



# SACRAMENTO CITY UNIFIED SCHOOL DISTRICT BOARD OF EDUCATION

Agenda Item# 8.2

**Meeting Date:** March 17, 2011

**Subject:** Coherent Governance Operational Expectations (OE) Policy 6 –  
Financial Administration

- Information Item Only
- Approval on Consent Agenda
- Conference (for discussion only)
- Conference/First Reading (Action Anticipated: \_\_\_\_\_)
- Conference/Action
- Action
- Public Hearing

**Segment/Department:** Office of the Superintendent

**Recommendation:**

Approve reasonable interpretation of Operational Expectations 6.

**Background/Rationale:**

On May 20, 2010, the Board passed coherent governance, Board Governing Policies that establish and govern the Board's culture and its relationship with the Superintendent. As part of this model, the Superintendent and staff will make regular presentations regarding predetermined desired Results of various aspects of district administration. A work plan/schedule for these presentations has been developed by staff to ensure a thorough and detailed process. This presentation is regarding "Financial Administration."

**Financial Considerations:** None

**Documents Attached:**

1. Operational Expectations 6 – Financial Administration

**Estimated Time of Presentation:** 5 minutes

**Submitted by:** Jonathan P. Raymond, Superintendent

**Approved by:** N/A

Sacramento City Unified School District

OE-6: Financial Administration

March 17, 2011

I certify that the information in this report is true.

Signed: \_\_\_\_\_ Date: \_\_\_\_\_

Jonathan P. Raymond, Superintendent

Disposition of the Board

Date for Monitoring: June, 2011

- Compliance
- Not in compliance
- Compliance with Exception

Signed: \_\_\_\_\_ Date: \_\_\_\_\_

Gustavo Arroyo, Board President

Comments:

\_\_\_\_\_

\_\_\_\_\_

OE-6: Financial Administration	Superintendent		Board of Education	
<i>The Superintendent shall not cause or allow any financial activity or condition that materially deviates from the budget adopted by the Board; causes or allows any fiscal condition that is inconsistent with achieving the Board's Results or meeting any Operational Expectations goals.</i>	In Compliance	Not in Compliance	In Compliance	Not in Compliance

**Interpretation:**

I interpret "financial activity or condition" to mean expenditures or use of fund balance without Board approval. This does not include uncontrollable circumstances such as a major increase in energy prices.

I interpret "materially deviates" to mean material as defined by the external auditor.

Further, I interpret "fiscal condition" to mean an unbalanced current year budget or actions that cause an unbalanced budget.

<b>OE-6.1</b>	<b>Superintendent</b>		<b>Board of Education</b>	
<i>The Superintendent will assure that payroll and legitimate debts of the district are promptly paid when due.</i>	<b>In Compliance</b>	<b>Not in Compliance</b>	<b>In Compliance</b>	<b>Not in Compliance</b>

**Interpretation:**

I interpret “payroll and legitimate debts of the district” to mean that all payments are legal, valid and approved by the proper district authority.

Further, I interpret “promptly paid when due” to mean that payments are made with a timeline that complies with the law, meets vendor/employee expectations and avoids late payment or finance charges.

**Indicators for Compliance:**

- System or process errors do not affect the compensation of groups of employees
- Payroll errors will be less than one percent
- Payroll deductions are distributed to the associated governmental entity or vendor within statutory, contractual or agreed upon timelines

<b>OE-6.2</b>	<b>Superintendent</b>		<b>Board of Education</b>	
<i>The Superintendent will assure that all purchases are based upon comparative prices of items of similar value, including consideration of both cost and long-term quality.</i>	<b>In Compliance</b>	<b>Not in Compliance</b>	<b>In Compliance</b>	<b>Not in Compliance</b>

**Interpretation:**

I interpret “comparative prices of items of similar value” to mean that cost and quality are included as criteria when making purchasing decisions for items which do not require a competitive bidding process.

