



# **River Delta Unified School District**

## **Management Review**

June 18, 2008

Joel D. Montero  
Chief Executive Officer





June 18, 2008

Alan Newell, Superintendent  
River Delta Unified School District  
445 Montezuma Street  
Rio Vista, California 94571

Dear Superintendent Newell:

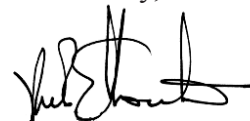
In March 2008, the River Delta Unified School District and the Fiscal Crisis and Management Assistance Team (FCMAT) entered into a study agreement to provide a review of the district's accounts payable services. The study agreement states that FCMAT will perform the following:

1. Conduct a review of the district's processing of vendor invoices and payments to validate if existing processes and procedures are consistent with industry standards and if the FTE assigned to this function is sufficient to manage the current workload.

FCMAT conducted fieldwork at the district on April 10, 2008. This report is the result of that effort.

We appreciate the opportunity to serve you, and we extend our thanks to all the staff of the River Delta Unified School District.

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: Larry E. Reider - Office of Kern County Superintendent of Schools



# Table of Contents

Foreword .....iii

Introduction ..... I

Executive Summary ..... 3

Findings and Recommendations ..... 5

*Processes and Procedures* ..... 5

*Staffing Levels*..... 7

*Training*..... 11

*Accounting Systems*..... 15

Appendices ..... 17



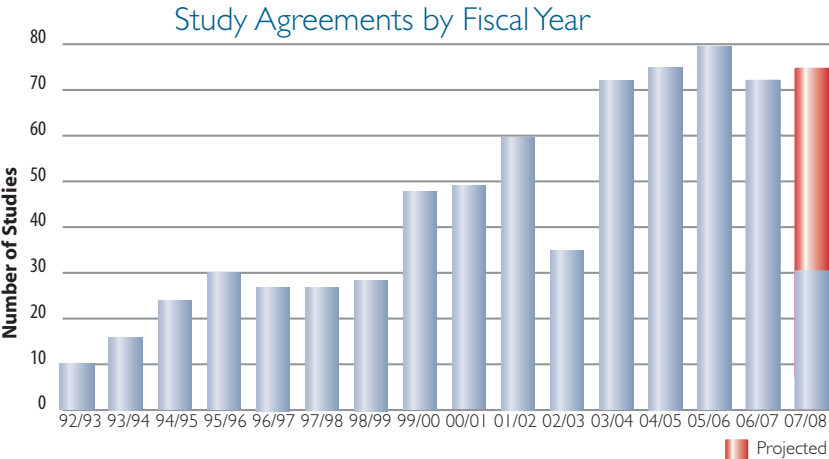
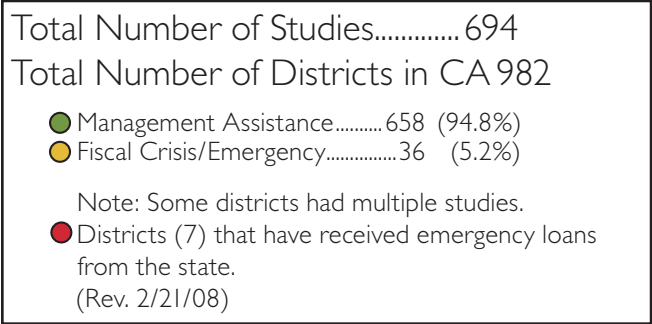
# Foreword

## FCMAT Background

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

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

Since 1992, FCMAT has been engaged to perform nearly 700 reviews for local educational agencies, including school districts, county offices of education, charter schools and community colleges. Services range from fiscal crisis intervention to management review and assistance. FCMAT also provides professional development training. The Kern County Superintendent of Schools is the administrative agent for FCMAT. The agency is guided under the leadership of Joel D. Montero, Chief Executive Officer, with funding derived through appropriations in the state budget and a modest fee schedule for charges to requesting agencies.





# Introduction

## Background

The River Delta Unified School District is located south of Sacramento and west of Interstate 5 in the heart of the Sacramento River Delta. The district has approximately 2,200 K-12 students at 11 schools serving the communities of Clarksburg, Courtland, Isleton, Rio Vista and Walnut Grove. District boundaries encompass approximately 50 square miles across Yolo, Solano and Sacramento counties. The district is served by the Sacramento County Office of Education.

