

1.3 Organizational Environment – Administration’s Philosophy and Operating Style

Professional Standard

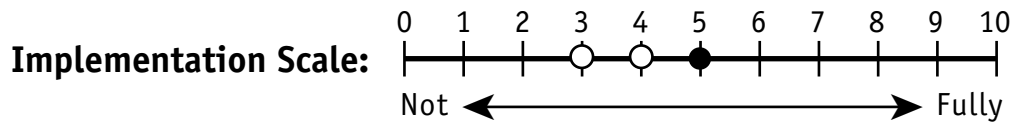
The attitude of the governing board and key administrators has a significant effect on an organization’s internal control. An appropriate attitude should balance the programmatic and staff needs with fiscal realities in a manner that is neither too optimistic nor too pessimistic. [SAS-55, SAS-78]

Progress on Recommendations and Recovery Steps

1. Board members continue to participate in training activities. All board members attended and actively participated in the budget training sessions the district conducted in February. Staff reports that board members appear positive, wanting to manage finances correctly. Budget documents have been simplified to facilitate communication with the board members, staff and community audiences.
2. Two board members continue to participate on the internal audit committee, which meets monthly, giving input on committee decisions. Many internal operational controls are in place in the division. The board has established several committees for review of district operational issues with staff members. A committee on Finance has been established which a board member co-chairs.
3. Key administrators received fiscal training and are more aware of internal controls, fiscal policy and procedures. Key administrators consult with fiscal services much more frequently to insure they are following proper procedures. Fiscal bulletins and alerts are distributed widely to staff. The use of open purchase orders has been limited for at least the last year to food services and maintenance and operations. The district authorizes only one credit card which is the responsibility of the state administrator.
4. Fiscal policies, procedures and practices are in writing and are being implemented effectively. However, the chief finance officer expects to leave the district in September for another position. The district will need to fill the position and maintain the effective fiscal controls and practices that were established to keep the district solvent and able to speedily repay the state loan.
5. Major district budget priorities are established by the State Administrator. However, board members are solicited for input in the development of the budget for the new school year and have several opportunities to provide input. Board priority has been to pay off the state loan, the last payment of which was paid in June 2001. The district needs to ensure that development of the budget remains an open process. Budget hearings and workshops should be held at convenient times.

Standard Implemented: Partially Implemented

February 1999 Rating: 3
August 1999 Rating: Not Reviewed
February 2000 Rating: Not Reviewed
August 2000 Rating: Not Reviewed
February 2001 Rating: 4
August 2001 Self Rating: 5
August 2001 New Rating: 5



1.7 Organizational Environment – Employee Performance Appraisals

Professional Standard

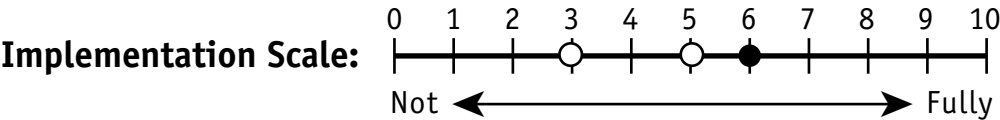
All employees should be evaluated on performance at least annually by a management-level employee knowledgeable about their work product. The evaluation criteria should be clearly communicated and, to the extent possible, measurable. The evaluation should include a follow-up on prior performance issues and establish goals to improve future performance.

Progress on Recommendations and Recovery Steps:

1. Performance criteria for each position have been established and evaluation of employees' performance against the criteria is being conducted. The finance department has been reorganized to improve operational efficiency. Staff development training and cross-training of job skills is ongoing.
2. Annual employee evaluations are being conducted in a timely manner and unsatisfactory employees have been documented. Evaluations include an employee's individual job requirements. Evaluation deadlines were met, all employees were evaluated before April 30th.
3. Finance division staff is relatively new, with approximately 70% having less than two years in the division. Five division employees have recently graduated from state or community college and two former staff members went into teaching last September. A great deal of mentoring is occurring in the division.