**Indicators for Compliance:**

- Purchases are in compliance with California Public Contract Code
- Purchases are made from among district negotiated price lists, piggyback bids or are single vendor purchases

<b>OE-6.3</b>	<b>Superintendent</b>		<b>Board of Education</b>	
<i>The Superintendent will use a competitive bidding procedure for the purchase of supplies, materials and equipment, and any contracted services except professional services, for all transactions in excess of \$50,000.</i>	<b>In Compliance</b>	<b>Not in Compliance</b>	<b>In Compliance</b>	<b>Not in Compliance</b>

**Interpretation:**

I interpret “competitive bidding procedure” to mean that the district will comply with the California Public Contract Code and the California Education Code in regards to limitations and thresholds for purchases and contracts made by public school districts.

**Indicators for Compliance:**

- Purchases over \$50,000 are in compliance with appropriate California Public Contract Code and California Education Code
- Competitive bidding process follows the state Public Contract Code regulations
- Request for Proposal sealed bid process is used for purchases over the limits set by Public Contract Code

<b>OE-6.4</b>	<b>Superintendent</b>		<b>Board of Education</b>	
<i>The Superintendent will coordinate and cooperate with the Board’s appointed financial auditor for an annual audit of all district funds and accounts.</i>	<b>In Compliance</b>	<b>Not in Compliance</b>	<b>In Compliance</b>	<b>Not in Compliance</b>

**Interpretation:**

I interpret this to mean that the district will provide timely and accurate schedules and information as requested by the financial auditor.

**Indicators for Compliance:**

- Financial auditor reports no concerns regarding district cooperation with the auditing process
- Completed audits and audited results are reported to the California Department of Education in accordance with statutory guidelines

OE-6.5	Superintendent		Board of Education	
<i>The Superintendent will make all reasonable efforts to collect any funds due the district from any source.</i>	In Compliance	Not in Compliance	In Compliance	Not in Compliance

**Interpretation:**

I interpret "reasonable efforts" to mean that a procedure and ISO 9001 process is in place to generate regularly scheduled invoices for amounts due to the district and that no material (as defined by external auditor) write-off of accounts receivable are made at the end of each year.

I interpret "any funds due the district" to mean federal, state and miscellaneous/local accounts receivable.

**Indicators for Compliance:**

- State and federal aid is recalculated and verified as part of the annual audit
- The prior year-end audit indicates no material (as defined by external auditor) losses anticipated from accounts receivable

OE-6.6	Superintendent		Board of Education	
<i>The Superintendent will keep complete and accurate financial records by funds and accounts in accordance with Generally Accepted Accounting Principles and the Governmental Accounting Standards Board.</i>	In Compliance	Not in Compliance	In Compliance	Not in Compliance

**Interpretation:**

I interpret this to mean that the district will prepare accurate and timely interim and year-end financial reports in conformity with Generally Accepted Accounting Principles and the Governmental Accounting Standards Board.

**Indicators for Compliance:**

- Interim and year-end financial reports will conform to Generally Accepted Accounting Principles, Governmental Accounting Standards Board and California School Accounting Manual
- The prior year audit opinion states that the district's financial records and reporting are in compliance with Generally Accepted Accounting Principles and Governmental Accounting Standards Board

OE-6.7	Superintendent		Board of Education	
<i>The Superintendent will publish a financial condition statement annually.</i>	In Compliance	Not in Compliance	In Compliance	Not in Compliance

**Interpretation:**

I interpret “publish” to mean that the district makes year-end financial statements available to the public in written and electronic form.

I interpret “financial condition statement” to mean the annual audited financial statement.