A few years ago, the district implemented a districtwide facility construction and modernization program and anticipates continued construction with the passage of two general obligation bonds and the acquisition of state modernization funding and Williams settlement dollars. This construction program, along with other changes, increased the accounts payable workload, resulting in efficiency issues that have gained the attention of the school board, district staff, contractors and various vendors.

In February 2008, the district contacted FCMAT to request a review of processes, procedures and staffing levels surrounding the accounts payable function of the business office. The study agreement states that FCMAT will do the following:

1. Conduct a review of the district's processing of vendor invoices and payments to validate if existing processes and procedures are consistent with industry standards and if the FTE assigned to this function is sufficient to manage the current workload.

## Study Team

Deborah Deal  
FCMAT Fiscal Intervention Specialist  
San Luis Obispo County, CA

Leonel Martínez  
FCMAT Public Information Specialist  
Bakersfield, CA

Jim Cerreta  
FCMAT Special Projects  
Petaluma, CA

## Study Guidelines

A FCMAT study team visited the district on April 10, 2008 to conduct interviews, review documents and collect data. The study team reviewed the district's processing of vendor invoices and payments to validate if existing processes and procedures are consistent with industry standards, and to determine if the full time equivalent staffing (FTE) assigned to this function is sufficient to manage the current workload.

This report is the result of those activities and is divided into the following sections:

- I. Executive Summary
- II. Processes and Procedures
- III. Staffing Levels
- IV. Training
- V. Accounting Systems

# Executive Summary

FCMAT's review identified four areas in the accounts payable function of the Business Services Department that need attention and/or improvement. Below is a summary of FCMAT's findings and recommendations in each focus area, divided according to short- and long-term priority.

## Short-Term Priority

### *Processes and Procedures*

The district's system of processing accounts payable lacks efficiency. An unusually long period of time passes between the initiation of a payment request and the distribution of the related commercial warrant. Several processes and procedures should be modified to shorten this process without affecting existing internal controls. Changes should include authorizing the clerical staff to process certain purchase orders without further review, processing all types of warrants for payment every week and assigning a higher priority to problem requisitions and invoices.

### *Staffing Levels*

In recent years, the district has implemented a facilities construction and modernization program, which has placed additional demands on accounts payable. These demands include construction contractor pay applications, which by law must be processed in a shorter time than the existing district standard.

A staffing comparison and analysis indicates that the district's staffing level is comparable to that of districts without a construction and/or modernization program, but is understaffed when compared to districts with such a program. The facilities office has an Administrative Assistant with the training and experience to process the facilities office accounts payable batches. This would significantly reduce delays and achieve compliance with the legal time frame for contractor payment processing. Another option includes adding a part-time clerical position to the facilities office to manage this process and paying for the position from the general fund or the bond fund subject to district bond counsel review and approval. This change would significantly improve the timely processing and payment of general operating and construction-related expenditures for the maintenance and operations division.

### *Training*

Providing the business office staff with increased cross-training would facilitate coverage of accounts payable and other accounting functions. Cross-training is common in school district business offices and critical in smaller districts with fewer business office staff members. In addition, providing opportunities for staff development outside the district is critical because school finance constantly changes. Attendance at such training should be mandatory for the business office staff.

## Long-Term Priority

### *Accounting Systems*

Several district departments and staffs review and approve purchase orders. The specific department that performs this review is determined by the nature of the purchase request. While this level of internal control improves the safeguarding of assets, it also increases significantly the time it takes to process a purchase order, particularly when a problem needs to be resolved. The district uses the Quintessential School Systems (QSS) financial accounting software for all its business functions. The purchasing module of this program contains a feature that provides for online, real-time processing of purchase orders, significantly reducing processing time. The district should explore the possibility of implementing this feature.

# Findings and Recommendations

## Processes and Procedures

The current system of processing accounts payable lacks efficiency. As a result, an unusually long period of time passes between the initiation of a purchase requisition and the distribution of the related commercial warrant. Several processes and procedures should be modified to make this process timely without affecting existing internal controls.

Interviews with the staff and inspection of sample documents indicated that the time between the preparation of the original purchase requisition (or the date of the invoice, if the goods or services were ordered and received before the purchase requisition was submitted) and the printing of a warrant can exceed 30 days, which is in excess of the standard for most public school districts.

A flowchart that illustrates the accounts payable system is included in the appendix section of this report.

