process is crucial, and the district's draft budget development calendar reflects the administration's commitment to that goal.

As revenue and expenditure estimates are made during the budget development process, this information is entered into the district's accounting software system from Quintessential School Systems (QSS). QSS has a module that allows the district to construct a model of the budget

outside of the ledgers and accounts that the district uses daily. With the use of the position control module in this process, once all of the changes have been made to positions, a series of keystrokes brings the budgets for salaries and benefits into the budget model. Completing the model is then a process of analyzing each resource/program to ensure that expenditures, including indirect costs, do not exceed revenues. Programs requiring revenues in excess of what they will earn (known as encroachments or contributions) should be individually assessed by the executive leadership team and governing board against a set of consistently applied criteria. The governing board, working with the executive leadership team, should approve encroachments of specified amounts along with the source of additional revenue, by funding source, prior to budget adoption.

Fundamental to an effective budget development and monitoring process is a district-wide culture in which the governing board and administrators understand critical budget components and strive to maintain programs in the context of a balanced budget. A best practice for budget development is not to consider estimated carryover balances from the current year in the process because the year that would produce the carryover has not yet officially closed. Circumstances may arise where the amount designated as carryover is needed in the current year.

When each resource in the model has been reviewed and indirect costs applied and balanced, the model is then moved into the working budget of the adoption budget year. The information is exported into the CDE's Standardized Account Code Structure (SACS) forms for presentation to the board for adoption during the required public hearing. Most districts also have additional information/spreadsheets that they add to the adoption budget that are unique to their board's needs. These are discussed in other sections of this report. Timing the finalization of the budget should allow for the public inspection and publication requirements of EC Section 42103 and should be reflected in the district's annual budget calendar.

In addition to the public hearing required for adoption of the district's annual budget, Senate Bill 4 of the 2009-10 Third Extraordinary Session (SBX3 4) included several changes to law and provided local educational agencies (LEAs) with unprecedented budgeting flexibility. As a condition for receipt of Tier III flexibility funding under SBX3 4, an LEA must take testimony from the public, discuss and approve or disapprove the proposed use of funding, and explicitly state at a regularly scheduled public hearing the purpose for which the funds will be used. The bill allowed the public hearing to take place at the governing board meeting that includes the budget adoption. On October 8, 2011, Governor Brown signed Assembly Bill 189, which now requires that the public hearing required as a condition of receiving Tier III funding is held prior to and independent of the meeting where the governing board adopts its budget.

During budget development, district administration should conduct study sessions for the board to include them in the process and allow them to understand the district's budget in more detail. January sessions could include a review of the multiyear projection from the district's first interim report, the underlying assumptions that produced the multiyear projection, and its projected results for the current and two subsequent fiscal years. This could then be compared to enrollment projections that may affect staffing, student programs or categorical program funding. Discussions about changes to preliminary budget assumptions could continue in February once the governor's budget proposal is available and staff have had the opportunity to fully analyze its impacts.

Board meetings should include periodic updates regarding budget development progress. These updates should be standardized in format and content, with an emphasis on changes that have

occurred since the previous update. Standardized updates will allow efficient use of staff time, comparability of information over time, and in-depth understanding of the information.

The district should perform a periodic assessment of its fiscal health to help ensure its viability. FCMAT has developed a Fiscal Health Risk Analysis to evaluate key fiscal indicators of fiscal solvency for the current and two subsequent fiscal years. A copy is attached as Appendix B.

### **Budget Monitoring**

All stakeholders should recognize that budgets are not static and continue to change throughout the fiscal year. The projected revenues, expenditures and ending fund balances will change during the year for many reasons including changes in state and federal funding levels, changes in personnel needs, subsequent negotiated settlements or unanticipated operating expenditures. Maintaining an operating budget that accurately reflects the current financial condition will provide decision-makers throughout the organization with the information needed to take appropriate action to ensure program quality and fiscal stability throughout the fiscal year.

Interviews with district staff and governing board members revealed a district-wide culture to routinely increase expenditures throughout the fiscal year regardless of their effect on the district's financial plan or fiscal position. There is a general expectation that expenditures above the level provided for in the district's operating budget will be funded from unrestricted reserves. Reacting to each request as it arises rather than assessing them proactively in conjunction with district goals, objectives, guiding principles as well as performance outcomes and cost effectiveness makes it difficult to address the needs of all students throughout the district equitably. More importantly, this practice makes it difficult to ensure that the operating budget reflects all expected financial activity of the district and sustains the district's financial solvency.

Best budget monitoring practices include presenting regular and frequent budget revisions to the governing board for approval. These are most often presented as budget transfer entries/adjustments into the district's accounting system. While the district includes them in the board agendas containing their periodic financial reports (i.e., interims, unaudited actuals, budget adoption), some districts provide them to the board monthly. The appropriate interval is a local decision, and the district should ensure that the board understands the information presented and how it affects the district's financial position.

Site administrators and department managers should frequently review pertinent financial information to determine necessary adjustments to revenues and expenditures, and communicate them to the business office in a timely fashion so that budget transfers can be approved and entered into the accounting system and board materials can be completed. Adopting such a system would streamline the process and increase efficiency.

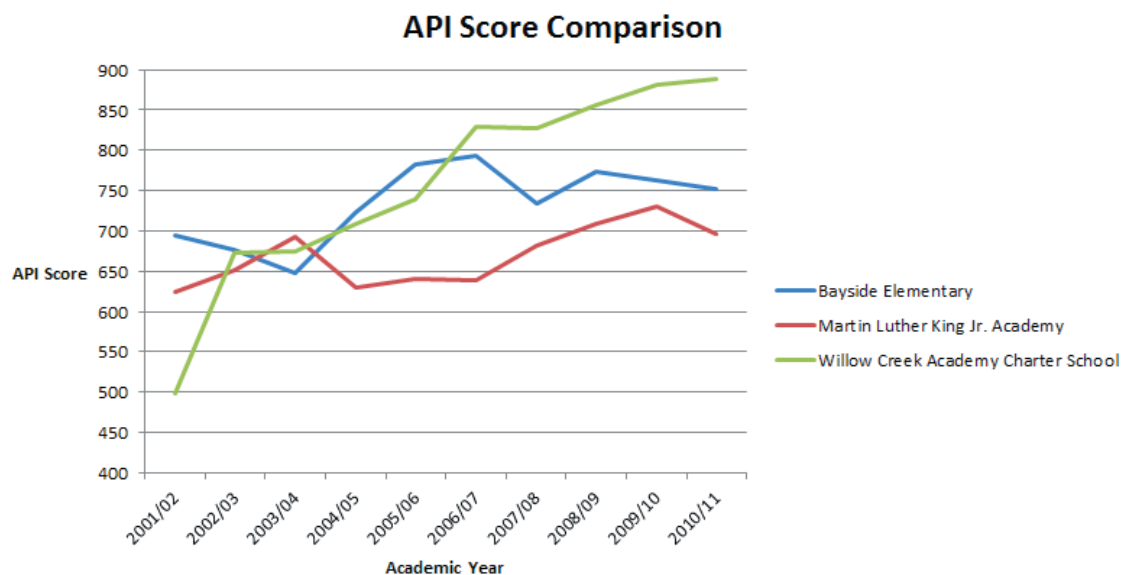
### **Other Related Issues**

The district has experienced declining enrollment over the last decade. It reported CBEDS enrollment of 226 for the 2001-02 fiscal year. The CBEDS enrollment for 2010-11 was 171, decreasing to 146 in 2011-12. The district is basic aid funded, and while the fiscal pressures caused by declining enrollment may not be as great as for districts funded on a revenue limit formula, some sources of revenue, such as special education, lottery and K-3 class size reduction funding, are enrollment/ADA-based. The district projects that federal and state revenue, which are generally based on ADA or other indicators of student population, will make up over 17.8%

of the district's general fund revenues in 2011-12 and will be subject to the elimination of home-to-school transportation revenues in 2012-13 if the governor's proposed January budget is implemented. Additionally, as students leave the district to attend the nearby district-authorized charter school, which reports substantially higher API scores, this increases the amount of in-lieu property taxes sent to the charter school and decreases the district's revenues.

The district is also subject to other pressures caused by long-term declining enrollment and very small student populations. Providing high-quality programs and services for small numbers of students on school sites that were built to house many more students can be especially difficult. The district operates two campuses: Bayside Elementary for grades K-4 and Martin Luther King Jr. Academy (MLK) for grades 5-8. Bayside houses about 90 students and MLK houses about 56. School site administrators and support staff are required for each site, and each site incurs maintenance and operating expenses. The district would likely realize substantial savings by closing one of the two campuses and housing all its students in one location. This is a difficult subject to broach because governing boards, staff, students, parents and other community members often strongly identify with their neighborhood public school and are loyal and dedicated to it.

However, the resources that are used to keep two campuses open and the additional funding that is being provided to the district-authorized charter school, Willow Creek Academy (WCA) in excess of the required in-lieu tax amount may be more effectively utilized in addressing the district's Academic Performance Index (API) scores allowing the district to augment its instructional programs and strategies such as providing academic coaches, tutoring services, software, online courses/services, etc. as well as full-time administrators to plan and guide these efforts such as the superintendent and an instructional assistant superintendent or director. The district has seen its district-wide API score fall 17 points, an 11 point decrease at Bayside and a 34 point decrease at MLK from their 2010 base. In contrast, WCA was recently recognized as one of the 10 top performing charter schools in the state. WCA has API scores that have been consistently higher than Bayside since the 2006-07 school year and higher than MLK since the 2004-05 school year, as shown by the following graph:



MLK had been making positive progress in its scores; however, the recent drop in API at MLK puts the school below a score of 710 and may place it at risk of entering PI status. The operation of two small schools and the additional financial assistance provided to WCA, along with

shrinking enrollment and fiscal pressures such as those related to the possible loss of home-to-school transportation funding and the district's potential increase in in-lieu property tax payments to the charter school, should compel the district to seek budgetary savings.

In a preliminary analysis, the district found it could save approximately \$800,000 in the first year of operation by housing all students in one facility. The district should develop a multi-step plan to be shared with all stakeholders and to evaluate the advantages and disadvantages of different school site and district grade level configurations. Supporting high achievement for all district students and effective use of the district's financial resources should become the common ground for discussion and long-term planning.

Regardless of the action that the district does or does not take regarding its operation of two school sites, staffing should be commensurate with the district's and students' needs and not based on past practice. Determining the proper staffing ratios can be based on many factors such as the number of students, square footage of facilities, number of teachers, and comparisons with similarly sized districts. District administrators reported they are unaware of any formal staffing study conducted by or for the district, and based on the district's changing student population as well as possible reductions in categorical funding, the district should consider commissioning a study to determine its appropriate staffing needs for both certificated and classified employees.

The district is the authorizing agency for the WCA, an independently operated, direct-funded charter school organized as a not-for-profit organization under Internal Revenue Code 501(c)(3). A "dependent" charter school functions as another school of the authorizing agency with its financial records within the district's accounts, whereas an independent agency keeps its accounting records separate from the district's. In the case of WCA, they are not to be treated as another school in the district but as an independent agency. The term "direct funded" refers to WCA's election under EC Section 47651 to receive its state funding directly as opposed to having it flow through the district. As a 501(c)(3) entity, WCA is also responsible to provide for its own annual audit that should not be combined with the district's annual audit. However, as WCA's authorizing agency, the district does have oversight responsibilities.

The California Education Code provides for both general purpose and categorical funding to all charter schools based on an estimated average daily attendance (ADA) formula by grade level of the students who attend the school. However, as a basic aid district, Sausalito Marin City pays the lesser of the district's average property taxes per ADA or the charter general purpose block grant per ADA to the charter school (EC Section 47635). Charter schools also receive a discretionary block grant that represents categorical funding from roughly 45 restricted programs. Like school districts, charter schools can receive additional funding for pupils who are English learners and/or who come from families with low income levels, and can apply for class size reduction funding, federal grants and facilities funds. Charter schools are also eligible to participate in their Special Education Local Plan Area (SELPA) and receive funding and services for the special education student population in the charter school.

Employees from multiple district locations questioned the relationship of the district to WCA, district funds going to WCA and services provided to WCA. The Education Code delineates the fiscal relationship between charter schools and authorizing agencies. EC 47614 regulates the sharing of public school facilities. Authorizing agencies are given the authority to charge for supervisory oversight and charter schools are given the authority to separately purchase administrative or other services from the authorizing agency in EC 47613. As noted above, EC 47635 sets forth the provisions for the transfer of in lieu property taxes from the authorizing authority,

and EC 47636 appears to provide for both parties to negotiate some other in lieu property tax amount.

District employees, board meeting minutes and interim report multiyear assumptions noted that district funds have been transferred to WCA annually as “supplemental grant funds” that may exceed the requirements of EC Sections 47613, 47614, 47635 and 47636. District employees and interim report multiyear assumptions noted that district funds have been transferred to WCA for equipment purchases, and may exceed the requirements set forth by EC 47614. Inquiries of district staff regarding fees for services provided to WCA by the district revealed that services such as special education, utilities and custodial operations either have not been assessed by the district or possibly have been forgiven, which may violate EC Section 47613. The district and its legal counsel are reviewing any excess funds provided or payments made to the charter school that exceed the in-lieu property tax amount per Education Code Sections 47613, 47614 and 47635-36.

## Recommendations

*The district should:*

1. Annually adopt and communicate board approved budget goals and objectives.
2. Implement a set of board-approved guiding principles outlining the district’s financial priorities for use in decision making.
3. Prepare a formal budget development calendar, including critical tasks, deadlines and the staff member assigned. Obtain annual approval of the calendar from the governing board.
4. Implement a budget development process that includes site administrators and department managers and holds them accountable to stay within their budget.
5. Prohibit other fund or restricted program encroachment without the express support of the district’s executive leadership and the governing board.
6. Prohibit the inclusion of carryover balances during budget development.
7. Ensure that the required public hearing regarding receipt of flexibility funding for the 2012-13 budget year and subsequent years is held prior to and independent of the annual public hearing for budget adoption, and that the explicit purposes for use of the Tier III funding is included in the board’s agenda and minutes.
8. Conduct budget study sessions for the governing board and all interested stakeholders during budget development and bring periodic updates to the board during the process.
9. Periodically assess its fiscal health to help ensure its viability.

10. Assess all requests for expenditures for goods and services not included in the current governing board approved operating budget through a formal protocol using criteria such as annual goals, objectives, guiding principles, cost effectiveness, available resources, other district needs and performance expectations to ensure financial resources equitably support all district students.
11. Provide regular and frequent budget revisions to the governing board for approval.
12. Consider online, read-only access to financial information by site administrators and department managers, training on budget monitoring techniques and preparation of budget transfers, electronic distribution of draft budget transfers to the business office, and a calendar of deadlines for budget revisions due to the business office.
13. Develop a multi-step plan, open to all stakeholders, to evaluate the advantages and disadvantages of different school site and district grade level configurations.
14. Consider commissioning a study to determine appropriate staffing levels for both certificated and classified employees.
15. Continue to seek legal counsel with expertise in the area of charter school law to evaluate the supplemental funding and services provided by the district to the WCA charter school.

## Financial Reporting

The California Education Code and Government Code prescribe the content, format and timelines for reporting school district financial information. Code sections stipulate requirements for an annual adopted budget (EC 42127), an update of the budget within 45 days after the governor signs the annual Budget Act (EC 42127(i)(4)), an interim report as of October 31 and January 31 of each year (EC 42130), an unaudited actuals report as of the end of each fiscal year (EC 42100), audited financial statements prepared by independent auditors (EC 41020 and 41020.3) and other miscellaneous reports including the disclosure of costs associated with collective bargaining agreements (GC 3547.5).

Based on the documents supplied to FCMAT and interviews with district and county office staff, the district failed to comply with EC 42100 requiring that the board approve the district's annual statement of revenues and expenditures, or unaudited actuals, for the previous fiscal year by September 15. The board's meeting to approve the district's unaudited actuals was held on September 22, seven days after the statutory deadline. Violation of this requirement is punishable as a misdemeanor pursuant to GC Section 1222. Additionally, the district was unable to provide FCMAT with documentation regarding its 45-day budget update as required by EC Section 42127(i)(4). Otherwise, the district appears to have complied with all remaining statutory financial reporting requirements. The district should carefully review its board calendar in conjunction with its reporting deadlines to ensure compliance with all relevant code requirements.

In addition to the SACS forms required to be generated by the CDE, most school districts provide additional financial materials to ensure that governing board members and other stakeholders understand the salient points contained in the complex and detailed state reports and to provide easy access to information of particular interest. These materials can be presented using basic spreadsheets, graphs, trend analysis, Power Point presentations and narratives. The district

supplied additional explanatory materials that had accompanied its state reports presented to the governing board; however, the content was inconsistent. This may be attributable to turnover in district leadership personnel. Nonetheless, to assist in determining the board's specific areas of interest or topics for which they feel need additional explanation, the district may wish to survey the board to identify those items. Some items that the district may wish to consider are:

- Operating deficit amount categorized by unrestricted and restricted funding as well as identification of one-time and ongoing funding amounts or programs.
- The size and purpose of any supplementary payments to WCA.
- Enrollment and ADA history and ratios.
- Detailed explanations for all unmet criteria and standards items within budget and interim reports.
- Financial activity reports or snapshots for all district programs by resource.

### Independent Audits

A significant finding reported in the 2009-10 independent audit has not yet been resolved. The auditors found that neither of the district's school sites were able to locate teacher certified student attendance records nor most supporting absence notes or telephone logs. Therefore, the auditors could not verify whether the average daily attendance (ADA) was correctly reported, and all ADA for the district was disallowed. EC Section 48200 requires each child between 6 and 18 years of age to be subject to compulsory full-time education, unless excused (EC 48205). To comply with compulsory attendance laws, the district adopted AR 5113, which sets forth the acceptable reasons for excused absences and the verification methods that can be used, such as notes, faxes, visits, physician verification, e-mails or transcripts of conversations. Without the teacher's record of daily attendance and the notes, etc. used for verification of absences, there is no record of compliance with compulsory attendance. The district must require all teachers to take daily attendance and ensure that clerical site staff retain and maintain records to substantiate excused student absences in accordance with AR 5113.