Standard Implemented: Partially Implemented

February 1999 Rating: 3
August 1999 Rating: Not Reviewed
February 2000 Rating: Not Reviewed
August 2000 Rating: Not Reviewed
February 2001 Rating: 5
August 2001 Self Rating: 6
August 2001 New Rating: 6



2.1 Inter- and Intra-Departmental Communications - Timing, Content and Quality of Communications

Professional Standard

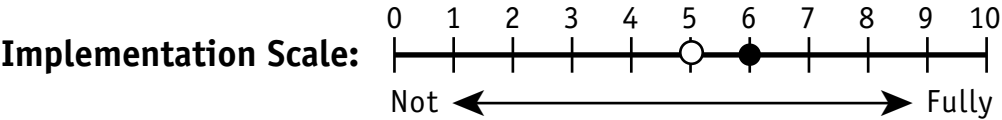
The business and operational departments should communicate regularly with internal staff and all user departments on their responsibilities for accounting procedures and internal controls. The communications should be written whenever possible, particularly when it (1) affects many staff or user groups, (2) is an issue of high importance, or (3) when the communication reflects a change in procedures. Procedures manuals are necessary to the communication of responsibilities. The departments, as well, should be responsive to user department needs, thus encouraging a free exchange of information between the two (excluding items of a confidential nature).

Progress on Recommendations and Recovery Steps

1. The fiscal services department has issued a fiscal handbook and attendance manual to staff to communicate responsibilities in accounting procedures and internal controls.
2. Several fiscal bulletins have been issued to notify staff of district-wide fiscal procedures. The bulletins are also discussed at principals' meetings and during cabinet sessions.
3. Training is provided annually to district management and staff on the fiscal handbook and attendance manual.
4. In the transition to new leadership in the fiscal area, particular attention should be given to bid requirements, the receipt of official letters of entitlement/funding for all grants prior to the expenditure of revenues, consultant contract procedures, vendor selection, and the expenditure of restricted revenues.

Standard Implemented: Partially Implemented

February 1999 Rating: 5
August 1999 Rating: Not Reviewed
February 2000 Rating: Not Reviewed
August 2000 Rating: Not Reviewed
February 2001 Rating: Not Reviewed
August 2001 Self Rating: 7
August 2001 New Rating: 6



2.3 Inter- and Intra-Departmental Communications - Interest and Response by the Governing Board

Professional Standard

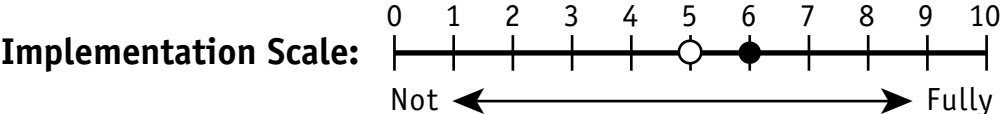
The governing board should be engaged in understanding globally the fiscal status of Compton, both current and as projected. The governing board should prioritize district fiscal issues among the top discussion items.

Progress on Recommendations and Recovery Steps

1. Budget workshops are conducted for Board members on fiscal issues. Power point presentations have been developed for ease of visual presentation. Recent presentations included information on the feasibility of the proposed central kitchen, and the consideration of a bridge loan to support modernization of district facilities, which was not approved. Board members take into consideration all the facts presented to them during their decision-making process.
2. All board members attended and actively participated in the budget training sessions the district conducted in February.
3. The Board is attempting to determine the top ten district priority issues. This has not yet been established, and needs to continue after the November elections with new board members.

Standard Implemented: Partially Implemented

February 1999 Rating:	5
August 1999 Rating:	Not Reviewed
February 2000 Rating:	Not Reviewed
August 2000 Rating:	Not Reviewed
February 2001 Rating:	Not Reviewed
August 2001 Self Rating:	6
August 2001 New Rating:	6



3.1 Staff Professional Development - Training Programs and Plans

Professional Standard

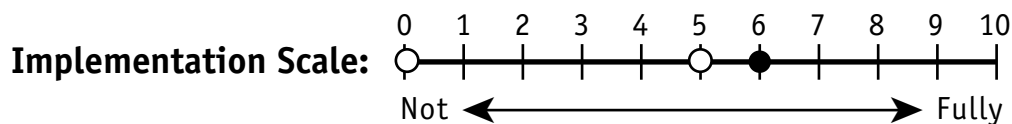
Develop and use a professional development plan, i.e. training business staff. The development of the plan should include the input of business office supervisors and managers. The staff development plan should at a minimum identify appropriate programs office-wide. At best, each individual staff and management employee should have a plan designed to meet their individual professional development needs.