Most of the delays in the accounts payable process are caused by the following practices:

1. Purchase requisitions are submitted to the Accounts Payable Accounting Technician, who reviews them for a variety of items and forwards them to the Director of Accounting for account code approval and budget modification. After approval, the requisition is returned to the Accounts Payable Accounting Technician for processing. Any request that contains incorrect account coding or insufficient funding must be resolved by the Director of Accounting, resulting in delay.
2. Requisitions (and related invoices) that cannot be processed because of problems are separated and processed separately from the rest. These requisitions are set aside as staff awaits resolution. The district lacks a formal system of review and resolution.
3. Accounts payable warrant batches are processed weekly, and certain types of warrants are processed in certain weeks. For example, utilities are processed once per month, while reimbursements and travel claims are paid weekly. If a particular invoice is delayed because of processing issues, it is set aside awaiting resolution. This practice inevitably delays warrant processing until the next pay cycle, which can be as long as a month.

Construction firms have complained about the time lag between submission of an application for payment request and receipt of the warrant. As an example, FCMAT noted that a construction progress payment certificate for work completed through June 30, 2007 and delivered to the district on July 24, 2007 was paid on August 23, 2007. Since the district's representative approved the certificate for payment on July 24, 2007, it would have been possible to produce the warrant by Friday August 3, 2007.

Prompt payment of construction invoices can result in lower construction costs because contractors often factor cash flow borrowing costs into their bids when the owner (i.e., the school district) has a reputation for slow payment processing.

## Recommendations

*The district should:*

1. Authorize the Accounts Payable Accounting Technician to process all purchase orders that are correctly coded and have a sufficient budget balance available upon initial presentation. The technician should be trained to use the state Standardized Account Code Structure (SACS) system. The QSS software should be used to detect invalid codes and combinations before the purchase order is submitted (see “Accounting Systems” later in this report).
2. Process all types of warrants every week.
3. Give problem requisitions and invoices the same or higher priority as other items. District staff should implement a formal (weekly would be most efficient) system of review to ensure that these items are processed on time.

## Staffing Levels

In recent years, the district has implemented a facilities construction and modernization program. This has created additional demands on the accounts payable function, including construction contractor payment requests, which by law must be processed more quickly than existing district practice.

By industry standards, the district's staffing levels are adequate for the routine accounts payable functions and the number of transactions that occur for these functions. However, the additional volume created by the construction and modernization program has exceeded the staff's capacity to process all payments on time.

The facilities office administrative assistant has the training and experience to allow this office to process its own accounts payable batches, significantly reducing delays and providing the warrants on time as required by law.

As an alternative, the district could add a part-time clerical position to the facilities office to manage this process and pay the additional cost of the position from general fund reserves or bond proceeds subject to district bond counsel review and approval. This would significantly improve the processing and payment of construction related expenditures. This position could also process purchase orders and payments for the maintenance and operations division, though this function cannot be funded with bond proceeds.

### *Staffing Comparison*

FCMAT gathered information from the Ed-Data Partnership Web site ([www.ed-data.k12.ca.us](http://www.ed-data.k12.ca.us)) to identify 11 unified school districts with enrollment comparable to River Delta Unified based on demographic data collected by the California Department of Education. FCMAT recognizes the complexity of school districts and how they vary in demographics, resources and organizational structure. Careful evaluation is recommended when comparing California school districts. Generalizations based on one or two criteria can be misleading because they often fail to consider other significant circumstances. Therefore, staffing comparisons should not be considered as staffing standards.

The following criteria considered during a FCMAT review may vary widely when comparing business office staffing:

- Demographic and logistical circumstances beyond the district's sphere of influence such as changes in local economics and/or affordable housing.
- The district's financial resources and ability to add staffing.
- The existence of other programs that require fiscal management and oversight, such as adult education, daycare, preschool and charter schools.

The following table summarizes the enrollment of the comparison districts and River Delta Joint Unified, as well as business office and accounts payable staffing levels and the size of any facility construction and/or modernization program. Districts are listed by enrollment, from smallest to largest.