Since the district receives funding as a basic aid district, the audit finding will not result in lost state aid revenue limit funding. However, special education funding is allocated to each Special Education Local Plan Area (SELPA) based on the ADA generated by its member school districts and charter schools. Therefore, the SELPA funding generated by the disallowed ADA is in jeopardy. Resolution of this issue is dependent on the outcome of a Request for Summary Review that the district filed with the Education Audit Appeals Panel (EAAP) in October 2011.

Staff at CDE and EAAP indicated that some districts that had similar requests and use the same attendance system as the district, Aeries, were granted their appeal. However, these districts had rehired their independent auditors to conduct additional agreed-upon audit procedures, including reviewing ancillary information already contained in the Aeries database for evidence that teachers entered attendance information appropriately and that the information was credible. When these procedures yielded sufficient evidence, the independent auditors were then able to opine that the ADA as reported was reasonable and therefore allowable. The district should consider the financial pros and cons of engaging an independent auditor with Aeries software expertise to determine if the 2009-10 ADA as reported was reasonable.

The county office estimates the amount of special education funding in question to be approximately \$98,000. FCMAT noted that this amount has not been recognized as a liability in the

district's financial records. Because receipt of the funding is now in question and the amount is quantifiable, the district should record the \$98,000 as a liability until the outcome of the EAAP appeal is known.

Other state categorical funding the district has received based on an ADA formula may also be in jeopardy; however, FCMAT was unable to verify programs or amounts that might be at risk.

Even with the potential loss of \$98,000 and explicit direction from district administration, teachers have continued with improper student attendance accounting and are not recognizing the important connection between accurate attendance recordkeeping, compulsory attendance laws and revenue generation. Continued deficiencies in attendance accounting that produce incomplete and inaccurate records may result in lost funding. District administrators have recently implemented additional procedures to monitor attendance processes; however, site staff should be immediately trained or attend outside trainings regarding their roles, duties and responsibilities to accurately record attendance. District administration will need to continue to closely monitor attendance accounting and should take appropriate disciplinary action with any employee who circumvents or deviates from the requirements.

### Interim Financial Reporting

Review of the district's 2010-11 second interim financial report revealed that the 2009-10 audit adjustments were posted to the fund balance in the Original Budget column. Because audit adjustments are not known at the time the annual budget is adopted and this column should reflect the exact items in the adopted budget, the adjustments should be incorporated as a revision to the original budget. They then should be presented to the board for approval as audit adjustments and reported in the interim report in the Board Approved Operating Budget column or Projected Year Totals column of the SACS documents, depending on the board's procedure for approving budget adjustments.

The 2010-11 first interim financial report, 2010-11 second interim financial report and 2011-12 first interim financial report cash flow worksheet all contained amounts on the Other Receipts/ Non-Revenue line of those reports that caused the cash flow worksheet to be out of balance with the budget for the same period. The district reported that the \$45,252 adjustment reflected in the 2011-12 first interim financial report was a last-minute adjustment associated with the mid-year state budget triggers. While the adjustment would probably be considered immaterial by auditors, these items should be incorporated into the district's budget and cash flow worksheet to the extent possible to maintain the integrity of the documents, and should be used only in rare circumstances.

The district's 2011-12 first interim financial report criteria and standards section stated that negotiations for the certificated and classified bargaining units had not yet concluded. GC Section 3547.5 specifies the reporting requirements for district staff and governing board members prior to entering into written agreements with their exclusive representatives. The requirements include the following:

- Major provisions of the agreement including, but not limited to, the costs that would be incurred by the public school employer under the agreement for the current and subsequent fiscal years, shall be disclosed at a public meeting of the public school employer in a format established for this purpose.
- The superintendent of the school district and chief business official shall certify in writing that the costs incurred by the school district under the agreement can be met by

the district during the term of the agreement. This certification shall be prepared in a format similar to that of the reports required pursuant to Sections 42130 and 42131 of the Education Code and shall itemize any budget revision necessary to meet the costs of the agreement in each year of its term.

- If a school district does not adopt all of the revisions to its budget needed in the current fiscal year to meet the costs of a collective bargaining agreement, the county superintendent of schools shall issue a qualified or negative certification for the district on the next interim report pursuant to EC 42131.

The district was unable to provide FCMAT with copies of filings with the county office of education that would provide information regarding past compliance with GC 3547.5. On completion of any negotiation with its collective bargaining units, the district should ensure that appropriate staff and the governing board observe those reporting requirements.

Also noted in the district's 2011-12 first interim report criteria and standards section was item S7A relating to the district's identification of its other postemployment benefits (OPEB). The information to be reported in this standard should mirror what is reported in Note 12 of the district's 2009-10 audited financial statements regarding its adoption of GASB 45, along with the actuarial valuation obtained by the district to supply the information needed for its auditors. In criteria and standards item S7A, the district reports that it has no OPEB obligations. This directly contradicts the information contained in Note 12 of the 2009-10 audited financial statements, and the district should revise and include the necessary information for this standard during its next reporting period.

## Unaudited Actuals

A school district's costs can be categorized as direct or indirect, depending on the nature of the activity generating the cost. Direct costs can be identified with a particular instructional program or support service needed to maintain the program. Indirect costs are for necessary general services such as accounting, budgeting, payroll preparation, personnel management, purchasing and central data processing. Each district establishes an annual indirect cost rate based on its individual expenditures as applied to the CDE federally approved indirect cost plan. This individual district rate is then multiplied by each program's actual allowable expenditures to determine how much to charge the program for its share of the cost of general administrative activities.

Individual programs are charged the district's CDE-approved indirect cost rate unless the program specifically requires a different rate or does not allow for indirect costs. For example, the federal Education Jobs Fund allows no indirect costs while the After School Education and Safety program allows a 5% indirect cost rate. In addition, EC Section 38101(c) limits school district indirect costs to the lesser of the district's CDE-approved indirect rate or the statewide average indirect cost rate for food service programs. For fiscal year 2011-12, districts are limited to the lesser of their CDE-approved indirect cost rate or 4.80% for food service.

The district's 2010-11 form ICR from its unaudited actuals report indicated that only three district programs were charged indirect costs. Economic Impact Aid was charged the district's CDE-approved indirect cost rate (7.49%) although that program is capped at 3%; Title I was charged 3% although it is allowed to charge the district's 7.49% rate; and local grants were charged 0.31%.

The failure to charge indirect costs and the over- and under-application of the district's CDE-approved indirect cost rate to its programs causes the unrestricted general fund to bear the burden for almost all of the district's administrative costs even though restricted programs and other funds use those services. Although the district cannot recover prior years' costs that were not charged appropriately, it can review its processes for applying indirect costs and revise the procedures beginning with fiscal year 2011-12 to ensure that all programs are charged the maximum allowable indirect cost rate.

The formula for the district's indirect cost rate is indirect costs divided by base costs. This formula, along with the amounts associated with the individual district's formula, is shown on the indirect cost rate worksheet or form ICR in the unaudited actuals report. Most of the numbers on form ICR are downloaded automatically from the district's financial software, but some items require manual entry to complete the calculation. On the district's form ICR for fiscal year 2010-11, numbers requiring manual insertion were omitted, including the cost of the district's annual audit and separation costs.

One of the forms included in the SACS reporting at year-end is the Schedule of Categoricals (Form CAT), which CDE does not require districts to complete. However, it is designed to "... assist in the determination of the correct amount of unused grant award (carryover), accounts payable, accounts receivable, deferred revenue and/or restricted ending balance at the end of the fiscal year for all federal, state, and local categorical programs for which the district is responsible, regardless of the funding source."

Based on this description from the SACS Software User Guide, the Form CAT should mirror amounts in the district's general ledger. FCMAT's review of the Form CAT indicated that it contained resources identified with the wrong resource codes, and program names that did not match the resource being reported. In completing the Form CAT for the closing of the 2011-12 fiscal year, the district should make every effort to balance the form with amounts reported in the district's general ledger.

The district maintains a revolving account with a \$1,000 maximum balance. However, neither the 2010-11 unaudited actuals nor the 2011-12 first interim report reflect a reserve for this amount as required by the California School Accounting Manual, Procedure 210.

Much of the district's standard accounting functions, including preparation for reporting or closing the books, is routine in nature but has been either ignored or has become backlogged due to the limited number of district office staff or their lack of understanding of the task to be performed (e.g., cash receipts, accounts receivable, tracking/balancing to the general ledger, assets or debt reported within Form Asset or Form Debt, etc.). The district should consider contracting for services to complete the work and train current employees to perform these tasks.

## Recommendations

*The district should:*

1. Ensure that the board meeting calendar contains financial reporting deadlines to ensure compliance.
2. Survey the board regarding specific areas of interest or topics for which they would like additional explanation or training.

3. Require all teachers to take daily attendance and ensure that clerical site staff retain and maintain records to substantiate excused student absences in accordance with AR 5113.
4. Consider the financial pros and cons of engaging an independent auditor with Aeries software expertise to perform audit procedures and determine whether 2009-10 ADA as reported was reasonable.
5. Record the special education funding in question as a liability until the outcome of the EAAP appeal is known.
6. Immediately train site staff regarding their roles and responsibilities in providing accurate student attendance recordkeeping. Closely monitor attendance accounting and take appropriate disciplinary action with any employee who circumvents or deviates from the district's requirements.
7. Present all adjustments resulting from the independent audit of the prior year's financial records to the governing board for approval as audit adjustments and report them in the Board Approved Operating Budget or Projected Year Totals column on the SACS interim financial reports, depending on the board's procedure for approving budget transfers.
8. Incorporate adjustments to the cash flow worksheet in "Other Receipts/ Non-Revenue" into the district's budget to the extent possible.
9. Ensure that appropriate staff and the governing board observe the reporting requirements of GC 3547.5 once negotiations are complete.
10. Revise Criteria and Standards Item S7A to include the necessary information for the district's OPEB obligation during its next reporting period.
11. Review its processes for applying indirect costs and revise procedures beginning with fiscal year 2011-12 to ensure that all programs are charged the maximum allowable indirect cost rate.
12. Ensure that staff members responsible for the unaudited actuals report are knowledgeable regarding all the required forms so that accurate financial information is reported.
13. Balance the Form CAT with the amounts reported in the district's general ledger.
14. Report a reserve for the revolving cash account in the ending fund balance as required by the California School Accounting Manual, Procedure 210.
15. Consider contracting with an individual knowledgeable in school accounting to perform routine and backlogged tasks and to train current employees to perform these tasks.

## Direct Service Options from the County Office

Small districts may not be able to economically or effectively perform all their own professional services. EC Section 2550(a)(2) authorizes funding to county offices to provide specified services to small districts that qualify as direct service districts (DSDs). DSDs are defined as elementary school districts with less than 901 ADA, high school districts with less than 301 ADA and unified school districts with less than 1,501 ADA.

County offices are authorized to provide these services to districts too small to supply services for themselves: (a) preparing courses of study; (b) supervising instructional practices in elementary schools; (c) providing direct guidance services, health services, and attendance services normally provided in an educational program; (d) providing for the purchase, distribution, and use of supplementary instructional materials and equipment; and (e) providing educational opportunity to normal and special pupils who would otherwise be denied it (EC Section 1700). Direct service funding is allocated to a county office based on its unique ADA rate and represents a component of the revenue limit calculation for each county office.

Sausalito Marin City is classified as a direct service district. The Marin County Office of Education has been allotted approximately \$49 per direct service ADA for an estimated total of approximately \$14,400 to be received by the district in 2011-12 for its direct service needs. This amount is insufficient to obtain services for nursing, psychology, special education, information technology, etc. Small districts often have needs that exceed the direct service funding provided by their county offices. FCMAT's interviews with county office administrators revealed it is the county office's long-standing practice to pass the direct service funding it receives through to the districts that generate it. This is a standard practice for many other county offices throughout the state. This also allows each DSD maximum flexibility in purchasing services that best serve the needs of its students through the county office or through independent contractors.

FCMAT reviewed copies of the district's agreements for outside services for a variety of needs during the 2011-12 fiscal year. They include the following:

Contract Description	Contract Services	Estimated Service Days	Estimated Cost
Agreement for 2011-12 Interim Services dated May 24, 2011	Superintendent, Special Education Director, Vice Principal, Instructional Behavior Coach	567	\$409,274
2011-12 Contract Services for Basic Aeries Housing Services dated September 21, 2011	Basic Aeries housing services for the Sausalito Marin City School District and Willow Creek Academy	N/A	\$5,388
2011-12 Direct Service Contract Agreement dated March 4, 2011	Nurse and Psychologist Services	18.4	\$10,814
2011-12 Direct Service Contract Agreement dated March 4, 2011	Nurse and Psychologist Services	80	\$46,312
2011-12 Agreement for Technology Support Services From October 2011 through June 2012	Information Technology Director, Aeries support, CALPADS support	Five hours per week; 20 hours per month; 10 hours per month respectively	\$34,020

Subsequent to the execution of the Agreement for 2011-12 Interim Services, the district hired a vice principal and is contracting with another organization for behavior coaching. The amounts of \$118,700 and \$53,406, respectively, have been eliminated from the agreement with the county office and are excluded from the analysis above. Prior to entering into any agreements with the county office or independent contractors for the 2012-13 fiscal year, the district should analyze and determine whether it could obtain additional services more cost efficiently by hiring its own personnel.

Additionally, because the district recently hired a new business manager from outside the county, the county office CBO is providing informal support and mentoring in the area of business practices specific to school district business in Marin County. Due to the small number of district administrative and business personnel and because the administrative leadership team was recently hired, every opportunity to consult and work with the county office staff should be explored.

## Recommendations

*The district should:*

1. Determine whether it would be more beneficial and cost effective to hire personnel instead of contracting with the county office or independent contractors for services for the 2012-13 fiscal year.
2. Encourage the continued mentoring relationship between the county office and the district's business manager.

## Payroll

The business manager supervises the assistant to the business manager, who processes all of the district's monthly payroll transactions. The assistant has been employed in this capacity for five years and is responsible for processing all payroll transactions on the following payroll cycles:

- Supplemental payroll: substitutes, stipends, and extra duty are paid on the 10th of the month
- Special supplemental payroll: used only in the case of employer payroll errors, paid on the 21<sup>st</sup> of the month
- End of month payroll: contracted employees are paid on the last working day of the month

The assistant is responsible for calculating salaries and benefits, entering the information into the Quintessential School Systems (QSS) accounting software, preparing the payroll pre-lists, transmitting the payroll information to the county office, picking up the payroll warrants and pay stubs (in the case of employees with automatic deposit), sorting the warrants by work location and distributing them to the sites and departments. The assistant is also responsible for processing voluntary payroll deductions and wage garnishments and for distributing vendor warrants once they have been processed by the county office.

A sound internal control structure requires job duties to be segregated to adequately 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 payroll warrants) and maintain the records of related transactions. The district's current procedures lack adequate internal controls because they allow one employee to have custody of the transaction, maintain the records of the transaction and have access to the warrants after they are processed for payment.

The following guidelines provide best payroll practices and a sound internal control structure:

- Initiation of payroll always begins with a document from an outside source – a timesheet or the district's change of status form. Regardless of the form received, it should contain proper signatures and reflect board approval, when applicable. The assistant reviews the documents for completeness and signature recognition, and then the payroll process continues.
- In addition to timesheets and change of status forms, individual contracts are commonly entered into with employees in upper management positions such as the superintendent, assistant superintendents and CBOs. The individual negotiates these contracts with the district, and they become binding on the district when approved by the governing board. These contracts become public documents when submitted to the board, and a copy as well as any amendments thereto are supplied to the employee processing payroll because the retention of supporting documentation for all payments made by the district is a major component of internal control.
- All payroll deductions are supported by written authorization for the deduction signed by the employee. Upon entry of the deduction into the QSS system, the original is placed into the employee's payroll file.
- The timesheet or change form is then checked for correct account coding and payment calculations are made from the information provided. The information is then entered into QSS for preparation of the payroll pre-list.
- The pre-list and the documents supporting the payroll are reconciled. For a payroll consisting of timesheets, an adding machine tape can be prepared totaling the gross payroll calculated on the timesheets and then compared against the pre-list. For a month-end payroll, the prior month's gross payroll can be used as the base with any additions or deletions applied and then balanced against the current month's gross payroll. Each district devises its own procedures and methodologies of reconciliation. Regardless, best practices require a monthly reconciliation of payroll.
- The pre-list, reconciliation and underlying documents (timesheets, change forms, etc.) are then provided to the business manager for review and approval. The business manager also randomly tests a sample of the calculations in each payroll for accuracy.
- Once approved, the assistant submits the documentation required to process the payroll to the county office for their processing.
- When the warrants are generated, they are not returned to the assistant for further processing as this would violate best practices in allowing the same employee who processed the transaction for payment to have access to the warrants. Given the limited number of personnel in the district's business office, the warrants/stubs should be returned to the business manager.