Progress on Recommendations and Recovery Steps

1. The Fiscal Services division continues to encourage employees to continue their education. Each employee is given the opportunity to address long and short term goals with their respective directors on a one-to-one basis. Fiscal staff are required to attend CASBO and LACOE workshops and other school finance related training workshops.
2. Over the past two years, two staff persons completed their teaching credentials and approximately five staff members have graduated from community or state colleges.

Standard Implemented: Partially Implemented

February 1999 Rating: 0
August 1999 Rating: 5
February 2000 Rating: Not Reviewed
August 2000 Rating: Not Reviewed
February 2001 Rating: Not Reviewed
August 2001 Self Rating: 6
August 2001 New Rating: 6



3.2 Staff Professional Development - Training Programs for School Site/ Department Staff by Business Staff

Professional Standard

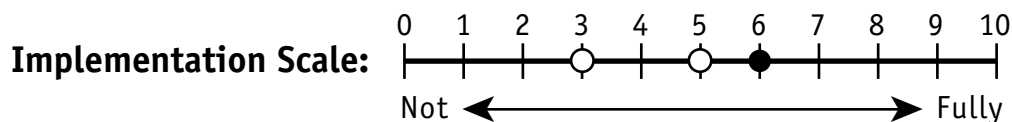
Develop and use a professional development plan for the in-service training of school site/department staff by business staff on relevant business procedures and internal controls. The development of the plan should include the input of the business office and the school sites/departments and be updated annually.

Progress on Recommendations and Recovery Steps

1. The division is continuing to provide training workshops to site and department staff on fiscal issues. Much staff development is conducted in-house by knowledgeable managers and staff in topical areas. The division provides training to all administrators in the August back-to-school workshops, and is providing early training workshops in July to newly appointed administrators. The division recently provided summer school attendance training for the summer school program, and will conduct its regular training on attendance in August.
2. The division still needs to provide training in the use and handling of student body funds.

Standard Implemented: Partially Implemented

February 1999 Rating: 3
August 1999 Rating: Not Reviewed
February 2000 Rating: 3
August 2000 Rating: 5
February 2001 Rating: Not Reviewed
August 2001 Self Rating: 6
August 2001 New Rating: 6



4.4 Internal Audit – Follow Up and Response to Internal Audit Findings

Professional Standard

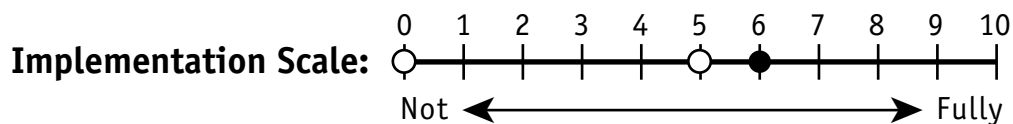
Internal audit findings should be reported on a timely basis to the audit committee, governing board and administration, as appropriate. Management should then take timely action to follow up and resolve audit findings.

Progress on Recommendations and Recovery Steps

1. The district has sustained its internal audit function for two years. The district hired the CPA accounting firm of Thompson, Cobb, Bazilio and Associates, P.C., in the 1999-2000 school year to serve as the district's internal auditor and conduct ongoing internal audits of various district fiscal functions. Representatives from the firm meet with the audit committee every two months. The committee directs the firm's audit of problematic areas such as student body fund accounting, attendance accounting, etc. The internal audit reports are provided in a timely manner. The district, on an ongoing basis, addresses any findings made by the auditors in a timely manner.
2. The district has revised its board policy to conduct this internal audit function with an external independent auditor as is the current practice. The option to conduct the internal audit from within the district was deleted from the policy.
3. The focus areas for the internal auditors in the new school year include extra-duty assignments, extra-pay claims, and student attendance.

Standard Implemented: Partially Implemented

February 1999 Rating:	0
August 1999 Rating:	Not Reviewed
February 2000 Rating:	5
August 2000 Rating:	Not Reviewed
February 2001 Rating:	Not Reviewed
August 2001 Self Rating:	7
August 2001 New Rating:	6



5.1 Budget Development Process (Policy) – Board Leadership and Budget Participants

Professional Standard

The budget development process requires a policy-oriented focus by the Governing Board to develop an expenditure plan which fulfills the district's goals and objectives. The Governing Board should focus on expenditure standards and formulas that meet the district goals. The Governing Board should avoid specific line item focus but direct staff to design an entire expenditure plan focusing on student and district needs.