County Name	District Name	Enrollment	Finance	Business Office	Accounts Payable	Construction Program
			Exp per ADA	FTE	FTE	(Millions)
Madera	Golden Valley Unified	2,030	\$8,025	3.0	1.0	\$30
Mendocino	Willits Unified	2,174	\$9,437	4.0	1.0	\$1
Kern	Muroc Joint Unified	2,175	\$10,333	4.0	1.0	\$3
Sacramento	River Delta Joint Unified	2,219	\$8,776	5.0	1.0	\$24
Fresno	Firebaugh-Las Deltas Joint Unified	2,249	\$8,395	3.0	1.0	\$5
Monterey	Gonzales Unified	2,272	\$8,845	5.0	1.0	\$4
Fresno	Fowler Unified	2,308	\$7,748	5.0	1.0	\$12
Glenn	Orland Joint Unified	2,313	\$7,772	4.0	1.0	\$1
Mariposa	Mariposa County Unified	2,322	\$9,672	5.0	1.0	\$4
Fresno	Sierra Unified	2,333	\$11,026	4.0	1.0	\$1
Merced	Hilmar Unified	2,359	\$7,690	4.0	1.0	\$0
Sonoma	Healdsburg Unified	2,406	\$8,744	4.0	1.0	\$8
	Average	2,263	\$8,872	4.2	1.0	\$8
	Mean	2,290	\$8,760	4.0	1.0	\$4

The above comparative staffing information indicates the district falls within staffing levels of the comparison districts for both the accounts payable function and the business office as a whole. However, only one other district in the group has a construction program similar in size to that of River Delta Unified. While this district, Golden Valley Unified, has the same accounts payable staffing level, district officials advised the program is fairly new and their decision to use in-house staff for construction program payables processing is under evaluation.

## Recommendations

*The district should:*

1. Authorize the facilities office Administrative Assistant to process the facility program accounts payable batches.

2. As an alternative to the above, add a part-time clerical position to the facilities office to manage the accounts payable process and fund the increased cost from the general fund or bond proceeds subject to review and approval of the district's bond counsel. This position could also process purchase orders and payments for the Maintenance and Operations Division, although that portion of the cost cannot be funded from bond proceeds.



## Training

### *Cross-Training*

Business office positions consist of three full-time clerical staff supervised by the Director of Accounting. Each position is responsible for a primary function and a variety of other functions. The four employees were asked to identify the tasks necessary to support these functions that take most of their time. Their responses are shown below.

#### Accounts Payable Accounting Technician

Process purchase requisitions  
 Prepare purchase orders  
 Process invoices for payment  
 Prepare deposit for county treasury and clearing accounts  
 Balance cafeteria checking clearing account  
 Prepare reimbursement claims for the food service management company

#### Accounting Specialist (1 of 2):

Payroll (1/2)  
 Attendance (monthly summaries, P-1, P-2, annual reports and CSR-J7)  
 Benefits (reconciliation of billing & payment)  
 Workers Compensation program (follow the case from injury to discharge)  
 Cash counting (child nutrition program)  
 Use of facilities applications  
 Developer fee payments  
 Revolving fund  
 Clearing account deposit to the county  
 Quarterly sales and fuel tax returns  
 Retiree benefit reimbursements

#### Accounting Specialist (2 of 2):

Payroll (1/2)  
 Benefits  
 Position control  
 Accounts receivable (Invoicing and posting payments)  
 EDD multiple worksite report  
 J-90 report

#### Director of Accounting:

Budget adjustments and revisions  
 General ledger/journal entries  
 Revenues/revenue limits  
 Cash flow

Federal/state/local expenditure reports as applicable  
SACS coding/chart of accounts  
SACS reports  
Budget development/adopted budget  
Audit  
Analysis student body  
Fixed asset inventory  
Purchase order coding review  
Supervise staff

In smaller districts, it is common to assign several functions to one position. As a result, it is critical to cross-train two people in each area of responsibility. This will ensure each area can be covered by two people so that all functions can continue to operate efficiently when individual staff members are absent due to illness, personal necessity, vacation or other reasons.

Staff members indicated that past attempts to cross-train or hire temporary help had limited success. Coverage was often insufficient, requiring the absent staff member to address these insufficiencies upon return. This worsens delays inherent in the system. Because cross-training is time-consuming and costly, the administration should commit to allocating the human and financial resources necessary to develop skills that allow the staff to provide effective coverage.