- The assistant can then run the necessary payroll reports from the financial system as dictated by the district or the county office, and these reports can be put into paper or electronic form.
- The business manager then reconciles the county office's final payroll report and the district's payroll records.
- The listing of employees on the payroll pre-list is then compared to the listing on the final payroll report.
- The warrants/stubs are then separated between employees and vendors. The employee warrants/subs are then further separated by site or department and stored in a secure, locked cabinet until payday or further processing (as in the case of vendor warrants).
- A copy of each vendor warrant is provided to the assistant to the business manager for reconciliation to the Pay 600 report. The completed reconciliation and the copy of the warrant are provided to the business manager for review. Upon approval of the business manager, the vendor warrant is mailed.
- On payday, each site/department is responsible to pick up their payroll. Each establishes, in advance, who is authorized to pick up payroll. The district may want this to include the site principal/department head and one other responsible person in case of the absence of the principal/department head.
- Sites/departments are responsible for disbursement of payroll and obtaining the signature of each employee collecting a warrant/stub. A sample distribution sheet is attached as Appendix C to this report. Due to privacy issues, it is not appropriate to place checks in mailboxes or on employee desks. These methods of disbursing payroll do not include adequate internal control procedures such as a documented chain of possession and a mechanism to help ensure that individuals who do not exist (also known as ghost employees) are not included in the payroll system.
  - An employee who would like someone else to pick up their warrant/stub should have a written authorization on file. The authorization should specify the person allowed to pick up the warrant/stub in the employee's absence and the expiration date of the authorization. The person picking up the warrant/stub should be prepared to provide picture identification and must sign the distribution sheet.
- The district will need to establish a policy regarding the warrants/stubs of people who are absent or have failed to pick up their warrant/stub. For this step, there is a great deal of discretion as to how to proceed – immediately mailing the warrant/stub, immediately having the site/department send it back to the district office for the person to pick up when they return, or the district may determine that they would like to wait a number of days before proceeding with either mailing or return to the district office. The pay warrant/stub needs to be stored in a secure, locked cabinet until it is distributed.
- Once payroll distribution is complete, including whatever procedures have been established for the warrants/stubs not picked up on payday, the original distribution sheet is returned to the district office for inclusion with the payroll documents for that payroll cycle.

Several of the steps above, such as comparing the pre-list to the final payroll report, separating warrants/stubs by site/department/vendors, and mailing the vendor warrants could be performed

by the executive assistant to the superintendent to establish proper segregation of duties. However, these duties do not appear in the executive assistant's job description. Revisions to the job description may be necessary if the district determines this is how payroll transactions will be structured.

It is very common for payroll errors to occur, caused either by the employer or the employee, but most involve missing a payroll deadline. EC Section 45167 requires that if an employer error is made in calculating, reporting or paying an employee's salary, a correction is made within five working days after the error is discovered. Even with this code section to guide the resolution of payroll errors, confusion can often result regarding what constitutes employee error and what constitutes employer error. Issues such as a supervisor misplacing an employee's timesheet and turning it in late or timesheets lacking a supervisor's signature should be treated as an employer error requiring payment to be tendered within five working days. Situations involving an employee not submitting their timesheet or submitting an incomplete timesheet should be treated as employee errors. District administrators report that timesheets not being complete and timely is an issue with each payroll, and is exacerbated by a lack of consequences for violating district policy.

Numerous documents and items of information are needed to process payroll. These include but are not limited to initial hiring information, employment contract, change of status forms, California Public Employees' Retirement System (PERS) or California State Teachers' Retirement System (STRS) elections, federal and state income tax withholding information, voluntary deductions for items such as insurance premiums or retirement plans (403(b) or 457 plans), wage garnishments, and evidence of governing board approval for new hires and position changes. Good business practices include maintaining a separate payroll file for each employee in locked file cabinets.

The assistant to the business manager is responsible for employee attendance tracking in the QSS absence tracking module. Information regarding vacation and personal/sick leave balances appears on employee paychecks. However, the manner in which the information is provided causes confusion among employees that prompts many questions to the business manager's assistant. One issue is that the system reports both personal time and sick time on the pay stubs; however, these are not separate balances. Some of these questions cannot be answered by the assistant, which requires the question to then proceed to the business manager's desk. This can be disruptive and is an unproductive use of staff time, especially among a very small staff. The district has contacted the county office to determine if the vacation/personal/sick leave balances can be presented in a more employee friendly manner. FCMAT would encourage the district to continue these efforts so that employees' time may be used more productively.

## Recommendations

*The district should:*

1. Implement payroll procedures that will provide a sound internal control structure.
2. Revise job descriptions as necessary among district office staff to accommodate revised payroll procedures.

3. Establish firm payroll submission deadlines as well as what constitutes a complete employee timesheet submission. Ensure that employees are notified in writing of these deadlines and requirements, and hold both the employee responsible for enforcing the policy and the employee violating the policy accountable for following them.
4. Establish an individual payroll file for each employee.
5. Continue efforts to provide more accurate vacation/personal/sick leave information on employee paychecks.

## Position Control

Salary and benefit costs are the largest component of any school district's budget, averaging more than 90% of the unrestricted general fund budget in elementary districts statewide. This percentage has increased by 3.39% over the last 10 years and is not expected to decrease in future years. Therefore, accurately projecting salary and benefit costs is critical.

A reliable position control system establishes positions by site or department and helps prevent over- or under-budgeting of staff by including all district-approved positions. In addition, a reliable position control system prevents the omission of routine annual expenses that are tied to district positions in the budget process, such as substitutes, extra duty pay, stipends, vacation payouts, column changes, retiree health and welfare payments, overnight stay payments, merit pay bank contribution and other items in the district's collective bargaining agreements. Effective position control consists of a single system that is integrated with other financial modules such as budget and payroll.

The district utilizes accounting software from Quintessential School Systems called QSS/OASIS, which is utilized in numerous districts throughout California. The QSS system has a position control module that can be integrated with both payroll and budget development. Prior administrators perceived that the district's small size made the effort to implement the position control module an unwarranted use of time and energy, so Excel spreadsheets are used to track positions. While the initial task of implementing a position control system can encompass many hours of work, it is a powerful tool for the district that will result in better productivity and budgetary information.

Position control functions must be separated to ensure proper internal controls. Adequate controls ensure that only board-authorized positions are entered into the system, that the human resources department hires only employees authorized by the board, and that 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. Larger districts have both business and personnel departments, which facilitates the separation of duties and implementation of proper internal controls. However, Sausalito Marin City has only four district office positions: the superintendent, business manager, executive assistant to the superintendent and assistant to the business manager. Even with the constraints of a small office, the following suggested distribution of labor in Sausalito Marin City's district office would help provide the necessary internal control structure for position control.

Task	Responsibility
Approve or authorize position	Governing Board
Input approved position into position control, with estimated salary/budget. Each position is given a unique number.	Business Manager
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	Executive Assistant to Superintendent
Update employee benefits Review and update employee work calendars	Assistant to Business Manager
Annually review and update salary schedules	Business Manager
Account codes Budget development Budget projections Multiyear projections Salary projections	Business Department

The responsibility for the input of demographic data is not listed as a job duty in the job description of the executive assistant to the superintendent. However, limited staffing and the district's desire to contain costs may necessitate the modification of job descriptions so the district can implement adequate internal controls.

However the district determines to divide the duties associated with position control, one employee should not have the ability to access both the demographic and payroll screens of any employee. Allowing one employee to access all the financial system software screens needed to create and pay employees does not provide proper separation of duties, because a ghost employee could be created and paid without the district's knowledge.

Carrying position control data from the current fiscal year to the budget year provides a starting point for developing the district's budget and should be completed early in the cycle. Position control files for the budget year then can be updated to eliminate positions as needed, add new approved positions, change statutory and health and welfare benefit rates, and make 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. Integrating the position control system with the financial system's payroll and budget modules and using it to update the budget at each reporting period is a best practice.

As the position control module is in its implementation phase, the district office will also need to establish policies and procedures regarding integrating position control into its business office routines. Toward that end, the business manager has drafted a hiring procedures document and change of status personnel/payroll form. FCMAT suggests the following changes to the draft status personnel/payroll form:

- Review the form to determine whether pre-numbered sections are applicable to each situation. For example, it is not necessary to have an employee sign a change of status form except when it is their request to have information changed. Consequently,

including the line number for an employee signature regarding a new hire would not make sense. Likewise, the line for Effective Date should be included in items regarding retirements, terminations and resignations.

- Include a check box or signature line reflecting verification of board approval if it is required for the personnel action being taken. This is particularly important in establishing a new position, hiring an employee, or for an increase in compensation because none of these actions should be taken without board approval.

The change of status form will help in compiling the proper information for the position control system and will assist the district in controlling personnel expenditures by eliminating unauthorized hiring or adding time to positions without prior approval.

The following best practices should be followed with regard to position control:

1. Personnel action is taken/requested and a change of status form is completed to reflect the action. Actions can include hiring/rehiring; transfer to a different site; change in hours, pay, site or funding source; changes to demographic information; resignation, retirement or termination.
2. The change of status form is signed by all parties as is necessary. The number of signatures necessary for a given action may vary from situation to situation. The district should determine whether all four signatures listed on the form (director/site administrator, position control, business manager/personnel and superintendent) are necessary for every use of the form. Board approval of actions such as establishing new positions, hiring decisions, pay increases, etc. should also be included with the change of status form.
3. The business manager verifies that the form contains the proper authorizations and verifies or issues a position control number. If a new position, the position is opened in the position control module and a position number is assigned. If the position already exists, the position number is verified on the change of status form.
4. Any changes to demographic information are placed into the position control module by the executive assistant to the superintendent.
5. Changes related to payroll information such as hours, calendar, etc. are input into the position control module by the assistant to the business manager.
6. A position control report related to the changes is run and provided to the business manager for review. This step may be performed at each change made to position control, or the district may determine that a periodic report best suits its needs.
7. The original change of status form is filed in the employee's payroll file following the affected payroll period.

The business manager also will need to institute procedures regarding the process by which position control is updated for each financial reporting period, including procedures to properly roll position control from one fiscal year to another. For example, in compiling interim financial reports, most districts will make all necessary changes to the position control module and then hold the module at a specific date without making further changes until the business manager authorizes opening position control. Likewise, rolling position control from one fiscal year to the next requires coordination to be able to supply information for both fiscal years as needed. How to handle these processes and deadlines is a local decision, and the business manager should work with both the assistant to the business manager and the executive assistant to the superintendent to establish them.

## Recommendations

*The district should:*

1. Take immediate steps to fully implement the QSS position control module, including the use of an outside consultant for the initial system setup to lessen the burden on district office staff.
2. Revise job descriptions of district office staff as necessary to ensure that adequate internal controls are established for maintenance of the position control system.
3. Ensure that one person does not have the ability to access both the demographic and payroll screens of employees in the position control module.
4. Review the change of status form to determine whether pre-numbered sections are applicable to each situation.
5. Include a check box or signature line reflecting verification of board approval if required for the personnel action on the change of status form.
6. Establish the steps listed above to process the district's position control transactions.
7. Institute procedures for updating position control for each financial reporting period, including procedures to properly roll position control from one fiscal year to another.

## Accounts Payable

The business manager supervises the assistant to the business manager, who is responsible for processing the accounts payable transactions. The goal of the accounts payable function is to promptly pay for goods and services procured in accordance with governing board policy. As with all positions, and especially those that deal with money, strong internal controls are essential because the potential for fraud exists in each organization. The Chartered Global Management Accountants recently published a report entitled "Fraud Risk Management: A Guide to Good Practice," which contained the findings of the 2011 American Institute of CPAs Forensic and

Valuation Services Trend Survey. This survey included more than 1,000 responses from forensic practitioners and senior finance professionals in business and industry and found that 25% of fraud involved false payment requests.

### Accounts Payable Process

The assistant to the business manager processes the entire accounts payable transaction, submits the batch to the county office, picks up the batch on the way home, keeps the batch at home overnight and brings it back to the district the next morning for processing and mailing. Effective internal controls and separation of duties would prevent the same person from initiating, processing and mailing transactions, and from posting the transaction in the accounting records. The current system allows the assistant, as well as third parties, to have custody of the warrants once they have been issued by the county office. No control is in place that would detect whether the assistant processes the warrants appropriately.

As a result, FCMAT would recommend that the district implement the following procedures for processing accounts payable transactions:

- Pursuant to the procedures FCMAT recommends for purchasing, the assistant retains one copy of the signed purchase order (PO) for processing.
- Upon receipt of goods, sites/departments are instructed to send the packing slip/receiving document to the district office, indicating whether all items were received, to the attention of the assistant for matching with the PO and invoice.
- If payment is being made to an individual for reimbursement of an item purchased, highlighters or tape may erase information printed on the receipt, so the item to be reimbursed should be circled instead.
- The payment process is only initiated with the receipt of an original invoice from the vendor. Payments are not processed using statements.
- Invoices are photocopied and the copies are sent to the sites/departments to obtain a signature authorization for payment. Once signed, the copy of the invoice is returned to the assistant for processing.
- If an invoice is unpaid and waiting for a signature authorization, the assistant contacts the site/department to determine the reason for the delay. As an alternative, the district may determine that an e-mail will be allowed to replace a manual signature, but this should be the exception and not the rule.
- Invoices are reviewed to:
  - Verify that the invoice was issued to the district.
  - Verify that the vendor's payment address matches district records.
  - Verify that all items contained on the invoice match the receiving document.
  - Verify that the pricing contained on the invoice matches the PO. Investigate any differences.
  - Check the math used on the invoice for accuracy.

- Validate that the proper sales/use tax has been charged. If not, set up an accounts payable item in the QSS system.
- Check for independent contractor status. Be sure that the district has received the W-9 from the independent contractor before issuing payment, and check that the vendor has been flagged in the QSS system to receive a 1099. Payments made without receipt of the W-9 may require federal or state income tax withholding.
- Check account coding.
- Calculate any applicable discounts.
- The assistant matches the invoice, invoice copy with authorization signature, documentation of receipt and PO. This four-way matching then becomes the payment packet.
  - If the assistant has not received documentation of receipt of the goods, he/she contacts the site/department via e-mail to confirm receipt. The confirmation copy of the e-mail is printed and used as the shipment receipt documentation.
    - If the documentation regarding receipt of the goods has been lost or misplaced, the site administrator/department head provides written confirmation that the goods have been received as shown on the invoice. This should be in the form of a memo, but the district could consider adopting a policy that would allow an e-mail to be accepted in its place.
  - If the invoice is related to a construction project, extra care should be taken regarding the payment because Public Contract Code Section 9203 requires retaining at least 5% of progress payments from the contractor until the project is completed. When these situations arise, it is best to work with the business manager before processing the invoice for payment.
  - If the invoice is related to a change order from a construction project, the assistant works with the business manager prior to processing for payment. Change orders require board approval and can, potentially, require bidding themselves (Public Contract Code Section 20118.4).
- Data from completed payment packets is then entered into the QSS system in groups for payment processing and a batch pre-list is generated by the system. This is often termed as creating a “batch” for payment.
- The batch pre-list, all payment packets included in the pre-list and the certification page are given to the business manager for review. If the pre-list passes review, the certification page is signed and the batch is returned to the assistant.
- The assistant arranges for delivery of the appropriate documents from the batch, as designated by the county office, to the county office.
- If any warrants will require additional processing beyond simple mailing, instructions for those warrants are given to the business manager.
- When the warrants are ready, they are returned directly from the county office to the business manager.
- A batch report, commercial warrant register and commercial warrant report are run from the QSS system. The batch report and warrant register are maintained in files in the

assistant's office. The commercial warrant report is separated by warrant and stapled to the corresponding payment packet as evidence of payment.

- The business manager then reconciles the warrant register to the warrants received and the warrant register is given to the assistant for filing.
- The assistant cancels each invoice by marking it "paid" with a pre-inked stamp and the date of the payment.
- If the payment reflects a partial payment of the order, that information is included on the copy of the PO being held for processing.
- If the payment is made on a blanket/open purchase order, it is a best practice to track the blanket PO to ensure that the purchases being made against it do not exceed the spending limit of the PO.
- Warrants requiring mailing are placed into the outgoing mail basket but are not left unattended in the bin for a long period of time. Best practice is to place them into the outgoing mail bin shortly before the scheduled pickup to prevent someone with knowledge of the district's mail schedule from removing one or more warrants.
- Warrants requiring additional attention, along with the instructions generated from the assistant, are given to the executive assistant to the superintendent for processing and mailing.
- The payment packet should now reflect all steps in the payment process from PO to payment and is filed according to district practices. However, best practice is for each vendor to have its own file folder to assist in preventing misfiling.
- Prior to each board meeting, the assistant generates a list of all POs, pay vouchers and accounts payable (AP) liabilities transacted to be included in the board packet for approval/ratification.
- During the course of the year, an open purchase order report is requested from QSS periodically to follow up on POs that are more than 90 days old. Those where the requestor has changed their mind and the goods are no longer needed can be closed, allowing budgets to be freed up. This also assists in the year-end closing process.
- As the calendar nears the end of the school year for sites or the fiscal year for departments, the assistant works with each site/department to determine whether the POs they have issued should be cancelled, accrued (booked into the QSS system as a liability) or re-encumbered to the next fiscal year.
  - If the PO has not been issued or the order has been rescinded, the PO is cancelled in the QSS system. The assistant makes notes on the copy of the PO or retains e-mails regarding the cancellation and who issued it.
  - If the goods or services have been received by June 30, the PO is accrued in the QSS system with the item set up as a liability. Documentation of the receipt of the goods is also requested so that when the invoice arrives it will be ready for processing.
  - If the goods or services will not be received by June 30, the PO is either cancelled and reissued or re-encumbered for the following fiscal year.

During the normal course of dealing with vendors, the district will add new vendors or their contact information will change. Because the internal control principle of separation of duties requires that the person who processes vendor payments does not have the ability to add new vendors or modify this information, the district will need to change its procedures regarding additions or changes to vendor information. First, the district should immediately modify the access protocols in QSS to deny the assistant to the business manager access to set up new vendors or change vendor contact information. To reduce the district's exposure to fraud, changes to vendor information should be processed as follows (procedures regarding establishing new vendors are included in the purchasing section of this report):

- The vendor's request is forwarded to the business manager for review and approval.
- The business manager verifies that the request came from the vendor. The best way to investigate the request is direct, personal contact with the vendor or by other manual or electronic means as the district deems appropriate. These steps can include use of Dun & Bradstreet (D&B), Hoover's, Inc. (a subsidiary of D&B), yellow pages, Google, the entity's internet site, Better Business Bureau, etc. The district also checks the address given against the addresses of its employees.
- Notes are made and retained regarding the verification steps taken.
- The signed and approved request is then forwarded to the executive assistant to the superintendent for inclusion in the QSS system.