Progress on Recommendations and Recovery Steps

1. Meetings on the 2001-02 budget were held in March 2001. Budget documents have been simplified to facilitate communication with board members, staff and community audiences. Budget presentations are clearly more understandable. Two board members participate on the internal audit committee, which meets monthly, giving input on committee decisions. Many internal operational controls are in place. The board has established several committees for review of district operational issues with staff members. A committee on Finance has been established which a board member co-chairs.

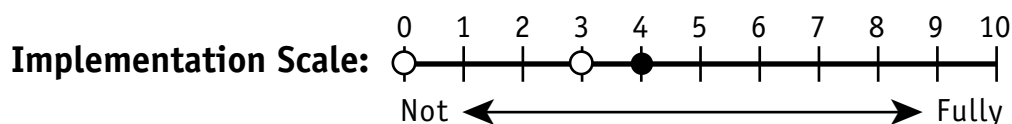
Major district budget priorities are established by the State Administrator. However, board members have several opportunities to provide input into the development of the budget for the new school year. A board priority was the repayment of the state loan, the last payment of which was made in June 2001. The board generally approves the budget submitted.

The district needs to ensure that development of the budget, the board's single most important policy document, remains an open process. Budget hearings and workshops should be held at convenient times.

2. The board should identify key district goals for long-term budget planning. The administration should in turn submit multi-year expenditure plans to fulfill those goals. Greater involvement of the board in the budget development process needs to occur to prepare the board for self-governance.

Standard Implemented: Partially Implemented

February 1999 Rating:	0
August 1999 Rating:	Not Reviewed
February 2000 Rating:	Not Reviewed
August 2000 Rating:	3
February 2001 Rating:	4
August 2001 Self Rating:	4
August 2001 New Rating:	4



5.2 Budget Development Process (Policy) – Input from District and Community Interests

Professional Standard

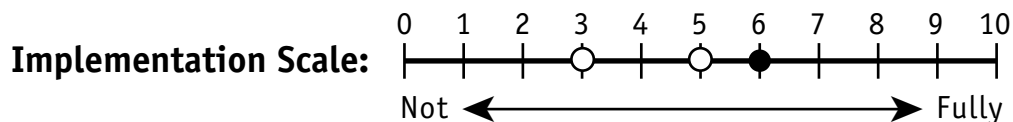
The budget development process includes input from staff, administrators, board and community.

Progress on Recommendations and Recovery Steps

1. The district provides the community with the opportunity to attend budget training sessions. The district has developed simplified budget training materials for the training sessions. The budget document is presented in a simplified, understandable format.
2. Budget hearings and workshops are held during the afternoon in the district administrative offices and are publicized to the community. This process has been in place for the last two years.
3. The district has continued its practice of having budget meetings with the state administrator, management, and fiscal services to develop the budget and provide training. During these meetings, the budget is developed in accordance with district priorities established by the state administrator and department heads. The Chief Fiscal Officer also met with all department chairs on the budget to solicit staff input.

Standard Implemented: Partially Implemented

February 1999 Rating:	3
August 1999 Rating:	Not Reviewed
February 2000 Rating:	5
August 2000 Rating:	Not Reviewed
February 2001 Rating:	Not Reviewed
August 2001 Self Rating:	6
August 2001 New Rating:	6



5.3 Budget Development Process (Policy) – Policies and Regulations

Professional Standard

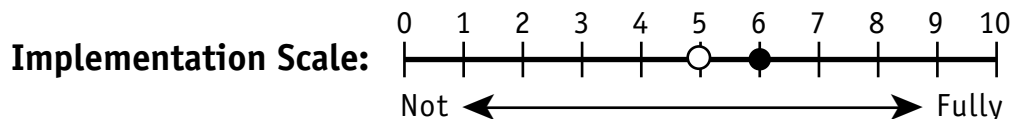
Policies and regulations exist regarding budget development and monitoring.