Below is a list of cross-training considerations that would support other positions in the most critical areas and/or maximize efficiencies in the office:

Accounts Payable Accounting Technician

SACS coding  
Budget availability  
Position control  
Accounts receivable  
Deposits

Accounting Specialist (1 of 2)

SACS coding  
Budget availability  
Processing of purchase requisitions  
Preparation of purchase orders  
Processing of invoices for payment  
Preparation of deposits

### Accounting Specialist (2 of 2)

SACS coding

Budget availability

Processing of purchase requisitions

Preparation of purchase orders

Processing of invoices for payment

Revolving fund

Preparation of deposits

### ***Professional Development***

All school district office personnel should keep current with developing school business trends regarding their job duties and responsibilities. Professional development opportunities exist to provide the staff with an understanding of these changes and new skills and knowledge. Training sessions provided by organizations such as the Sacramento County Office of Education, CASBO and FCMAT would provide the ongoing staff development that is critical to maintaining existing skills and developing new ones. The staff should be provided with the opportunity to attend these trainings, and attendance should be mandatory.

## **Recommendations**

*The district should:*

1. Implement a cross-training program that provides constant coverage for all business office functions.
2. Provide the business office staff with the opportunity to attend various staff development trainings outside the school district, and mandate that the staff attend these trainings.



## Accounting Systems

The district manually initiates purchase requisitions. The originator (the school site or department) completes a requisition by hand, and the requisition is circulated to a number of other administrators for review and approval before it is submitted to the Accounts Payable Accounting Technician for processing.

This is a dated processing system by any modern standards, including those of California public school districts. While this level of review may improve the safeguarding of assets, it also adds significantly to the time required to process a purchase order and the related warrant, particularly when a problem needs to be resolved. More importantly, individual forms can easily be misplaced or lost, adding to delays.

The district utilizes the Quintessential School Systems (QSS) financial accounting software program for all its business functions through the Sacramento County Office of Education. The purchasing module of this program contains a feature that provides for online, real-time processing of purchase orders, significantly reducing processing time. Furthermore, the system allows for electronic requisition tracking that would significantly reduce delays caused by lost paperwork, a common problem in manual requisition systems as noted above. This same feature also provides a level of accountability not possible in a manual system. The status of any requisition can be readily determined at any time, bringing a level of accountability that would help identify undetected bottlenecks.

According to the business office staff, implementation of this feature has been explored in the past, but the district's technology infrastructure was not reliable enough to accommodate this module of the existing system. The staff and the Superintendent acknowledged that technology upgrades and improvements were one of the administration's top priorities. However, this issue should be thoroughly analyzed before online implementation of the QSS.

## Recommendations

*The district should:*

1. Explore the possibility of implementing the QSS online, real-time purchasing module to improve accounts payable processing time.