Some of the steps above are designated as being performed by the executive assistant to the superintendent to provide the district with proper segregation of duties. However, these duties do not appear in the executive assistant's job description. If the district determines that this is how accounts payable transactions will be structured, the job description may need to be revised.

Two employees are responsible for processing all district financial transactions. One of these employees, the assistant to the business manager, has not received outside training to acquire the necessary skills and knowledge to fulfill the position's duties during the entire five-year tenure with the district. This employee should receive training to assist with the assigned accounting duties, and should be held responsible for completing the duties correctly.

## Travel Expenses

Many years ago, the district created a request form for employees who wish to attend conferences, trainings and workshops, and to reimburse their travel costs. This form is not currently used by the district because it fails to provide sufficient information to process the requests and reimbursements correctly, and it was not provided to FCMAT for use in this study. The district should take immediate steps to construct separate forms that more closely meet its needs. Each form should be produced as a multi-part, NCR document, with pre-printed instructions on the reverse side. Sample travel request and reimbursement forms have been attached as Appendix D. Generally, the request form should provide an estimate for the costs associated with the event, provide a justification for attendance, and serve as an authorization for the employee to attend. After the conference/training, the employee should be required to complete a separate conference reimbursement request form for expenses incurred.

IRS ruling 2006-56, dated November 13, 2006, requires organizations to track and record employee per diem meal reimbursements. Per diem reimbursements that are higher than the federal per diem rates must be included as gross wages on the employee's W-2. Federal per diem rates can be found in IRS Publication No. 1542. In addition, per diem rates cannot be used for non-overnight travel. The district's BP 3350, dated February 11, 2010, allows travel expenditures to "be reimbursed within limits approved by the Board." However, the district was unable to provide FCMAT with documentation that showed the board had taken steps to establish reimbursement rates. Consequently, the district will need to determine if it should authorize reimbursement of actual meals in total with actual receipts provided, actual meals to a maximum amount with actual receipts provided, or utilize per diem rates and not require receipts.

The district should also consider whether it will establish departure and return times to qualify for certain meals; e.g., departure ahead of 6 a.m. qualifies for breakfast and return after 6 p.m. qualifies for dinner. However, the complexity of reimbursing travel meals based on actual receipts, regardless of whether a maximum amount is established, and the limited staffing of the district's business office should be weighted heavily by the district in determining which policy to adopt.

The district will also need to establish a mileage rate for reimbursement of miles driven using an employee's personal vehicle. Most districts utilize the rate established by the IRS; however, the district can choose to establish a different rate. If the district adopts a rate higher than the IRS rate, the excess will be considered taxable income and will need to be tracked and included on employee W-2s.

The district should utilize the following best practices to establish orderly and consistent procedures for processing employee travel:

- The employee requesting to attend a work-related conference, training or workshop completes, signs and dates the conference attendance request form. One copy of the form is retained by the employee.
  - The district may also wish to establish a deadline for receipt of the attendance request to ensure that last-minute requests are few.
- The employee attaches the following items, as applicable, to the form. If the district will pay the expense directly instead of reimbursing the employee, a separate PO for each item is required. If the employee wishes a travel advance, that also is indicated on the form:
  - Conference registration form reflecting the registration fee.
  - Conference schedule or any other documentation that would provide information on meals that are included in the registration fee.
  - Hotel room rate schedule, including any applicable taxes.
    - Employees are required to ask for and use the state government rate for rooms that is available to them when they travel for school business. In addition, because the district's employees are considered government employees, hotels may waive the transient occupancy tax. If this is the case, the employee can fax or take with them a hotel/motel transient occupancy tax waiver exemption claim for governmental agencies. A sample of this form is attached as Appendix E to this report. Because the total amount saved during a fiscal

year can be substantial, employees should always seek these reduced rates and waivers when traveling on district business.

- Transportation:
  - Air, train or bus fare: Attach the rate schedule.
  - Personal vehicle: A map from the employee's site to the destination of the workshop is used to estimate mileage and then is multiplied by the district-approved mileage rate.
- Other expenses: Items such as parking, taxis, maid tips, Internet charges, etc. are estimated and included.
- Substitutes: If a substitute is needed to cover the employee's absence, an estimate of the cost, including statutory benefits, is made.
- The completed travel form, along with any necessary POs, is submitted to the employee's supervisor for approval. The supervisor's signature serves as an approval for the employee's absence and for expenditure of the funds for the event. However, the employee will still need to follow district procedures to report the absence. The site/department retains a copy of the form, along with their copies of the POs, for their records.
- The complete package (conference attendance request form, POs and expenditure support) is then sent to the assistant to the business manager for processing.
- The assistant reviews the form to ensure that all expenses are supported by documentation, only meals not supported by the registration fee are claimed, the math used is accurate, that POs are attached for items to be paid directly by the district, the account code is correct, and that funds are available to support the travel.
- Once these verifications have been performed, the form is given to the business manager for review and signature and is then returned to the assistant.
- One copy of the conference attendance request is filed by employee name and another is placed in the business office files for accounts payable processing.
- Any POs attached to the request form are processed and encumbered. Some districts also use the conference attendance request to encumber any funds that are needed for the conference but that are not included in the POs, such as items that will be paid by the employee and then reimbursed.
- The district will need to implement a protocol for confirming to the employee and/or site administrator/department head that the conference has been approved and they are authorized to attend. This can be accomplished in many different ways – telephone conversation (with appropriate notes taken), memo, e-mail, or a copy of the fully executed form being returned to the site/department.

After the employee has attended the workshop, they complete a reimbursement request for items that were purchased using their personal funds. EC Sections 44032 and 44033 state that boards are authorized to pay for the actual and necessary expenses, including travel expenses and use of automobiles, of any employee incurred in the course of performing services to the district. The district may also set a deadline to submit for reimbursement to ensure prompt submission by the

employee and to ensure that payments do not cross fiscal years. The following procedure should be used:

- The travel reimbursement form is completed, signed and dated by the employee. The employee keeps one copy of the form.
- Detailed receipts are attached for each expenditure claimed. The district may wish to establish a policy for a minimal amount that would not require a receipt, such as \$5 per day to cover items such as a maid or porter tip that would not, normally, generate a receipt.
  - The district will need a policy to address instances where receipts are lost or misplaced.
- The form is given to the site/department head, reviewed, signed and dated. A copy of the form is retained by the site/department secretary and the remaining copies are sent to the assistant to the business manager for processing.
- The assistant reviews the receipts to ensure that they contain the correct date(s), location and amount.
- The reimbursement form, along with all receipts, is given to the business manager for approval and signature.
- The fully executed reimbursement form is then returned to the assistant for processing in the next accounts payable batch.

## Revolving Accounts

Revolving cash funds are typically maintained by districts for instances where a payment must be made immediately and the district does not have the time available to process the payment through the normal accounts payable or payroll process. The maximum amount allowed in any district's revolving cash fund is governed by EC Section 42800, and the district's current maximum balance of \$1,000 complies with this requirement. However, the district lacks written procedures as to how to process these transactions and the related practices and undocumented procedures are not sufficient to provide for compliance with the internal control principle of separation of duties. The district should establish the following procedures for items paid through its revolving account:

- The transaction begins with either a PO or a request to use the revolving fund. A sample revolving fund check request form is attached as Appendix F to this report and is a multipart NCR document. If a PO is used as the basis for the transaction, it is noted on the PO that a revolving check was used as payment.
- The original documentation for payment (e.g., invoice, receipts) is attached to the revolving fund request form. It is signed by the site administrator or department head, and a copy of the form is retained.
- The completed request form and supporting documentation is then sent to the assistant to the business manager for processing.
- The assistant reviews the documentation for proper account coding, signature, ensures there is sufficient funding for the transaction, double checks calculations, and verifies that the correct documentation is attached. Many districts have the employee performing

this task initial the document to provide verification of completion before the transaction proceeds to the next step.

- The assistant forwards the packet to the business manager for review and approval.
- The business manager verifies the coding, calculations and, if all is in order, signs the form.
- The complete packet is then forwarded to the executive assistant to the superintendent to have a check prepared from the revolving account.
  - The check stock from the revolving account is kept in a secured, locked location such as a fireproof safe or file cabinet, and stock periodically inventoried to ensure that checks are not missing.
- Once the check has been written, it is returned to the business manager for signature. Best practice is to require two signatures on the check before it can be negotiated. However, since the district has already involved three of the four people at the district office in the transaction and the superintendent is part-time, the MLK site principal is recommended as the second signatory.
- A copy of the signed revolving check is attached to the payment packet and returned to the assistant to the business manager.
  - If original documents are needed for delivery or mailing, copies are made and retained in the payment packet.
- The signed check and any other necessary documentation are then delivered to the executive assistant for mailing, hand delivery or holding for pickup.
- The monthly revolving fund bank statements are forwarded to and reconciled by the assistant to the business manager. Any discrepancies are immediately reported to the business manager.
- The business manager reviews the reconciled monthly statements, with each signed and dated after this process is complete.

## Recommendations

*The district should:*

1. Implement the procedures outlined above regarding accounts payable transactions to provide a sound internal control structure.
2. Implement the procedures outlined above regarding changes to vendor information and ensure that no employee has access to the QSS screens necessary to set up/change vendor demographic information and process vendor payments.
3. Revise job descriptions as necessary among district office staff to accommodate the changes in procedures.
4. Provide the assistant to the business manager with outside training to assist with the assigned accounting duties, and hold the employee responsible for completing the assigned duties correctly.

5. Take immediate steps to construct separate travel request and reimbursement forms that more closely meet its needs.
6. Establish meal and mileage rates for use in employee travel.
7. Implement the procedures outlined above regarding travel expenditures.
8. Implement the procedures outlined above regarding revolving account transactions.

## Purchasing

Purchases can be accomplished by various means, including bidding, credit cards and purchase orders. Purchasing is the responsibility of the governing board, which is charged with the prudent use of public funds. To carry out that function, the board is required to approve all purchase orders and formal contracts (EC Section 17604). While the board has the authority via this code section to delegate the power to contract to the superintendent or a designated agent, the contract created cannot be enforceable against the district until it has been ratified by the governing board and evidenced by a motion of the board duly passed and adopted. EC Section 17596 sets the duration of continuing contracts as three years for materials and supplies and five years for contracts concerning work or services, and apparatus or equipment.

Through the governing board's policy regarding expenditures and purchases (BP 3300), the board has also delegated to the superintendent or designee the duty to "... develop and maintain effective purchasing procedures that are consistent with sound financial controls and that ensure the district receives maximum value for items purchased." Even though the board may delegate its powers and/or duties, the governing board "... retains ultimate responsibility over the performance of those powers or duties so delegated." (EC Section 35161)

The district's purchasing guidelines are established by the board through its policies and administrative regulations. BP 3300, Expenditures and Purchases; BP/AR 3311, Bids; and 3312, Contracts, comprise the bulk of the district's guidance for purchasing.

### Purchase Orders

Signed purchase orders are legal contracts with the district. While numerous district staff members are involved in processing POs, it is essential to establish proper procedures to prevent them from being misused.

- Purchase orders can be a pre-printed, pre-numbered, multipart NCR document, or they can be generated from an automated process in the QSS system. Which system to use is a district decision. However, if a paper system is selected, the blank POs are to be kept in a secure location with an inventory system in place. The current stock of unnumbered POs is destroyed to prevent an internal control risk.
- The transaction is initiated by the site/department. The PO contains the complete vendor name, address and phone number, the delivery address for the goods or services, the name of the requestor, quantity, item description, unit price, total line item amount, tax, shipping, total, account code to be charged, and two signatures (one for site/department approval and another for business office approval). It also contains all of the district's terms and conditions such as sellers' terms not being binding on the purchaser

unless accepted in writing, requirements of invoices or packing slips, purchaser not responsible for items delivered without a PO, etc. Prior to ordering its pre-numbered PO stock, the district should subject its current PO form and/or draft revisions to a legal review to ensure compliance with all of the district's desired terms and incorporate counsel's recommendations. The district defines the terms and conditions on the PO and provides them to vendors utilizing the back of the form if necessary.

- If the vendor is new to the district:
  - The request to add a new vendor is submitted to the business manager for review and verification.
  - The business manager takes steps to determine that the new vendor is a legitimate entity and that the contact information supplied matches the entity. This can be accomplished in several ways (both manual and electronic): via Dun & Bradstreet (D&B), Hoover's, Inc. (a subsidiary of D&B), yellow pages, Google, the entity's Internet site, Better Business Bureau, phone contact, etc.
  - The business manager attaches any notes taken regarding where the verification information to the request was found.
  - The new vendor submits its completed W-9 to the district.
  - When the business manager is satisfied that the new vendor is authentic, that the district wishes to conduct business with them and that a completed W-9 has been received, the request is approved and forwarded to the executive assistant to the superintendent to add the vendor into the QSS system.
- The site administrator/department head signs the PO. The site keeps one copy and then forwards the PO to the assistant to the business manager.
- The assistant checks the account coding of the PO and ensures that there is sufficient funding available to process.
  - If funding is insufficient, the assistant works with the site/department to determine if a budget transfer should be made.
  - A budget transfer entry is prepared, supporting documentation attached, and the transfer signed by the assistant as the preparer.
- The assistant places a notation on the PO indicating that funding is available, includes the budget transfer (if applicable) and forwards the PO to the business manager.
- The business manager double checks the coding and signs the PO. If a budget transfer is included, the coding is reviewed, corrected (if necessary) and signed. The documents are then returned to the assistant. It is an industry best practice to have two signatures on the PO – one from the site/department and another from a district office administrator. It is also an industry best practice to have two employees review any journal or budget entries made to ensure correct coding.
- The assistant enters the budget transfer into QSS, makes note of the number the system assigns to the budget transfer, and encumbers the PO in QSS.
- The original PO is then mailed or faxed to the vendor to place the order. A notation is made on the PO of the date, time and method used to place the order.

- One copy of the PO is sent back to the site/department and the other copies are filed – one in a numerical file and another in the assistant’s pending files to be used in the accounts payable process above.

If the district decides to use the online QSS electronic purchase order system, extensive training should be provided to all employees involved.

FCMAT’s conversations with district staff revealed that POs are not used in approximately 25% of the district’s purchasing transactions. Best business practices include the completion and approval of POs prior to each purchase to ensure that the necessary funds are encumbered and to protect against over-expenditure. The district should utilize open purchase orders to assist with numerous small purchases. BP 3000 states, “... the superintendent or designee may create a ‘blanket’ or ‘open’ purchase order system for the purchase of minor items as needed from a vendor. He/she shall ensure that the ‘open’ purchase order system details a maximum purchase amount, the types of items that can be purchased under this order, the individuals authorized to approve purchases, and the expiration date of the ‘open’ order.” Open purchase orders should be issued quarterly to ensure periodic review of usage and compliance with procedures.

## Bidding

The California Public Contract Code (PCC) was established by the state Legislature as a guideline and authority for procuring products used by publicly funded agencies. A contract awarded in violation of the bidding laws is illegal, void, and unenforceable. Vendors are presumed to be aware of bidding requirements and, generally, cannot recover payment from a contract rendered illegal. However, this does not preclude the vendor from seeking damages from district officers (including board members) or employees who have misled them in entering into an agreement violating bidding statutes.

As a small district, Sausalito Marin City SD has limited occasions necessitating the use of the bidding process. One of the last requests for bid that the district submitted to vendors was for its food service program. The district went out to bid on May 24, 2011 for the provision of prepared breakfasts, lunches and snacks. The bid stated it would be awarded to the “lowest responsive, responsible bidder.” Two bids were received in response to the request for bid and the results were presented to the board at its June 23, 2011 board meeting with a recommendation to award the bid to Preferred Meals, the lowest responsive, responsible bidder. In the alternative, the board could reject all bids and issue another request for bids based on a sound, documented business reason, but district staff noted that they had not found such a reason. The board heard public comment on the issue, including questions regarding food guideline specifications in the request for bid, and voted to reject all bids, revise the bid specifications, go back out to bid and return in July with the results of that bidding process.

The district issued a second request for bids for its food service program stating the program would be awarded to the “lowest responsive, responsible bidder” and that bids would be opened on July 19, 2011. The same two companies supplied the district with bids and the matter was heard by the board at its July 28, 2011 meeting. The district’s staff recommended that the contract be awarded based on one vendor’s submission being more closely aligned with the “required specifications as approved by the Board.” This recommendation is contrary to the award criteria under which the vendors submitted their bids. This suggests that neither the district staff nor the board may be familiar with bidding laws and that this transaction should

be reviewed by their legal counsel. Additionally, if the district has questions regarding bidding requirements, it should immediately contact its legal counsel.

Many projects are subject to bidding under PCC Sections 20111 and 22002, which set bid limits of \$15,000 for public works projects and \$81,000 (for calendar year 2012) for equipment, materials, or supplies to be furnished, sold or leased to the district. The bid limit for public works projects has not been adjusted for many years. However, the limit associated with equipment, materials and supplies is adjusted annually for inflation; the new limit is issued each December and is effective the following January 1. This means that districts must seek competitive bids on projects or purchases/leases costing more than the stated limit. Those limits are to include the entire acquisition, which may be a combination of both goods and services.

Projects for the acquisition of equipment, materials or supplies are easily defined; however, a “public works” project is often confusing. PCC Section 22002 defines a “public project” to include “construction, reconstruction, erection, alteration, renovation, improvement, demolition, and repair work involving any publicly owned, leased, or operated facility” and also includes painting, repainting but excludes “minor repainting” and maintenance work. Maintenance work is defined in this section to be “routine, recurring, and usual work for the preservation or protection of any publicly owned or publicly operated facility for its intended purposes” and includes minor repainting, resurfacing of streets and highways less than one inch, and landscape maintenance (mowing, watering, trimming, pruning, planting, replacement of plants, and servicing of irrigation and sprinkler systems). Preparing a bid package for a public works project is a very involved process, and districts normally rely on their legal counsel to provide sample documents for this process. FCMAT’s conversations with the district’s business manager revealed the district relies on documents from another district. The district should meet with its legal counsel to obtain a complete set of that firm’s competitive bidding documents.