**Indicators for Compliance:**

- Year-end audited financial statement is presented to the Board
- Year-end audited financial statement is available to the public in written form and in electronic form on the district website

OE-6.8	Superintendent		Board of Education	
<i>The Superintendent may not expend more funds than have been received in the fiscal year unless revenues are made available through other legal means, including the use of fund balances, the transfer of funds from reserve funds or from tax anticipation notes.</i>	In Compliance	Not in Compliance	In Compliance	Not in Compliance

**Interpretation:**

I interpret “may not expend more funds than have been received” to mean that the district must produce a balanced budget with revenues (as defined by Generally Accepted Accounting Principles) equal to or exceeding expenditures (as defined by Generally Accepted Accounting Principles) unless the district uses authorized reserves from the fund balance or other authorized district funds.

**Indicators for Compliance:**

- The Board receives financial reports indicating changes to fund balances and reserves
- The district’s fund balances include the required amount of reserve for economic uncertainties
- Year-end fund balances meet or exceed the Board approved budget with the exception of differences due to routine business such as the timing of budgeted revenues or expenses

<b>OE-6.9</b>	<b>Superintendent</b>		<b>Board of Education</b>	
<i>The Superintendent may not incur debt for the organization.</i>	<b>In Compliance</b>	<b>Not in Compliance</b>	<b>In Compliance</b>	<b>Not in Compliance</b>

**Interpretation:**

I interpret “incur debt for the organization” to mean that all new debt, other than routine liabilities, will be Board approved. Routine liabilities will include such items as payroll and accounts payable.

**Indicators for Compliance:**

- Any new debt will have Board approval

<b>OE-6.10</b>	<b>Superintendent</b>		<b>Board of Education</b>	
<i>The Superintendent may not expend monies from reserve funds.</i>	<b>In Compliance</b>	<b>Not in Compliance</b>	<b>In Compliance</b>	<b>Not in Compliance</b>

**Interpretation:**

I interpret “expend monies from reserve funds” to mean that the district will not, without direct Board approval or through the budgeting process use funds in either a reserve fund set aside by Generally Accepted Accounting Principles or a Board controlled designated reserve fund.

**Indicators for Compliance:**

- Interim and year-end reports will reflect reserves in line with Board approved use of reserve funds

<b>OE-6.11</b>	<b>Superintendent</b>		<b>Board of Education</b>	
<i>The Superintendent may not permanently transfer money from one fund to another.</i>	In Compliance	Not in Compliance	In Compliance	Not in Compliance

**Interpretation:**

I interpret this to mean that the district will not make permanent financial transfers between funds, which are not Board approved and according to Generally Accepted Accounting Principles. Temporary transfers of funds per the California Education Code will be allowed.

**Indicators for Compliance:**

- All actual financial transfers between funds are included in the annual budget approved by the Board or are separately approved by the Board

<b>OE-6.12</b>	<b>Superintendent</b>		<b>Board of Education</b>	
<i>The Superintendent may not allow any required reports to be overdue or inaccurately filed.</i>	In Compliance	Not in Compliance	In Compliance	Not in Compliance

**Interpretation:**

I interpret this to mean that all necessary reports (defined as federal, state or county required reports) related to the district’s financial activity will be filed accurately and when due.

**Indicators for Compliance:**

- Accurate and timely interim and year-end reports will be presented to the Board that conform to Generally Accepted Accounting Principles and the California School Accounting Manual
- The district did not receive notification of any required financial reports that have not been filed accurately or returned funds due to reports that were past due



OE-6.13	Superintendent		Board of Education	
<i>The Superintendent may not receive, process or disburse funds under controls that are insufficient under generally accepted accounting procedures.</i>	In Compliance	Not in Compliance	In Compliance	Not in Compliance

**Interpretation:**

I interpret this to mean that internal controls over the financial reporting process and over compliance are annually evaluated and documented, and are in compliance with Generally Accepted Accounting Principles. Internal controls will also be in compliance with other related requirements established under Governmental Accounting Standards Board and by OMB Circular A-133, Audits of States, Local Governments and Non-profit Organizations.

**Indicators for Compliance:**

- Budget staff monitor school site and program transactions to ensure expenditures are in compliance with required guidelines
- A clean annual financial audit is received
- ISO 9001 processes and procedures are documented and available for employees to access