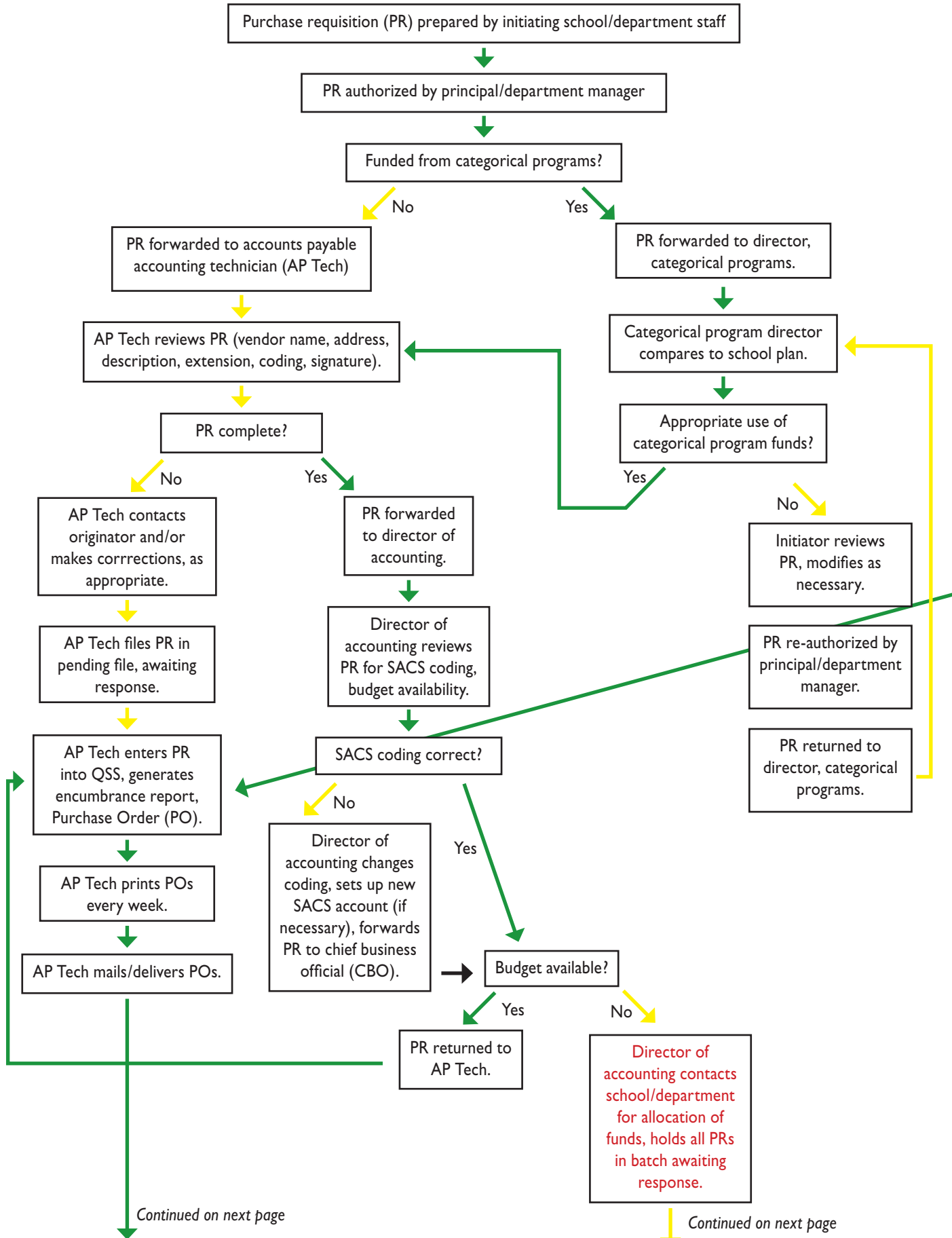
## *Appendices*

- A. Accounts Payable System Flowchart*
- B. District Organizational Chart*
- C. Study Agreement*