Some items are exempt from bidding requirements or allowed some variation to the normal competitive process:

- Force account/day labor: PCC Section 20114 allows districts with ADA less than 35,000 to use their own maintenance personnel, either permanent or temporary, for “repairs, alterations, additions, or painting, repainting, or decorating upon school buildings, repair or build apparatus or equipment, make improvements to the school grounds, erect new buildings, and perform maintenance” on projects as long as the job does not exceed 350 hours.
- Emergencies: When repairs, alterations, work or improvements are necessary to permit classes to continue, or avoid danger to life or property, the board may, by unanimous vote and the approval of the county office, declare an emergency. (PCC Section 20113)
- Purchasing items through the Department of General Services California Multiple Award Schedule (CMAS) or CALNET Integrated Services contract. (PCC 20118)
- Piggyback bids: This occurs when another public agency has already competitively bid equipment, materials or supplies and their contract with the vendor allows other public agencies to utilize that same contract (PCC Section 20118). However, this cannot include any public works project. Before utilizing a piggyback contract, a copy of the original contract and any addenda should be obtained to be certain that the contract has not expired and to verify that the item(s) the district would purchase are included in the pricing in the contract/addenda.

- Data processing equipment: Normally, the bidding process requires the district to utilize the lowest responsible bidder. However, PCC Section 20118.1 allows the district to select from the "... three lowest responsible bidders for the procurement or maintenance, or both, of electronic data-processing systems and supporting software in any manner the board deems appropriate."
- Technology and telecommunications, related equipment, software and services: PCC Section 20118.2 allows districts to consider other factors beyond price in awarding contracts for these types of purchases. This code section allows "... factors such as vendor financing, performance reliability, standardization, life-cycle costs, delivery timetables, support logistics, the broadest possible range of competing products and materials available, fitness of purchase, manufacturer's warranties, and similar factors in the award of contracts for technology, telecommunications, related equipment, software, and services."
- Transportation services: If the district is contemplating a contract for transportation services in excess of \$10,000 with a person or corporation other than a common carrier, municipally owned transit system or parent/guardian of the students, the board may "... let the contract for the service to other than the lowest bidder." (EC Section 39802)
- Instructional materials: Pursuant to PCC 20118.3, "[t]he governing board of any school district may purchase supplementary textbooks, library books, educational films, audiovisual materials, test materials, workbooks, instructional computer software packages, or periodicals in any amount needed for the operation of the schools of the district without taking estimates or advertising for bids."
- Energy conservation and energy management: Many school districts are reviewing energy measures to generate budgetary savings. Because a district may enter into a contract without going to bid, vendors are eager to provide these services. GC Sections 4217.10 and after permit the district to enter into the agreement provided that the board finds (after a public hearing) that the anticipated cost for the services will be paid for from the energy savings. However, the actual realization of savings varies; some districts have saved a great deal and others have not. Consultation with legal counsel is strongly suggested prior to entering into a contract for these services.
- Insurance: Policies for liability, property loss and group and life coverage may be purchased without going to bid. (GC Section 990, EC Sections 35208 and 17565)
- Professional experts: These are people who will furnish the district with "...special services and advice in financial, economic, accounting, engineering, legal, or administrative matters" and are also to be specially trained, experienced and competent to perform the services as required. (GC Section 53060) This does not apply to architectural and engineering services, as defined by Government Code Section 4529.10, which shall include "... all architectural, landscape architectural, environmental, engineering, land surveying, and construction project management services," which are to be procured by a "... fair, competitive selection process." (GC Sections 4529.10 and 4529.12)
- Other special services and advice: This exemption is subject to the circumstances of each case and could involve collective bargaining issues. The district should consult legal counsel for guidance.

- **Futile and unavailing:** Typically, this involves repeated failure to obtain bids from a competitive bidding process, a sole source for the product, or the lack of a competitive advantage to the district to engage in competitive bidding. These situations occur rarely and should be used only after consulting the district's legal counsel.
- **Perishable foodstuffs/seasonal commodities:** EC Section 38083 allows perishable food stuffs and seasonal commodities needed in the operation of cafeterias to be purchased without competitive bidding, but districts must adopt rules for such acquisitions.

Districts must also be careful to avoid bid splitting. PCC Section 20116 makes it unlawful to split or separate a project into smaller work orders or projects to evade the competitive bidding process.

The information provided is only a snapshot of the complexities involved in the bidding process. While the district's business manager has experience with competitive bidding, the district should meet with its legal counsel to obtain a complete set of the firm's public works bid documents and to obtain additional training in this area.

Additionally, many items fall below the bid limits, and this is especially true with regard to equipment, materials and supplies. Although an item may not legally require a formal bid, the district has a duty to exercise fiscal responsibility with taxpayer funds. Consequently, best practice would be to establish a policy whereby three quotes must be obtained items for items exceeding a specified amount.

## Credit Cards

Credit cards are typically issued to employees so they can purchase from vendors that may not accept purchase orders, or to expedite purchases such as conference registration fees. The district limits the personnel who are issued district credit cards; however, there are no established practices for issuance. Best practices for managing a district credit card program include:

- Issuing each credit card in both the individual's name and the district's name to help distinguish personal cards from district credit cards.
- Establishing reasonable credit limits on each card. Some districts start with a lower limit and then adjust periodically as usage is monitored to ensure that policies and procedures are being followed. The district has issued one credit card to the business manager for use by the business office, with a limit of \$25,000. This limit is excessively high.
- Ensuring that each person issued a credit card signs a credit card usage agreement that provides specifics of the district's credit card program. An effective agreement requires the individual to acknowledge receipt of the card and agree to the district's terms for its use and for reimbursement procedures. A sample user agreement is attached as Appendix G to this report.
- Requiring a purchase order for all goods and services, with the exception of some travel expenses.

## Inventory

Purchasing is often assigned to maintain an inventory of goods purchased by the district. EC Section 35168 states:

“The governing board of each school district shall establish and maintain a historical inventory, or an audit trace inventory system, or any other inventory system authorized by the State Board of Education, which shall contain the description, name, identification numbers, and original cost of all items of equipment acquired by it whose current market value exceeds five hundred dollars (\$500) per item, the date of acquisition, the location of use, and the time and mode of disposal.”

California Code of Regulations Section 3946 states that an inventory shall be maintained of items purchased with consolidated application funds and, further, in accordance with 34 CFR 80.32, a physical inventory shall be conducted of equipment and the results reconciled with property records at least once every two years.

The district utilizes an independent contractor to tag and inventory its technology equipment and relies on the director of maintenance and operations to maintain equipment records in his department. However, the business manager has not received the equipment lists to verify the work performed. The business manager should obtain the equipment listings from the independent contractor and director of maintenance and operations and verify that the work has been completed. If the inventory has not been completed, the district should consider changing vendors to perform a complete equipment inventory and provide the district with procedures to maintain the system established by the new vendor.

## Recommendations

*The district should:*

1. Implement the procedures outlined above with regard to purchase orders.
2. Provide extensive training for all employees involved in purchasing if the online QSS purchase order system is implemented.
3. Utilize open purchase orders for ongoing purchases of inexpensive items from the same vendor. Issue the open purchase orders quarterly in compliance with BP 3300.
4. Consult with legal counsel regarding its July 2011 award of its contract for the food service program.
5. Immediately contact legal counsel with questions regarding bidding.
6. Seek competitive bids on public works projects over \$15,000 and equipment, materials or supplies to be furnished, sold or leased in excess of \$81,000.
7. Meet with legal counsel to obtain a complete set of competitive bidding documents.
8. Provide the business manager with additional training in bidding requirements and procedures.

9. Establish a policy requiring three quotes to be obtained when items exceed a specified amount.
10. Issue district credit cards in both the individual's name and the district's name.
11. Establish reasonable credit limits on each credit card.
12. Ensure that each person issued a credit card signs a usage agreement that provides specifics of the credit card program.
13. Require a purchase order for all purchases of goods and services via credit card, with the exception of some travel expenses.
14. Obtain the equipment listings from its independent contractor and director of maintenance and operations to verify completion of the equipment inventory.
15. If the inventory is incomplete, consider changing vendors to perform a complete equipment inventory and provide the district with procedures to maintain an inventory system.

## Personnel

A district's personnel department provides for the recruitment, selection, retention and separation of district employees. These duties are further divided between certificated and classified employees. EC Section 44006 states that "[t]he term 'certificated person' refers to a person who holds one or more documents such as a certificate, a credential, or a life diploma, which singly or in combination license the holder to engage in the school service designated in the document or documents." Classified employees are employed in positions not requiring certification. Substitute and short-term employees employed and paid for less than 75% of a school year, as defined, shall not be part of the classified service. Specifically excluded from classified service are part-time playground positions, full-time and part-time students employed part-time, apprentices, and professional experts employed temporarily for a specific project regardless of the length of employment. (EC Section 45103)

Personnel departments also must be knowledgeable about the content of the district's collective bargaining agreements with employee groups. Sausalito Marin City School District has entered into agreements with the Sausalito District Teachers Association (SDTA) and with California School Employees Association Chapter No. 394 (CSEA). These agreements are complex and contain specific requirements for both the district and the employee group to follow.

The district's Personnel Department consists of the business manager and the assistant to the business manager. The district also shares a superintendent with the Larkspur-Corte Madera School District who, during those days at Sausalito Marin, actively participates in personnel processes. However, prior to this summer's arrival of the current superintendent and business manager, there were no established procedures or flow charts and very few forms related to the Personnel Department. This resulted in the occasional instance of site administrators hiring new employees without board approval or Department of Justice clearance. The Larkspur district's human resources administrative assistant is now helping the district to organize the department and implement personnel forms.

## Employee Recruitment/Selection

The employment process begins with the district recognizing the need to fill a new or vacant position. The following procedures are recommended to fill a position:

- For a new position:
  - The site/department requesting the new position completes a change of status form. A memo is attached to the form that provides the superintendent with information regarding the need for the new position, including:
    - The proposed funding source (if not previously indicated by account coding on the form)
    - A copy of the recommended job description and salary range, if it is a new classification and the district will need to meet with the applicable employee bargaining group to negotiate the salary to be attached to the position.
- For a vacant position:
  - The site/department completes a request for job posting and includes verification from the Business Department that the position exists in the position control system and that funds have been allocated to the position. The verification can be in the form of an e-mail.
  - The form is then sent to the business manager to ensure that it contains complete information and to calculate the cost and verify funding.
  - The business manager then submits the documentation to the superintendent for approval.
    - If a new position is approved, it is placed on the board's next regularly scheduled meeting agenda for approval prior to posting.
  - If approved, the position is then posted on school bulletin boards at all school sites. For positions covered by the SDTA, the superintendent is also required to provide SDTA with a written notification of the opening (Article XI.2.b. of the SDTA collective bargaining agreement) and a district-wide meeting held before May 20 to announce any changes in staffing patterns for the coming fiscal year (Article XI.2.a.). The superintendent's written notification to SDTA is to include the closing date for any requests to transfer as well as requirements for the position. Pursuant to Article XI.2.c. of the SDTA collective bargaining agreement, if the opening occurs during the summer and the district has received a request by a teacher, the district will notify the teacher of any posted opening that may arise.
  - The district places all open positions on the human resources page of its website and forwards the information to the county office to include on their website. The open position announcements can be sent to other established organizations with websites that post K-12 job openings such as EdJoin (a statewide education job web site) and to the Association of California School Administrators career center website and weekly newspaper.
  - Applicants submit paperwork to the Personnel Department to be screened for completeness and compliance with qualifications for the position.

- Qualified candidates are placed on a position candidate list, and the list is submitted to the site administrator/department head with a request to further review the applicants' packages at the district office.
- Candidates that pass the review process are then provided with the opportunity to interview with the district. The business manager or designee then:
  - Sets up appointments for pre-employment testing, as applicable.
  - Coordinates among district administration (including the superintendent), site administrator and the bargaining units to convene an interview panel.
  - Collaborates with the site administrator/department head to draft and establish a list of questions to be asked of each interview candidate.
  - Sets the date for the interviews with the interview panel.
  - Calls or arranges for a district staff member to call each candidate and schedule interview dates and times.
  - Provides interview panels with appropriate materials to make their selection, e.g., scoring scale, scoring sheet, etc. and confidentiality agreements.
- The top two or three candidates then undergo a secondary screening level that may consist of an additional interview or a test, or classroom observation for certificated candidates.
- The site administrator/department head then completes a reference check on the candidate with the top score. The results of that reference check are provided to and discussed with the business manager.
- If the results of the reference check and discussion with the business manager result in a decision to hire the candidate, the site administrator/department head completes recommend for hire and change of status forms that are submitted to the business manager for processing, and the candidate is contacted with an offer of employment. Currently, the site administrator/department head extends the offer of employment; however, the district may want to have the business manager make the offer to ensure that special terms of employment are not offered to the candidate without district knowledge.
- At this point candidates are required to provide the following documents and data to the district. Clearance of all document/data requirements must be in place prior to the employee's first day of work.
  - Certificate(s), credential(s), or life diploma must be registered with the county office of education. (EC Sections 44330, 44830-44830.2)
  - New employees, including substitutes and temporary employees, must be fingerprinted. Fingerprints are submitted to the Department of Justice, where a criminal background check is conducted. (EC Sections 44332.6, 44830.1, 45125-45125.01)
  - Pre-employment physical examinations required by law or governing board regulation may be performed at district expense if the applicant is subsequently employed. Physical examinations required for continuance in employment are provided at the district's expense. (EC Sections 44839,

45122; GC Section 12940) While these are the guidelines contained in code, the district's current contract with its classified bargaining unit states that any medical examinations required as a condition of employment or continued employment are provided by the district.

- New employees must file a certificate signed by a California-licensed physician indicating that the employee was examined within the past 60 days and is free from active tuberculosis. Pregnant employees are temporarily exempted. (EC Sections 45106, 49406)
- An employee must complete an Employees' Withholding Exemption Certificate (W-4). A Social Security number is required as an identification number for income taxes, state retirement, and payroll processing purposes. Form W-4 or Form DE34, Report of New Employee(s), is filed with the California Employment Development Department within 20 days of an employee's "start to work" date. (Unemployment Insurance Code Section 1088.5)
- The federal Immigration Reform and Control Act of 1986 (IRCA) requires employers to verify the immigration status of all new employees using Form I-9 (revised 8-7-09) (P.L. 99-603). These forms should be maintained in a separate binder so that they may be viewed in the event of a federal audit separate from an employee's personnel file.
- New employees, except aliens legally employed, must take an oath indicating intent to support and defend the Constitutions of the United States and the state of California. (GC Section 3101-3105)
- All employees who are child care custodians or health practitioners, as defined by Penal Code Section 11166.5, are required to report known or suspected instances of child abuse. Persons assigned to such positions shall sign a Child Abuse Acknowledgement form indicating their understanding of this responsibility.
- Districts are required to adopt a policy establishing a drug-free workplace and to notify employees of the provisions of this policy. (41 USC Section 701-7; GC Section 8350-8357) Use of an acknowledgement form certifies that an employee has been informed of his or her obligations under governing board policy and state and federal law.
- Classified employees are covered under the California Public Employees' Retirement System (PERS). Membership election forms are completed at the time of employment. Certificated employees are covered under the California State Teachers' Retirement System (STRS) Defined Benefit or Cash Balance plan. Employees who have previously been employed in any capacity by a school district or public agency in California are required to file a Verification of Membership Status in a California Public Retirement System.
- Districts are required to provide employees information about workers' compensation benefits at the time of hire. Most insurance carriers provide a brochure for this purpose or one can be obtained from the state Division of Workers' Compensation. Employees may be asked to complete an acknowledgement of receipt of this information. (Labor Code Section 3550-3551)

- Employees who may use district-owned vehicles or their private vehicles on school district business are required to have a valid California driver's license for the type(s) of vehicle to be operated. Employees who use personal vehicles for district business must meet insurance responsibility requirements. The governing board may establish levels of insurance coverage that exceed state minimum requirements. (Vehicle Code Section 16451)
- Once the successful candidate has accepted the district's offer of employment, the business manager contacts the unsuccessful candidates either by letter or phone. If the contact is made by phone, the business manager makes notes as to the date, time and any pertinent items discussed during the phone conversation.
- The candidate's hiring is carried to the board for approval at its next regularly scheduled meeting unless approval is needed immediately, in which case a special board meeting is called.
- The change of status form and evidence of board approval for the hiring of the employee then follows the policies and procedures set forth for position control and discussed elsewhere in this report.
- New employee orientation is held shortly before the new employee's first day of work, or on the first day of employment.
  - If the new employee is at the management level, as designated in the district's conflict of interest code, a Statement of Economic Interests, Form 700, from the Fair Political Practices Commission is also provided for completion.
- Transfers
  - Classified employees:
    - After the position is posted, employees wishing to transfer obtain a change of status form, complete the applicable portions and obtain the necessary approval per Article XII of the CSEA collective bargaining agreement.  
School secretaries and instructional aides obtain approval of the supervisor at the school to which they wish to transfer. Other employees first obtain the approval of their current supervisor.
    - The change of status form is delivered to the business manager for review and to determine if there are qualified transfer candidates.
    - If no qualified transfer candidates exist, the vacancy is opened and posted to all outside candidates, and procedures related to new hires are followed.
    - If there are qualified transfer candidates, the successful candidate is then notified by the business manager.
  - Certificated employees:
    - Upon announcement and posting of vacancies at the district but before the final filing date, the employee files a written request for transfer with the superintendent.
    - The district confirms receipt of the request within five days.

- Selection of the candidate is based on “established selection procedures” pursuant to Article XI.3.d. of the SDTA collective bargaining agreement. However, the procedures are not explained in the contract nor is there institutional knowledge of what they were in the past. The district and the SDTA should come to a written mutual agreement on their definition.
- Notice of the transfer is provided to the employee within a reasonable time to allow for preparation of the new assignment.

The employment application forms provided to FCMAT were dated December 2010, but district administration reported that the application has not been updated in many years. The application lacks information such as a notice that applicants will have to undergo fingerprint clearance per EC Section 45125(a). The applicant does not certify under penalty of perjury that the statements made in the application are true and correct or agree to a physical examination should one be required upon hiring. The application does not provide for employment consequences should false statements be made.

The district’s business manager has directed district office personnel to maintain employment applications/packets at the district office to ensure confidentiality of the applicant(s) and their information. Despite this directive, office staff has allowed packages to be sent to sites and departments for the supervisor to review prior to applicant interviews. When questioned about the rationale behind this breach in confidentiality, the employee responds that this has been done in the past and that the supervisor should be able to review the packets prior to the interview. This indicates a lack of understanding of the confidential nature of the information.

The district does not require pre-employment testing and 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 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 can often 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 website.

CODESP also offers training and other professional development activities so that members can develop and maintain 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. Pertinent subjects include developing recruitment and selection plans to comply 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.

The district has not adopted standard forms for use in paper screening, interview scoring and reference checking but is using Larkspur's district forms as templates.

The Equal Employment Opportunity Commission (EEOC) provides standards 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 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. Oral rating instruments, screening forms, and other selection materials should reflect important and critical knowledge, skills, abilities, and other qualifications linked directly to important tasks performed on the job.

### Employee Retention

Employees have many interactions with the district's Personnel Department. Chief among these is the annual evaluation process. The interval between evaluations depends on which bargaining unit the employee belongs to as well as whether the employee is a permanent employee or still in their probationary period. The classified collective bargaining agreement provides for permanent employees to be evaluated annually. An employee who has received two consecutive satisfactory evaluations may be evaluated every other year. If a permanent employee's evaluation indicates improvement is needed, the district is to provide a follow-up evaluation after three working months to determine if improvement has occurred. However, new probationary employees are to receive evaluations at their fourth and eighth months of their nine-month/180-workday probationary period, while transfer probationary employees have a three-month probationary period and receive evaluations at the end of six and 12 months. Supervisors are also required to meet with the employee by the end of October each year to review the evaluation form and contract language, and complete the evaluation by the end of May each year.

Article XII of the SDTA collective bargaining agreement provides the district with the parameters under which certificated employees are to be evaluated. Again, this is driven by whether the employee is permanent or probationary, with probationary employees (those with less than two years of service at the district) receiving annual evaluations. Permanent certificated employees are evaluated every two years. Those with at least 10 years of service with the district, certified as highly qualified under No Child Left Behind (NCLB) and whose most recent evaluation reflected he/she met standards are allowed, with agreement between the evaluator and evaluatee, to complete an evaluation every three years. The collective bargaining agreement also outlines the conditions for pre-evaluation meetings, observations, visitations and formal evaluation meetings.

Due to the complexities of the evaluation process and the deadlines contained in the collective bargaining agreement, the district should implement a calendaring system to track the deadlines for employee evaluations. FCMAT's inquiries regarding the district's system for tracking evaluation deadlines revealed that site administrators/department heads are responsible for meeting contract deadlines. The district's Personnel Department should notify sites/departments regarding deadlines for employee evaluations and track compliance with the deadlines.

Along with evaluations, supervisors are tasked with the duty of documenting employee performance. Most often the need to document employee performance occurs when an employee fails to perform satisfactorily. The evaluator should provide constructive criticism and accurately communicate the facts, the rule violated, the impact of the violation and the directive for improvement. Failure to adequately communicate these points can result in confusion to the employee about the issue and how to remedy the problem. One of the most common trainings in this area for school district employees is the FRISK Documentation Model authored by the law firm of Atkinson, Andelson, Loya, Ruud & Romo. This model also can assist the district in cases where a record of employee discipline is needed. If, after these efforts, employees are unsuccessful, the district must be prepared to document the problems/behaviors and issue appropriate warnings/notices/letters as provided by collective bargaining agreements and district policies.

The Personnel Department also should ensure that the district and employees are in compliance with state and federal regulations such as:

- Annual employee notices.
- Annual completion of the Form 700, Statement of Economic Interests (for management level employees only).
- Monitoring of TB test expiration dates and reminders to employees. The district is in the process of entering this data into the district's QSS system for better tracking.
- Monitoring the expiration dates of certificated employees' credentials and sending reminders for renewal. While the county office maintains these records and sends notifications to the district's certificated employees, the district is entering this data into the district's QSS system to allow tracking of expiration dates.
- Sexual harassment training for supervisory employees every two years (required if the district employs 50 or more people). (GC Section 12950.1)
- Posting of the required, most up-to-date state and federal legal employment notices in staff lounges.

In addition to duties that ensure compliance with state and federal regulations, the district should provide an annual notice to each employee to confirm their vacation and personal necessity/sick leave balances. This practice would allow both the employees and the district to review their balances to ensure that amounts are correct, prevent employees from carrying over amounts in excess of those allowed in collective bargaining agreements and avoid large payouts when employees terminate or retire from district service.

## Employee Separation

### Resignations

EC Sections 44930 and 45201 govern the resignations of certificated and classified employees, respectively. For both certificated and classified personnel, the governing board may accept the resignation of any employee and may fix the time when the resignation shall take effect, which shall not be later than the close of the school year during which the resignation is received by the board. An employee and the governing board of a school district may agree that a resignation

will be accepted at a mutually agreed upon date not later than two years beyond the close of the school year during which the resignation is received by the board.

The district should adopt the following procedures regarding resignations:

- Require the resignation to be presented to the personnel department/business manager in writing, dated and signed by the employee and include the effective date of the resignation.
- The business manager presents the employee's resignation letter to the superintendent for signature.
- The resignation is placed on the next regularly scheduled board meeting agenda by the business manager for board acceptance.
- The business manager completes the change of status form so that it can proceed through position control and payroll procedures as outlined previously in the report.
- If the site administrator/department head wishes to fill the vacancy, complete and submit a request for job posting to be processed per the employee recruitment procedures above.
- On the employee's last day with the district, the business manager conducts checkout procedures to collect such items as timesheets, keys, identification badges, district-issued credit cards, cell phones, etc. Some districts also conduct an exit interview.

### **Retirements**

Classified employees are eligible for retirement at attainment of the age of 50 if credited with five years of state service in the Public Employees' Retirement System (PERS) and, per EC Section 45134 there are no minimum or maximum age requirements for continued employment in the classified service. For certificated employees, EC Section 24201 states that an employee may retire at age 55 with at least five years of credited service.

The district should adopt the following procedures regarding retirements:

- Require the notice of retirement to be provided to the personnel department/business manager in writing, dated and signed by the employee, and specify the effective date. Make clear to the retiring employee that they are responsible for ascertaining their benefits and filing all necessary retirement documentation with PERS or STRS. The district completes all documentation required of it by PERS or STRS.
- The business manager presents the employee's retirement letter to the superintendent for signature.
- The retirement is placed on the next regularly scheduled board meeting agenda by the business manager for acceptance by the board.
- Complete the change of status form (done by the business manager) so it can proceed through position control and payroll procedures as outlined previously in this report.
- If the vacancy is to be filled, the department head/site administrator completes a request for job posting and submits it for processing per the employee recruitment procedures above.
- On the employee's last day with the district, the business manager conducts check-out procedures to collect items such as timesheets, keys, identification badges, district-issued credit cards, and cell phones. Some districts conduct an exit interview with the retiree.

## Layoffs

Layoffs for both classified and certificated personnel are governed by Education Code and are a very complex and regimented process. A reduction in the number of classified employees may only be made because of lack of work or lack of funds. EC Section 45117 defines notification periods for employees who are subject to layoff due to expiration of a specially funded program or a reduction or elimination of service. Employees shall be laid off in reverse order of seniority within the classifications of eliminated positions. The impact and effects of the decision to lay off employees is subject to collective bargaining. (EC Sections 45114, 45298, 45308)

For certificated employees, EC Section 44955 states that reductions in permanent employees may be made due to a reduction in the district's ADA, because particular kinds of services will no longer be needed in the coming school year, or because state law has been amended, thus modifying curriculum. Employees shall be laid off in reverse order of seniority, and collective bargaining agreements very often contain tie-breaker criteria in the event two employees entered paid service with the district on the same date. Certificated employees are provided preliminary notices by March 15, may request a hearing to determine if there is a cause for not reemploying him/her, and final notices are served by May 15. The rights of terminated permanent employees are contained in EC Section 44956 and include, among other items, the right to serve as a substitute in the order of original employment. If the terminated permanent employee serves as a substitute "... for any 21 days or more within a period of 60 schooldays, the compensation the employee receives for substitute service in that 60-day period, including his or her first 20 days of substitute service, shall be not less than the amount the employee would receive if he or she were being reappointed."

This is a limited summary of layoffs. The process is very technical and may require the district to seek substantial legal expertise depending on the experience of the district's business manager in this area. If the district considers a reduction of force, it should work with legal counsel to guide it through the timelines, board agenda items, notices, hearings and any other documentation needed to take this action.

## Dismissals

Dismissals, like reductions in force, must follow legal requirements and involve the district's documentation of progressive discipline along with examination of board policy, collective bargaining agreements, notices to employees, board agenda items and hearings. The actions needed for an employee dismissal vary depending upon whether the employee is probationary or permanent, classified or certificated. Should the district need to dismiss or take progressive disciplinary action regarding an employee, it should seek the advice of legal counsel.

All of the information gathered regarding an employee's service with the district should be maintained in a personnel file. This file contains personal information, including evaluations and information that could be used to duplicate a person's identity. For those reasons, the files should be kept in a locked, fireproof cabinet. FCMAT observed that the district's personnel files were not stored properly, and the district's administrators reported that the files were in disarray, with items missing. The district should purchase secured cabinets for the personnel files and should review each employee's files for completeness. The limited number of district staff may necessitate the contracting of external services that could provide the necessary expertise in personnel and human resource issues.

In addition to the items discussed in this section, 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 standards may be accessed and downloaded at the following Web address:

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

## Recommendations

*The district should:*

1. Implement the procedures outlined above for employee recruitment/selection.
2. Submit the certificated and classified employment application forms to legal counsel for evaluation.
3. Adopt standardized forms for use in the employee selection process.
4. 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.
5. Provide explicit direction to any employee releasing employment information that this violates district procedure, and take any necessary disciplinary action should this reoccur.
6. Send personnel staff members to training conducted by CODESP and/or CPS on a variety of pertinent subjects.
7. Implement a calendaring system in the Personnel Department to track the deadlines for employee evaluations.
8. Provide sites/departments with notifications from the Personnel Department regarding deadlines for employee evaluations, and track compliance with the evaluation deadlines.
9. Provide district administrators/department heads with training in documenting employee performance.
10. Perform annual and periodic duties to ensure compliance with state and federal regulations with regard to:
  - a. Annual employee notices.
  - b. Annual completion of the Form 700, Statement of Economic Interests (for management level employees only).
  - c. TB testing.

- d. Credential renewals for certificated employees.
  - e. Sexual harassment training for supervisory employees every two years (GC Section 12950.1)
11. Ensure that the required current state and federal legal employment notices are posted in staff lounges.
  12. Provide annual notice to each employee to confirm their vacation and personal necessity/sick leave balances.
  13. Implement the procedures outlined above for employee resignations and retirements.
  14. Work with legal counsel in the event of personnel layoffs for guidance on timelines, board agenda items, notices, hearings and any other necessary procedures.
  15. Seek advice from legal counsel regarding dismissal or progressive discipline action against an employee.
  16. Purchase locking, fireproof cabinets for personnel files, and review each employee's files for completeness.
  17. Consider an independent consultant arrangement to assist with the review and cleanup of employee personnel files.
  18. Review all the FCMAT Personnel Standards to help develop best practices for personnel operations.



# Qualified Zone Academy Bonds (QZABs)

In December 2002, the district issued \$1 million in authorized Qualified Zone Academy Bonds (QZABs). The bonds were for capital improvements to be performed at Bayside Elementary School and Martin Luther King Jr. Academy.

QZABs are U.S. debt instruments created by Section 226 of the Taxpayer Relief Act of 1997. QZABs allow certain qualified schools to borrow funds at nominal interest rates, which can be as low as zero percent, for costs incurred in connection with the establishment of special programs in partnership with the private sector.

Public schools (K-12) located in empowerment zones or enterprise communities and public schools with 35% or more of the student body meeting the eligibility requirements for the National School Lunch Program for free and/or reduced-price meals are eligible to participate.

A zone academy must be created for a school district to participate. The academy must create programs to enhance the curriculum, increase graduation rates, improve employment opportunities, and better prepare students for the workplace or higher education.

Funds can be used for renovation and rehabilitation projects, as well as equipment purchases, which can include computers. QZABs are not approved for new building construction. The school district must obtain matching funds from a private-sector partner equal to at least 10% of the cost of the proposed project. All state and local laws applicable to bonds also apply to QZABs, including Section 148 of the IRS Code regarding arbitrage.

A qualified lender as defined by the law must purchase bonds. Qualified lenders can be insurance companies, some banks or other corporations actively engaged in lending with each qualifying entity, as determined by the Internal Revenue Code governing each. The lender receives a tax credit in lieu of interest payments from the school. The IRS determines the amount of this tax credit. Setup fees, discounts on equipment purchased with QZAB funds, or contributions associated with the district’s construction projects are not eligible for the tax credit.

The following table summarizes the district’s projected budget for the QZAB financing:

SCHOOL	Description	Projected Cost
Bayside Elementary	Remodel multipurpose	\$272,000
	Upgrade kitchen	\$123,000
	Purchase of kitchen equipment	\$110,000
Total Cost Bayside		\$505,000
Martin Luther King	Classroom upgrades for science lab	\$285,000
	Remodel for multimedia center	\$160,000
Total Cost of MLK		\$445,000
Cost of Issuance		\$50,000
Total Projected QZAB Spending Plan		\$1,000,000

In FCMAT's review of the QZAB financing, bond proceeds were appropriately spent on district projects qualifying under the zone academy requirement for facilities at Bayside Elementary and Martin Luther King Jr. Academy. During the review process, district administration raised questions regarding the spending plan, the legal authority to use QZAB funding at the Bayside Elementary School because the Willow Creek Academy Charter School occupies the same facility, and why the total bond proceeds were not expended on much needed facilities at the Martin Luther King Jr. Academy.

Based on FCMAT's review of the QZAB documentation, the use of the proceeds from the QZAB bond sale and facility improvements at both schools is consistent with the requirements of the issuance and relevant IRS code sections. Although Willow Creek Academy Charter School is a direct funded charter school approved in 2001 pursuant to EC Section 47605 and the district had no financial or legal obligation to improve the facilities leased to the charter school, the school buildings and surrounding property are owned by the district and therefore qualify as an allowable expenditure under QZAB financing.

Upon the receipt of funds after the sale of the bonds, the district was required to complete the approved projects on district-owned facilities, and to enter into a partnership with a private party to receive in-kind contribution of services valued at no less 10% of the bond proceeds. The district has complied with both requirements by completing the planned projects at Bayside Elementary and Martin Luther King Jr. Academy, and entering into a partnership with and receiving services from Cyber Learning, a project of the National Education Foundation.

### School District Facility Obligations

Under Proposition 39, the district must provide facilities to district-authorized charter schools that are comparable to those provided to district students. The following is a recap of the Proposition 39 responsibilities for the district as the authorizing entity and the charter school:

Proposition 39, introduced in the November 2000 ballot, amended California Education Code (EC) Section 47614, with the intent that public school facilities should be shared fairly among all public school pupils, including those in charter schools.

EC Section 47614 requires that school districts make available, to all charter schools operating in their school district with projections of at least 80 units of average daily attendance (ADA), facilities that will sufficiently accommodate all of the charter's in-district students, and that facilities are "reasonably equivalent" to other classrooms, buildings, or facilities in the district.

EC Section 47614(b)(1) states that school districts may charge a charter school a pro-rata share of the facilities costs which the school district pays for with unrestricted general fund revenues. The pro-rata share is based on the ratio of space allocated by the school district to the charter school divided by the total space of the district. Charter schools shall not be otherwise charged for use of the facilities.

The State Board of Education (SBE) adopted regulations (California Code of Regulations, Title 5 [5 CCR] sections 11969.1, 11969.2, 11969.3, 11969.4, 11969.5, 11969.6, 11969.7, 11969.8, 11969.9, 11969.10, 11969.11) to define key provisions such as the opportunity for districts and charter schools to develop mutually agreed upon alternatives to specific compliance with EC Section 47614 (such as funding for

leases), calculation of the pro-rata share charge, reimbursement rates for over-allocated space, location, procedures for timelines, and the following reporting requirements:

- Each charter school that received facilities under EC Section 47614 shall report the per-square-foot charge paid in the current fiscal year to the California Department of Education (CDE).
- The CDE shall post the per-square foot charge on its publicly accessible website.
- The CDE shall provide school districts the opportunity to provide additional information regarding the per-square-foot charge calculation.

Each operating charter school in California was provided the opportunity to self-report the per-square-foot charge to the CDE via the Charter School Annual Survey. The following was submitted to the CDE for the Willow Creek Academy Charter:

**2009-10 Per-Square-Foot Charge Reported by Charter Schools that Acquired Facilities Pursuant to Proposition 39 (California Education Code Section 47614)\***

County Name	Authorizing LEA / Facility Provider (if different than authorizer)	School Name	Funding Type	Per-Square-Foot Charge	CDS Code	District Comment
Marin	Sausalito Marin City	Willow Creek Academy	Direct	2% of Public Revenue	21-65474-6118491	None submitted

\*Created June 29, 2011 by CDE; updated December 27, 2011

The present occupation and use of the improved facilities at Bayside Elementary by the Willow Creek Academy Charter School does not conflict with QZAB requirements. The district retains full ownership and is responsible for capital maintenance requirements of the complete campus and provides facilities pursuant to Proposition 39 requirements.