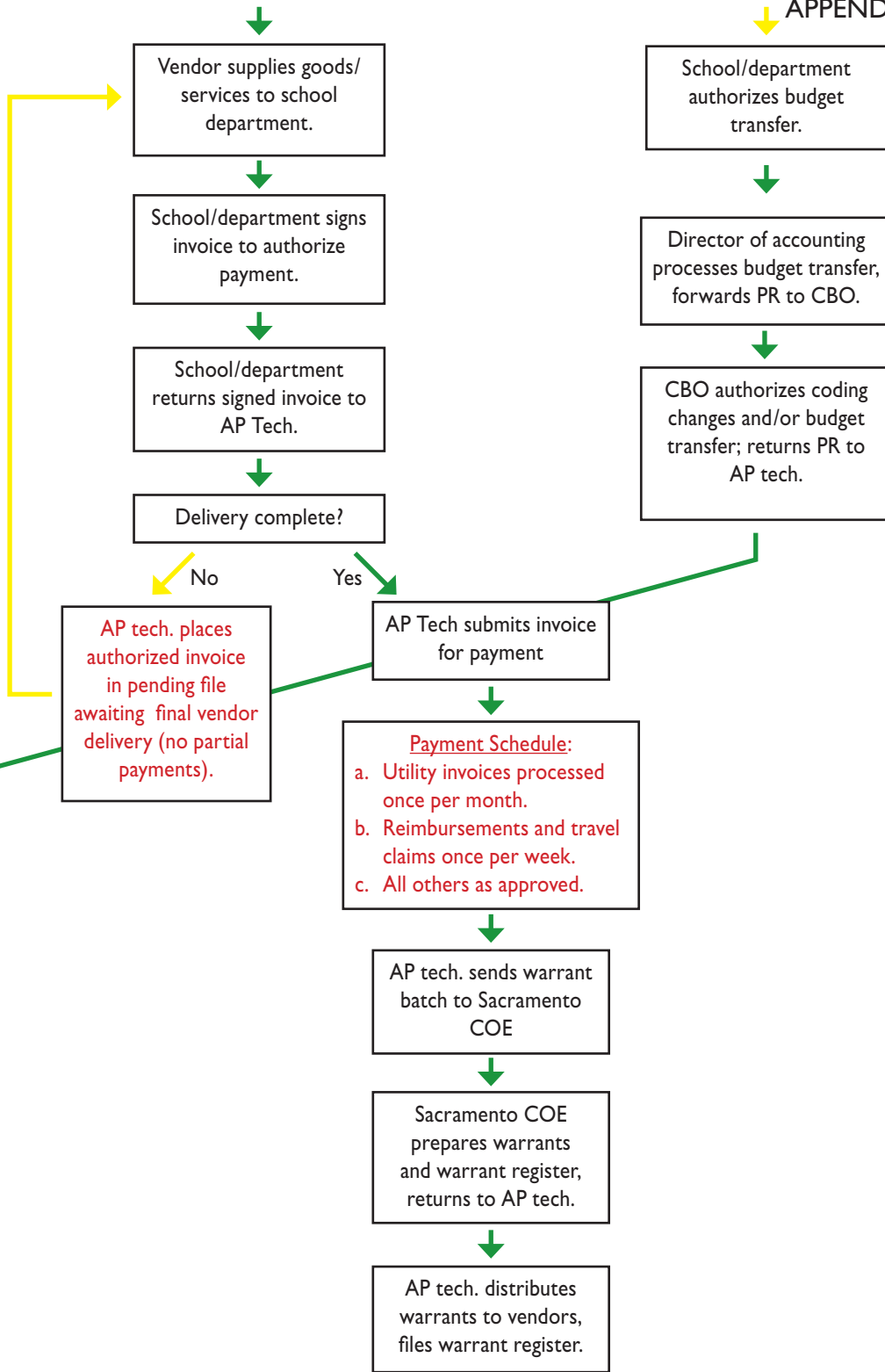
# **Accounts Payable System Flowchart**

# Accounts Payable System Flowchart



Continued on next page

Continued on next page



Note – steps in red type constitute inefficiencies that can result in significant delays

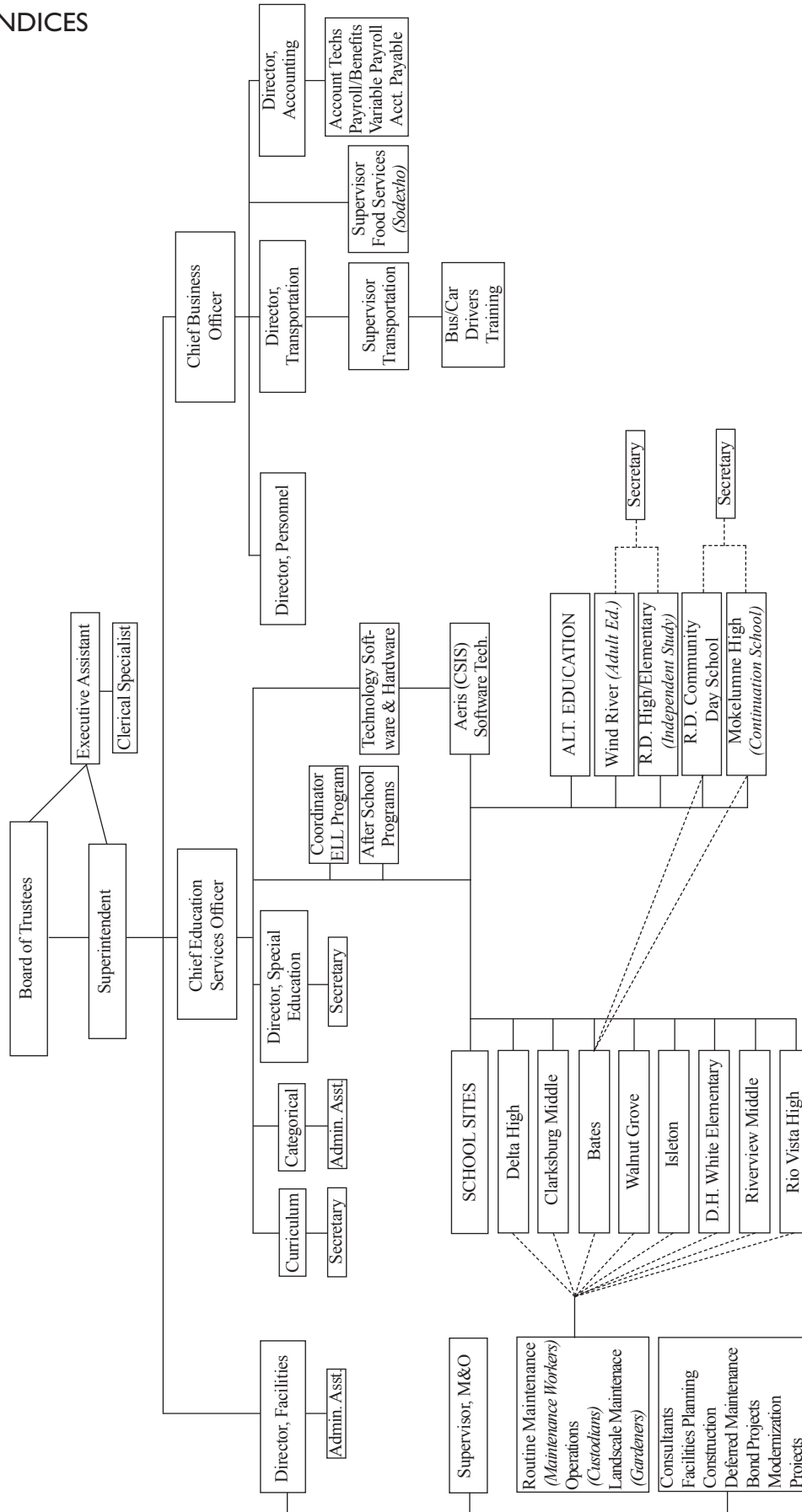
↓ = Approval or completion step

↓ = Disapproval or revision step



# District Organizational Chart

# River Delta Joint Unified School District



# Study Agreement



CSIS California School Information Services

---

FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM  
STUDY AGREEMENT  
February 29, 2008

The FISCAL CRISIS AND MANAGEMENT ASSISTANCE TEAM (FCMAT), hereinafter referred to as the Team, and the River Delta 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 River Delta 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.

2. SCOPE OF THE WORK

A. Scope and Objectives of the Study

The scope and objectives of this study are to:

- 1) Conduct a review of the District's processing of vendor invoices and payments to validate if existing processes and procedures are consistent with industry standards and if the FTE assigned to this function is sufficient to manage the current workload.

B. Services and Products to be Provided

- 1) Orientation Meeting - The Team will conduct an orientation session at the District to brief District management and staff on the procedures of the Team and on the purpose and schedule of the study.
- 2) On-site Review - The Team will conduct on-site meetings at the District office to gather documentation and conduct interviews. The Team will request assistance from the District in setting up interview schedules with staff.

- 3) Progress Reports - The Team will hold an exit meeting at the conclusion of the on-site review to inform the District representatives of significant findings and recommendations to that point.
- 4) Exit Letter - The Team will issue an exit letter approximately 10 days after the exit meeting detailing significant findings and recommendations to date and memorializing the topics discussed in the exit meeting.
- 5) Draft Reports - Sufficient copies of a preliminary draft report will be delivered to the District administration for review and comment.
- 6) Final Report - Sufficient copies of the final study report will be delivered to the District following completion of the review.
- 7) Follow-Up Support – Six months after the completion of the study, FCMAT will return to the District, if requested, to confirm the District’s progress in implementing the recommendations included in the report, at no costs. Status of the recommendations will be documented to the District in a FCMAT Management Letter.

### 3. PROJECT PERSONNEL

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

- A. FCMAT Special Projects personnel

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. Based on the elements noted in section 2 A, the total cost of the study is estimated at 2,000. The District will be invoiced at actual costs, with 50% of the estimated cost due following the completion of the on-site review and the remaining amount due upon acceptance of the final report by the District.
- C. Any change to the scope will affect the estimate of total cost.

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

5. RESPONSIBILITIES OF THE DISTRICT

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

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

6. PROJECT SCHEDULE

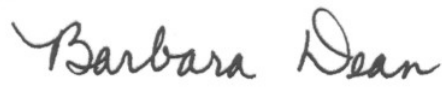
The following schedule outlines the planned completion dates for key study milestones:

Orientation:	Estimated March, 2008
Staff Interviews:	Estimated March, 2008
Exit Interviews:	Estimated March, 2008
Preliminary Report Submitted:	Estimated late April, 2008
Final Report Submitted:	to be determined
Board Presentation:	to be determined
Follow-Up Support:	If requested

7. CONTACT PERSONPlease print name of contact person: Rose Ramos, Chief Business OfficerTelephone 707 374-1715 FAX 707 374-2995Internet Address rrosamos@riverdelta.k12.ca.us

  
 Dr. Alan Newell, Superintendent  
 River Delta Unified School District

March 16, 2008  
 Date

  
 Barbara Dean, Deputy Administrative Officer  
 Fiscal Crisis and Management Assistance Team

February 29, 2008  
 Date

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.