## Recommendations

*The district should:*

1. Develop a five-year facilities master plan that incorporates demographics, student enrollment, facility capacity, capital improvements and funding methodologies to support student housing needs.
2. Review the applicable lease costs associated with the space provided to WCA, if any, each fiscal year with data derived from the annual independent auditor's report.



# Appendices

Appendix A - Study Agreement

Appendix B - FCMAT's Fiscal Health Risk Analysis

Appendix C - Sample Payroll Distribution Sheet

Appendix D - Sample Conference Attendance Request

Appendix E - Sample Conference Reimbursement Request

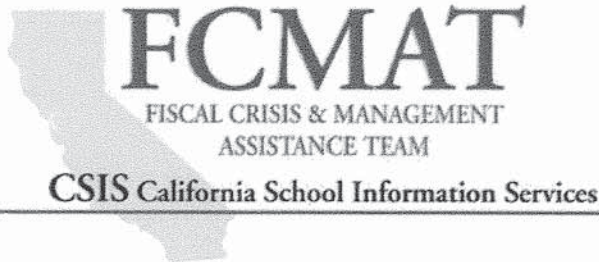
Appendix F - Hotel/Motel Transient Occupancy Tax Waiver Exemption Claim Form

Appendix G - Sample Revolving Fund Check Request

Appendix H - Sample Credit Card Usage Agreement



## Appendix A



**FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM  
STUDY AGREEMENT  
October 13, 2011**

The FISCAL CRISIS AND MANAGEMENT ASSISTANCE TEAM (FCMAT), hereinafter referred to as the Team, and the Sausalito Marin City 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 Sausalito Marin City School District operations. These professionals may include staff of the Team, County Offices of Education, the California State Department of Education, school districts, or private contractors. All work shall be performed in accordance with the terms and conditions of this Agreement.

In keeping with the provisions of AB1200, the County Superintendent will be notified of this agreement between the District and FCMAT and will receive a copy of the final report. The final report will be published on the FCMAT website.

**2. SCOPE OF THE WORK**

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

1. The Sausalito Marin City School District is requesting the FCMAT Team to conduct a comprehensive review of the central office and administrative functions which shall include board policies, administrative regulations, budget development, financial reporting, direct service options from the County Office, payroll, position control, accounts payable, purchasing and personnel. The Team will make recommendations to increase the efficiency of the school district's operations.

2. The District is the authorizing entity for a direct funded charter school. The Team will review the district's budget practices including expenditures of funds from Qualified Zone Academy Bonds for the Willow Creek Academy Charter School and make recommendations, if any.

B. Services and Products to be Provided

Orientation Meeting - The Team will conduct an orientation session at the District to brief District management and supervisory personnel on the procedures of the Team and on the purpose and schedule of the study.

On-site Review - The Team will conduct an on-site review at the District office and at school sites if necessary.

1. Exit Report - The Team will hold an exit meeting at the conclusion of the on-site review to inform the District of significant findings and recommendations to that point.
2. 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.
3. Draft Reports - Sufficient copies of a preliminary draft report will be delivered to the District administration for review and comment.
4. Final Report - Sufficient copies of the final study report will be delivered to the District administration following completion of the review.
5. 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, CFE, Deputy Executive Officer, Fiscal Crisis and Management Assistance Team, Kern County Superintendent of Schools Office. The study team may also include:

- |                     |                                |
|---------------------|--------------------------------|
| A. Julie Auvil      | Fiscal Intervention Specialist |
| B. To be determined | FCMAT Consultant               |
| C. To be determined | FCMAT 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 at other locations, preparing and presenting reports, or participating in meetings.
- B. All out-of-pocket expenses, including travel, meals, lodging, etc. 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.

**Based on the elements noted in section 2 A, the total cost of the study is estimated at \$10,500.**

- 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 or proposed organizational charts
  - 4. Current and two (2) prior years' audit reports
  - 5. Any documents requested on a supplemental listing
  - 6. Any documents requested on the supplemental listing should be provided to FCMAT in electronic format when possible.
  - 7. Documents that are only available in hard copy should be scanned by the district and sent to FCMAT in an electronic format.
  - 8. All documents should be provided in advance of field work and any delay in the receipt of the requested documentation may affect the start date of the project.

- 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 pupils. The District shall take appropriate steps to comply with EC 45125.1(c).

## 6. PROJECT SCHEDULE

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

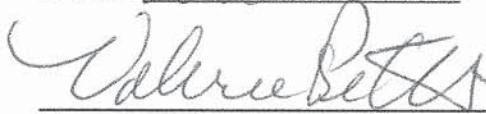
Orientation:	October/November pending board approval
Staff Interviews:	to be determined
Exit Interviews:	to be determined
Preliminary Report Submitted:	to be determined
Final Report Submitted:	to be determined
Board Presentation:	to be determined
Follow-Up Support:	If requested

## 7. CONTACT PERSON

Name of contact person: Paula Rigney, Business Manager

Telephone: (415) 332-3190 X205 FAX: (415) 332-4411

E-Mail: prigney@marin.k12.ca.us



Valerie Pitts, Superintendent  
Sausalito Marin City School District

10-13-11

Date



Anthony L. Bridges, CFE  
Deputy Executive Officer  
Fiscal Crisis and Management Assistance Team

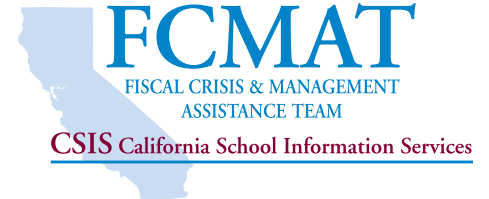
October 13, 2011

Date

Appendix B

# Fiscal Health Risk Analysis

## Key Fiscal Indicators



The Fiscal Health and Risk Analysis was developed by FCMAT as a management tool to evaluate key fiscal indicators that will assist a school district in measuring its financial solvency for the current and two subsequent fiscal years as recommended by AB 1200. The presence of any single criteria is not necessarily an indication of a district in fiscal crisis. However, districts exceeding the risk threshold of six or more “No” responses may have cause for concern and require some level of fiscal intervention. Diligent planning will enable a district to better understand its financial objectives and strategies to sustain its financial solvency. A district must continually update its budget as new information becomes available from within the district or from other funding and regulatory agencies.

The Fiscal Health and Risk Analysis includes 17 components of key fiscal indicators to measure a district’s potential risk. Any of the 17 individual components receiving a simple majority of “No” responses to the questions it contains should be rated with an overall “No” response.

<i>Is the district’s fiscal health acceptable in the following areas?</i>	Yes	No	N/A
<b>1. Deficit Spending</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none"> <li>• Is the district avoiding deficit spending in the current year? . . . . . <input type="checkbox"/></li> <li>• Is the district avoiding deficit spending in the two subsequent fiscal years? . . . . . <input type="checkbox"/></li> <li>• Has the district controlled deficit spending over the past two fiscal years? . . . . . <input type="checkbox"/></li> <li>• Is the issue of deficit spending addressed by fund balance, ongoing revenues, or expenditure reductions? . . . . . <input type="checkbox"/></li> <li style="padding-left: 20px;">- Has the board approved a plan to eliminate deficit spending?</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>2. Fund Balance</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none"> <li>• Is the district’s fund balance at or consistently above the recommended reserve for economic uncertainty? . . . . . <input type="checkbox"/></li> <li>• Is the fund balance stable or increasing due to ongoing revenues and/or expenditure reductions? . . . . . <input type="checkbox"/></li> <li>• Does the fund balance include any designated reserves for unfunded liabilities or one time costs above the recommended reserve level? . . . . . <input type="checkbox"/></li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>3. Reserve for Economic Uncertainty</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none"> <li>• Is the district able to maintain its reserve for economic uncertainty in the current and two subsequent years based on current revenue and expenditure trends? . . . . . <input type="checkbox"/></li> <li>• Does the district have additional reserves in Fund 17, Special Reserve for Non Capital Projects? . . . . . <input type="checkbox"/></li> <li>• If not, is there a plan to restore the reserve for economic uncertainties in the district’s multiyear financial projection? . . . . . <input type="checkbox"/></li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

<i>Is the district's fiscal health acceptable in the following areas?</i>	Yes	No	N/A
<b>4. Enrollment</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Has the district's enrollment been increasing or stable for multiple years? . . . . .	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Is the district's enrollment projection updated at least semiannually? . . . . .	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Are staffing adjustments for certificated and classified employee groups consistent with the enrollment trends? . . . . .	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Does the district analyze enrollment and average daily attendance (ADA) data? . . . . .	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Does the district track historical data to establish future trends between P-1 and P-2 for projection purposes? . . . . .	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Has the district implemented any attendance programs to increase ADA? . . . . .	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Have approved charter schools had little or no impact on the district's student enrollment? . . . . .	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Does the district have a board policy that attempts to reduce the effect that transfers out of the district have on the district's enrollment? . . . . .	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>5. Interfund Borrowing</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Can the district manage its cash flow in all funds without interfund borrowing? . . . . .	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Is the district repaying the funds within the statutory period in accordance with Education Code section 42603? . . . . .	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>6. Bargaining Agreements</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Has the district settled the total cost of the bargaining agreements at or under COLA during the current and past three years? . . . . .	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Did the district conduct a pre-settlement analysis identifying an ongoing revenue source to support the agreement? . . . . .	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Did the district correctly identify the related costs above the COLA, (i.e. statutory benefits, step and column)? . . . . .	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Did the district address budget reductions necessary to sustain the total compensation increase including a board-adopted plan? . . . . .	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Did the superintendent and CBO certify the agreement prior to ratification? . . . . .	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Is the governing board's action consistent with the superintendent's/CBO's certification? . . . . .	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Did the district submit to the county office of education the AB 1200\2756 full disclosure as required? . . . . .	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Is the district's fiscal health acceptable in the following areas? Yes No N/A**

**7. General Fund**

- Is the percentage of the district's general fund unrestricted budget allocated to salaries and benefits at or under the statewide average?

**Salary and Benefit Expense as a Percentage of Total Expense  
Unrestricted General Fund Total General Fund**

<u>Statewide Averages</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>
Unified	90.84%	91.77%	92.16%	82.14%	82.12%	83.00%
Elementary	89.56%	90.51%	90.77%	80.94%	80.96%	82.05%
High School	87.83%	89.19%	89.20%	79.61%	80.60%	81.81%

*Source: School Services of California*

- Is the district making sure that only ongoing restricted dollars pay for permanent staff?
- Does the budget include reductions in expenditures proportionate to one-time revenue sources, such as parcel taxes, that will terminate in the current or two subsequent fiscal years?
- If the district receives redevelopment revenue that is subject to AB 1290 and SB 617, has it made the required offset to the revenue limit?

**8. Encroachment**

- Is the district aware of the Contributions to Restricted Programs in the current year? (Identify cost, programs and funds)
- Does the district have a reasonable plan to address increased encroachment trends?
- Does the district manage encroachment from other funds such as Adult, Cafeteria, Child Development, etc.?

**9. Management Information Systems**

- Is the district's financial data accurate and timely?
- Are the county and state reports filed in a timely manner?
- Are key fiscal reports readily available and understandable?
- Is the district on the same financial system as the county?
- If the district is on a separate financial system, is there an automated interface with the financial system maintained by the county?

<i>Is the district's fiscal health acceptable in the following areas?</i>	Yes	No	N/A
<b>10. Position Control</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Does the district maintain a reliable position control system? . . . . .	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Is position control integrated with payroll? . . . . .	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Does the district control unauthorized hiring? . . . . .	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Are the appropriate levels of internal controls in place between the business and personnel departments to prevent fraudulent activity? . . . . .	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Does the district use position control data for budget development? . . . . .	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Is position control reconciled against the budget during the fiscal year? . . . . .	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>11. Budget Monitoring</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Are budget revisions completed in a timely manner? . . . . .	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Does the district openly discuss the impact of budget revisions at the board level? . . . . .	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Are budget revisions made or confirmed by the board at the same time the collective bargaining agreement is ratified? . . . . .	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Has the district's long term debt decreased from the prior fiscal year? . . . . .	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Has the district identified the repayment sources for long term debt or non voter-approved debt, i.e. certificates of participation, capital leases? . . . . .	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Does the district's financial system have a hard coded warning regarding insufficient funds for requisitions and purchase orders? . . . . .	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Does the district encumber salaries and benefits? . . . . .	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>12. Retiree Health Benefits</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Has the district completed an actuarial valuation to determine the unfunded liability under GASB 45 requirements? . . . . .	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Does the district have a plan for addressing the retiree benefits liabilities? . . . . .	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Has the district conducted a re-enrollment process to identify eligible retirees? . . . . .	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>13. Leadership/Stability</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Does the district have a superintendent and/or chief business official that has been with the district more than two years? . . . . .	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Does the governing board adopt clear and timely policies and support the administration in their implementation? . . . . .	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

<i>Is the district's fiscal health acceptable in the following areas?</i>	Yes	No	N/A
<b>14. Charter Schools</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none"> <li>• Has the district identified a specific employee or department to be responsible for oversight of the charter? . . . . .</li> <li>• Has the charter school submitted the required financial reports? . . . . .</li> <li>• Has the charter school commissioned an independent audit? . . . . .</li> <li>• Does the audit reflect findings that will not impact the fiscal certification of the authorizing agency? . . . . .</li>   <li>• Is the district monitoring and reporting the current status to the board to ensure that an informed decision can be made regarding the reauthorization of the charter? . . . . .</li> </ul>	<ul style="list-style-type: none"> <li style="text-align: center;"><input type="checkbox"/></li> <li style="text-align: center;"><input type="checkbox"/></li> <li style="text-align: center;"><input type="checkbox"/></li> <li style="text-align: center;"><input type="checkbox"/></li>   <li style="text-align: center;"><input type="checkbox"/></li> </ul>	<ul style="list-style-type: none"> <li style="text-align: center;"><input type="checkbox"/></li> <li style="text-align: center;"><input type="checkbox"/></li> <li style="text-align: center;"><input type="checkbox"/></li> <li style="text-align: center;"><input type="checkbox"/></li>   <li style="text-align: center;"><input type="checkbox"/></li> </ul>	<ul style="list-style-type: none"> <li style="text-align: center;"><input type="checkbox"/></li> <li style="text-align: center;"><input type="checkbox"/></li> <li style="text-align: center;"><input type="checkbox"/></li> <li style="text-align: center;"><input type="checkbox"/></li>   <li style="text-align: center;"><input type="checkbox"/></li> </ul>
<b>15. Audit Report</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none"> <li>• Did the district receive an audit report without material findings? . . . . .</li> <li>• Can the audit findings be addressed without impacting the district's fiscal health? . . . . .</li> <li>• Has the audit report been completed and presented within the statutory time line? . . . . .</li> <li>• Are audit findings and recommendations reviewed with the board? . . . . .</li> <li>• Did the audit report meet both GAAP and GASB standards? . . . . .</li> </ul>	<ul style="list-style-type: none"> <li style="text-align: center;"><input type="checkbox"/></li> <li style="text-align: center;"><input type="checkbox"/></li> <li style="text-align: center;"><input type="checkbox"/></li> <li style="text-align: center;"><input type="checkbox"/></li> <li style="text-align: center;"><input type="checkbox"/></li> </ul>	<ul style="list-style-type: none"> <li style="text-align: center;"><input type="checkbox"/></li> <li style="text-align: center;"><input type="checkbox"/></li> <li style="text-align: center;"><input type="checkbox"/></li> <li style="text-align: center;"><input type="checkbox"/></li> <li style="text-align: center;"><input type="checkbox"/></li> </ul>	<ul style="list-style-type: none"> <li style="text-align: center;"><input type="checkbox"/></li> <li style="text-align: center;"><input type="checkbox"/></li> <li style="text-align: center;"><input type="checkbox"/></li> <li style="text-align: center;"><input type="checkbox"/></li> <li style="text-align: center;"><input type="checkbox"/></li> </ul>
<b>16. Facilities</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none"> <li>• Has the district passed a general obligation bond? . . . . .</li> <li>• Has the district met the audit and reporting requirements of Proposition 39? . . . . .</li> <li>• Is the district participating in the state's School Facilities Program? . . . . .</li> <li>• Does the district have sufficient personnel to properly track and account for facility-related projects? . . . . .</li> <li>• Has the district met the reporting requirements of the Williams Act? . . . . .</li> <li>• Is the district properly accounting for the 3% Routine Repair and Maintenance Account requirement at the time of budget adoption? . . . . .</li> <li>• If needed, does the district have surplus property that may be sold or used for lease revenues? . . . . .</li> <li>• If needed, are there other potential statutory options? . . . . .                             <ul style="list-style-type: none"> <li>- Joint Use: Can the district enter into a joint use agreement with some entities without declaring the property surplus and without bidding?</li> <li>- Joint Occupancy: The Education Code provides for a joint venture that can authorize private development of district property that will result in some educational use.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li style="text-align: center;"><input type="checkbox"/></li> <li style="text-align: center;"><input type="checkbox"/></li> <li style="text-align: center;"><input type="checkbox"/></li> <li style="text-align: center;"><input type="checkbox"/></li> <li style="text-align: center;"><input type="checkbox"/></li> <li style="text-align: center;"><input type="checkbox"/></li> <li style="text-align: center;"><input type="checkbox"/></li> <li style="text-align: center;"><input type="checkbox"/></li> </ul>	<ul style="list-style-type: none"> <li style="text-align: center;"><input type="checkbox"/></li> <li style="text-align: center;"><input type="checkbox"/></li> <li style="text-align: center;"><input type="checkbox"/></li> <li style="text-align: center;"><input type="checkbox"/></li> <li style="text-align: center;"><input type="checkbox"/></li> <li style="text-align: center;"><input type="checkbox"/></li> <li style="text-align: center;"><input type="checkbox"/></li> <li style="text-align: center;"><input type="checkbox"/></li> </ul>	<ul style="list-style-type: none"> <li style="text-align: center;"><input type="checkbox"/></li> <li style="text-align: center;"><input type="checkbox"/></li> <li style="text-align: center;"><input type="checkbox"/></li> <li style="text-align: center;"><input type="checkbox"/></li> <li style="text-align: center;"><input type="checkbox"/></li> <li style="text-align: center;"><input type="checkbox"/></li> <li style="text-align: center;"><input type="checkbox"/></li> <li style="text-align: center;"><input type="checkbox"/></li> </ul>

- Does the district have a facilities master plan that was completed or updated in the last two years? . . . . .

**17. General Ledger**

- Has the district closed the general ledger (books) within the time prescribed by the county office of education?? . . . . .
- Does the district follow a year-end closing schedule? . . . . .
- Have beginning balances in the new fiscal year been recorded correctly for each fund from the prior fiscal year? . . . . .
- Does the district adjust prior year accruals if the amounts actually received (A/R) or paid (A/P) are greater or less than the amounts accrued? . . . . .
- Does the district reconcile all payroll suspense accounts at the close of the fiscal year? . . . . .

**RISK ANALYSIS**

1. Total the number of component areas in which the district’s fiscal health is not acceptable (“No” responses).
2. Use the key below to determine the level of risk to the district’s fiscal health.

<b>0 – 4</b>	<b>5 – 9</b>	<b>10 – 14</b>	<b>15 – 17</b>
<b>Low</b>	<b>Moderate</b>	<b>High</b>	<b>Extremely High</b>

**Total “No” Responses**



Appendix D

**CONFERENCE ATTENDANCE REQUEST**

Name: \_\_\_\_\_ School/Department: \_\_\_\_\_  
 Other Conference Attendees: \_\_\_\_\_  
 Conference/Workshop: \_\_\_\_\_ Reason: \_\_\_\_\_  
 Conference Dates: \_\_\_\_\_ Location: \_\_\_\_\_

*DIRECTIONS: This completed form and all required documents must be received by the Business Office no later than 10 business days prior to registration deadline. Actual expenditures must be submitted within 2 weeks after the conference through the use of the Conference Reimbursement Form. Original receipts must be submitted for all expenses, except **overnight** per diem (meals).*

**\*\*SITE IS TO MAKE ALL NECESSARY RESERVATIONS\*\***

**ESTIMATED EXPENSES: METHOD OF PAYMENT** (Please check appropriate box for method of payment for each item):

	Employee to Pay & Request Reimbursement	P.O. Attached & P.O. Number	Payment Required Prior to Conference & Date Needed	
<b>Conference Registration</b> (Attach a copy of completed registration form)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	\$ _____
<b>Lodging: _____ Days</b> (Attach hotel confirmation)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	\$ _____
<b>Does the hotel waive the hotel tax for government agencies?</b>			Yes _____ No _____	
<b>Personal Vehicle</b> (No. of miles _____ @ _____) (Note: To be reimbursed through Conference Reimbursement Form)				\$ _____
<b>Other Expenses</b> _____ (Note: To be reimbursed through Conference Reimbursement Form)				\$ _____

**Meals (Per Diem/Reimbursement)**  
**\*\*Are meals included with registration? If so, please specify.** \_\_\_\_\_

**Note: Same day travel requires original receipts for reimbursement**  
 Substitute: \_\_\_\_\_ Days @ \_\_\_\_\_ Daily \$ \_\_\_\_\_

**Depart:** \_\_\_\_\_ **Return:** \_\_\_\_\_  
**Date:** \_\_\_\_/\_\_\_\_/\_\_\_\_ **Time:** \_\_\_\_ a.m. / p.m. **Date:** \_\_\_\_/\_\_\_\_/\_\_\_\_ **Time:** \_\_\_\_ a.m. / p.m.

Attendee's Signature \_\_\_\_\_ Date \_\_\_\_\_ Conference Account Number \_\_\_\_\_  
 Business Services Approval \_\_\_\_\_ Date \_\_\_\_\_ Administrator's Approval \_\_\_\_\_ Date \_\_\_\_\_

**BUSINESS OFFICE USE ONLY**

<u>Advance Payable To</u>	<u>Advance Amount</u>	<u>Revolving Check/Warrant #</u>	<u>Date Issued</u>
_____	_____	_____	_____

Date	Breakfast \$9.00	Lunch \$12.00	Dinner \$22.00	Daily Total

**Meals** \$ \_\_\_\_\_  
**Total Estimated Expenses** \$ \_\_\_\_\_

## CONFERENCE ATTENDANCE REQUEST FORM INSTRUCTIONS

**Name:** Name of employee attending conference/workshop

**School/Department:** School site or department where employee is assigned

**Other Conference Attendees:** Other employees attending this conference/workshop

**Conference/Workshop:** Title of conference/workshop

**Reason:** Reason for conference/workshop attendance

**Conference Dates:** Date range of conference/workshop

**Location:** City and state location of conference/workshop

**Conference Registration:** Check appropriate box. If the "P.O. Attached" box is checked, attach purchase order and insert purchase order number. If "Payment Required Prior" box is checked, insert when the payment will be needed. Insert cost of conference/workshop registration. **ALWAYS attach a copy of the completed conference/workshop registration form.**

**Lodging:** **Days:** Insert # of lodging days requested. Check appropriate box. If the "P.O. Attached" box is checked, attach purchase order and insert purchase order number. If "Payment Required Prior" box is checked, insert when the payment is needed. Insert total lodging cost including taxes and other applicable charges. **NOTE: When making the reservation, ask the hotel if it waives the hotel tax for government agencies.**

**Personal Vehicle:** Insert # of estimated miles to and from conference or workshop and prevailing IRS mileage reimbursement rate. Insert estimated mileage reimbursement cost.

**Other Expenses:** Insert other reimbursable expenses (such as parking, taxi, airfare, etc) and the estimated or actual costs. Insert estimated cost of other expenses.

**Meals:** If meals are included with the registration fee, please specify which meals (e.g. breakfast, lunch, dinner). **NOTE: Meal receipts are required for all employees traveling to and from a conference/workshop on the same day.**

**Depart/Return Date & Time:** Insert the estimated date and time you plan to depart the District. Insert the estimated date and time you plan to return to the District.

**Substitute:** If a substitute is required during your absence, insert the # of days requested and the daily rate. Insert total cost of substitute.

**Attendee's Signature:** Signature and date of employee.

**Conference Account Number:** Account to be charged for conference/workshop expenses.

**Administrator's Approval:** Signature and date of District administrator.

**Business Services Approval:** Signature and date of Chief Administrator, Business Services or Director of Fiscal Services.

Appendix E

### CONFERENCE REIMBURSEMENT REQUEST

**DIRECTIONS:** This completed form must be submitted to the Business Department within two weeks following the conference. **Attach copy of Conference Attendance Request Form and original receipts for all expenses to be reimbursed. Receipts are not required for overnight per diem (meals).**

Name: \_\_\_\_\_ School/Dept: \_\_\_\_\_  
 Other Attendees: \_\_\_\_\_ Conference/Workshop: \_\_\_\_\_  
 Conference Dates: \_\_\_\_\_ Location: \_\_\_\_\_

**CONFERENCE EXPENSES TO BE REIMBURSED:**

Conference Registration \$ \_\_\_\_\_  
 Lodging: \_\_\_ Days \$ \_\_\_\_\_  
 Personal Vehicle \$ \_\_\_\_\_  
 (No. of miles \_\_\_\_\_ @ \_\_\_\_\_ per mile)  
 Other Expenses \$ \_\_\_\_\_  
 \_\_\_\_\_ \$ \_\_\_\_\_  
 \_\_\_\_\_ \$ \_\_\_\_\_  
 \_\_\_\_\_ \$ \_\_\_\_\_

**Meals (Per Diem/Reimbursement)**  
**\*\*Were meals included with registration? If so, please specify.** \_\_\_\_\_

Note: Same day travel requires original receipts for reimbursement

**Depart:** \_\_\_\_\_ **Return:** \_\_\_\_\_  
 Date: \_\_\_/\_\_\_/\_\_\_ Time: \_\_\_ a.m. / p.m. Date: \_\_\_/\_\_\_/\_\_\_ Time: \_\_\_ a.m. / p.m.

Conference Account Number: \_\_\_\_\_

Attendee's Signature \_\_\_\_\_ Date \_\_\_\_\_ Administrator's Approval \_\_\_\_\_ Date \_\_\_\_\_

**BUSINESS OFFICE USE ONLY**

Business Services Approval \_\_\_\_\_ Date \_\_\_\_\_

Date	Breakfast \$9.00	Lunch \$12.00	Dinner \$22.00	Daily Total
<b>TOTAL</b>				

Meals \$ \_\_\_\_\_  
**Total Reimbursement Due**  
 Employee \$ \_\_\_\_\_

**CONFERENCE REIMBURSEMENT REQUEST INSTRUCTIONS**

**Name:** Name of employee attending conference/workshop

**School/Dept:** School site or department where employee is assigned

**Other Attendees:** Other employees attending this conference/workshop

**Conference/Workshop:** Title of conference/workshop

**Conference Dates:** Date range of conference/workshop

**Location:** City and state location of conference/workshop

**Conference Registration:** Record conference registration cost to be reimbursed. Attach copy of document which shows that the conference/workshop registration was paid. Acceptable documents include: (1) conference/workshop confirmation which shows paid status, (2) credit card statement which shows conference/workshop charge, or (3) front and back copy of cancelled check.

**Lodging:** **Days:** Record total lodging cost associated with conference/workshop. Total lodging cost should include only nightly lodging cost and applicable room taxes. **NOTE: Hotel folio will be required for all lodging reimbursements.**

**Personal Vehicle:** Record: (1) total miles associated with conference/workshop, (2) prevailing IRS mileage reimbursement rate (2007 – \$0.485/mile), and (3) total mileage reimbursement (total # of miles x mileage reimbursement rate).

**Other Expenses:** Record total of other reimbursable expenses not specifically listed on this form. Other reimbursable expenses include parking fees, taxi fare, airfare, and other related expenses. **NOTE:** Receipts will be required for all reimbursements.

**Meals:** If meals were included with your registration fee, please specify which meals (e.g. breakfast, lunch, dinner). **NOTE: Meal receipts are required for all employees traveling to and from a conference/workshop on the same day.**

**Depart/Return Date & Time:** Insert the actual date and time you departed the District. Insert the actual date and time you returned to the District.

**Conference Account Number:** Account to be charged for conference/workshop expenses.

**Attendee's Signature:** Signature and date of employee.

**Administrator's Approval:** Signature and date of District administrator.

**Business Services Approval:** Signature and date of Chief Administrator, Business Services or Director of Fiscal Services.

## Appendix F

## 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.

Appendix G

\_\_\_\_\_ SCHOOL DISTRICT  
**REVOLVING FUND CHECK REQUEST**

DATE \_\_\_\_\_

SITE \_\_\_\_\_

NAME \_\_\_\_\_

PAYABLE TO \_\_\_\_\_

DESCRIPTION	ACCOUNT NUMBER	AMOUNT

<p><b>BUSINESS OFFICE USE ONLY</b></p> <p>AUTHORIZED BY _____</p> <p>DO APPROVAL _____</p> <p>CHECK NUMBER _____</p> <p>CHECK DATE _____</p>	<p>PLEASE PROVIDE ORIGINAL RECEIPT                  AND ONE COPY. RECEIPTS WILL NOT                  BE RETURNED</p> <p>Original/Yellow - Business Office                  Pink - Retain for your records</p>
--	---

## Appendix H

**District Cal-Card Usage Policies & Procedures**

Congratulations! You have been selected as a site/department for the District's CAL-Card Program. The broad intent of the program is to assist the District in allowing additional flexibility for your site/departmental purchasing needs. The card's intent is that it be used for conferences (advance approval for conferences must still be obtained through the Conference Attendance Form process and POs will be necessary for the items to be paid with the CAL-Card) and Internet purchases only at this time (POs must still be submitted and approved in advance of making the purchase in order to encumber the funds property). By accepting the attached CAL-Card and signing below, you agree as follows:

1. To read, review and abide by the terms of the attached Cardholder Guide.
2. To sign the back of the card and call U.S. Bank Customer Service at the telephone number on the front side of the card to activate. Be aware that you might be asked for your "CVV" numbers, which stands for "Card Verification Value." The "CVV" number is a three-digit number following the account number within the signature block on the reverse side of your card. You may also be asked for the following information:
  - a. Single Purchase Limit:
  - b. 30-Day Limit:
  - c. Telephone Number Assigned to Card:
  - d. Zip Code Assigned to Card:

Once this has been accomplished, your card is ready for use.

3. To allow no one, other than yourself, to use the card and to retain physical custody of the card in a safe and secure location at all times.
4. To retain physical, hard copy proof of all purchases made with your card. In the event that the receipt cannot be located, you agree to notify me in writing of such circumstances. You further agree to include in the notification all facts surrounding the missing receipt as well as all documentation available to provide evidence of receipt of the merchandise. Due to audit requirements, recurring and/or frequent instances of missing receipts may result in forfeiture of your card.
5. To review, reconcile and sign your monthly statement immediately upon receipt but in no circumstances later than 5 days after receipt of the statement – our billing cycle date is the 22<sup>nd</sup> of each month and we typically receive statements around the 1<sup>st</sup> of the next month. You are also to provide a complete description of each item purchased on the appropriate description line of the monthly statement and attach the original receipts. The executed, reconciled statements should then be forwarded to me. The sooner these reconciled statements are processed and sent to me for review and then forwarded to Accounts Payable for payment, the larger the payment rebate received by the District and the larger your site's/department's portion of the rebate. For example, if the rebate was \$100 based on total District purchases of \$3,000 and your purchases totaled \$600, your portion of the rebate would be calculated as follows:  $\$600/\$3,000 = 20\% \times \$100 = \$20$ .

6. You understand that should interest charges be incurred due to your failure to process your monthly statement in accordance with item number 4 above, those charges will be applied first to directly reduce your portion of the rebate and any remainder will be applied against budgeted amounts. Recurring and/or frequent instances of untimely submission of monthly statements may result in forfeiture of your card.
7. If, because of travel or extended leave, you are scheduled to be away for more than 5 days at the time you would normally receive the monthly statement, you agree to contact me so that we can make arrangements for your monthly statement to be processed on a timely basis.
8. Should there be an error on the statement, you agree to be responsible for the completion of the Cardholder Statement of Questioned Item form (CSQI) and forwarding it to the U.S. Bank Government Services address or fax number listed below. A copy of the CSQI is also to be included with your executed and reconciled monthly statement. Keep in mind that the District will lose its dispute rights if the CSQI is not submitted within 60 days from the cycle date.

U.S. Bank Government Services  
P.O. Box 6346  
Fargo, ND 58125-6346

Fax: (701) 461-3910

Toll free: (800) 227-6736

Outside the U.S., call collect: (701) 461-2020

You further agree to attempt to resolve the dispute directly with the vendor and keep detailed records of those attempts. This documentation will be required by U.S. Bank and must be submitted along with the cardholder CSQI form.

9. Once disputes are resolved and you have received notification from U.S. Bank, you agree that you are responsible for instructing the Billing Office (Accounts Payable) to either apply a credit or certify a payment to the original Statement of Account where the dispute occurred.

Purchases are to be for work-related expenses only. Please refer to page 7 of the Cardholder Guide for a list of Prohibited Purchases. Your CAL-Card has been programmed so that use of it for these Prohibited Purchases will be disallowed at the time of the transaction. Keep in mind that should you use the card for meals while traveling on District business, no alcohol can be purchased using the CAL-Card – ask your waitress for a separate bill and use another means for payment (e.g. cash or your personal credit card). Additionally, should you use the card for business related meals while traveling, your per diem will be adjusted accordingly. For example, if you were to receive 3 complete days of meals (\$43/day x 3 = \$129) and used the CAL-Card for lunch (spending \$16 on that lunch), the per diem payable to you at the end of the trip would be \$113 (\$129 - \$16). In the event that you received the per diem in advance, you would be required to submit your personal check for all meals purchased at the time of submission of your executed and reconciled statement.

Use of the CAL-Card for personal items will result in termination of your CAL-Card privileges and confiscation of the card. Should you inadvertently use the CAL-Card for a personal charge, you should notify me immediately (e-mail or voice mail messages are perfectly acceptable given you may be out of town at the time) and payment for the charge should be submitted upon your return.

10. To immediately report lost or stolen cards to U.S. Bank Government Services at the number provided in the Cardholder Guide. You are also to immediately notify me via telephone or e-mail of such loss.

11. Likewise, any fraudulent activity must be immediately reported to the U.S. Bank Government Services -- see your Cardholder Guide for contact information. The activity must also be reported to me with the following particulars:

- The account number on which the fraud has been detected;
- The date and dollar amount of the fraudulent transaction(s);
- The date the cardholder first contacted, or was contacted by, U.S. Bank regarding the fraud;
- The name of the U.S. Bank Fraud Representative investigating the account; and
- The new account number (if established).

You should reconcile your Statement of Account by circling any unauthorized items and writing "fraud" next to the item(s). Deduct the fraudulent charges from the total amount owed and process the statement as usual. Do not submit a cardholder CSQI for fraudulent transactions.

You are also responsible to:

- Monitor future statements for (a) any trailing fraudulent charges; and (b) credits for previous fraud charges; and
- When the credit appears on the statement, provide written instructions on the Statement of Account for the Billing Office to apply the credit to the previous Statement of Account where withheld the payment(s) and/or fraudulent charge(s) originally appeared.

Again, welcome to the CAL-Card Program. We hope that you will find it to be a more convenient system to aid you in making purchases. Should you have questions or concerns, please do not hesitate to contact me.

I hereby acknowledge receipt of CAL-Card Number \_\_\_\_\_ and the Cardholder Guide. I also hereby acknowledge that I have read the foregoing and agree to the conditions therein.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

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