Progress on Recommendations and Recovery Steps

1. Fiscal Services functions are presently being conducted by trained and knowledgeable staff. Work is completed more accurately and completely. Many unskilled employees have left the district. All fiscal staff are attending CASBO and LACOE fiscal training sessions. Staff appear more positively motivated since the division was restructured and management is encouraging of training and education.
2. All district budgets are approved by the county with few, if any, exceptions. The books are closed more accurately and in a timely manner.
3. In the transition to new leadership in the fiscal area, appropriate monitoring should continue to ensure that all policies and regulations continue to be followed.

Standard Implemented: Partially Implemented

February 1999 Rating: 5
August 1999 Rating: Not Reviewed
February 2000 Rating: Not Reviewed
August 2000 Rating: Not Reviewed
February 2001 Rating: Not Reviewed
August 2001 Self Rating: 7
August 2001 New Rating: 6



6.1 Budget Development Process (Technical) – Technical Methodologies Used to Forecast Preliminary Budget Revenues and Expenditures

Professional Standard

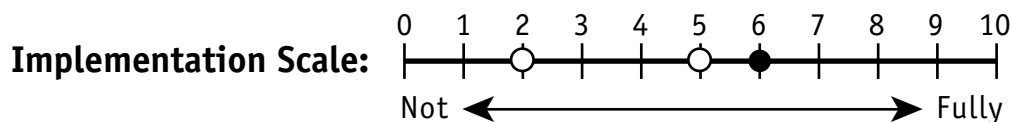
The budget office should have a technical process to build the preliminary budget amounts that includes: the forecast of revenues, the verification and projection of expenditures, the identification of known carryovers and accruals, and the inclusion of concluded expenditure plans. The process should clearly identify one-time sources and uses of funds. Reasonable ADA and COLA estimates should be used when planning and budgeting. This process should be applied to all funds.

Progress on Recommendations and Recovery Steps

1. The district has established a budget development process. Budget review meetings, which include the state administrator, fiscal services and district department heads, are held to develop a budget based on site and department needs. These meetings also provide training for site administrators and department heads on the budget development process.
2. The district utilizes the assumptions developed by LACOE, in addition to trends and analysis it performs internally.
3. Budget reports are provided to sites and department heads on a monthly basis. The division is in the process of strengthening the system of position control. The district's position control data must be in place before the district can implement the Los Angeles County Office of Education's Budget Development package (PBA).

Standard Implemented: Partially Implemented

February 1999 Rating:	2
August 1999 Rating:	Not Reviewed
February 2000 Rating:	5
August 2000 Rating:	Not Reviewed
February 2001 Rating:	Not Reviewed
August 2001 Self Rating:	6
August 2001 New Rating:	6



7.3 Budget Adoption, Reporting and Audits - AB1200 Quality Assurance Processes

Professional Standard

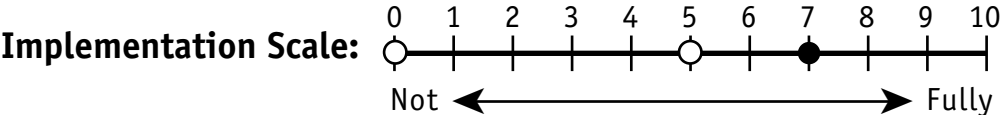
The district should have procedures that provide for the development and submission of a district budget that adheres to criteria and standards and will be approved by the Los Angeles County Office of Education.

Progress on Recommendations and Recovery Steps

1. To produce a reliable budget that LACOE will approve, the district has improved its accounting and year-end closing procedures. The district has closed its books in a timely manner for fiscal year 1998-99, 1999-00, and is currently in the process of closing the books for fiscal year 2000-01. Form J200 has been submitted to the county on time every year. All fiscal staff have been sent to the LACOE training on year-end closing.
2. The beginning fund balance that is incorporated in the district budgets submitted to the county is therefore more reliable. This has been sustained for the last two years.

Standard Implemented: Partially Implemented

February 1999 Rating:	0
August 1999 Rating:	5
February 2000 Rating:	Not Reviewed
August 2000 Rating:	Not Reviewed
February 2001 Rating:	Not Reviewed
August 2001 Self Rating:	8
August 2001 New Rating:	7



7.5 Budget Adoption, Reporting and Audits - Audit Administration and Resolution - Arranging for Audit

Professional Standard

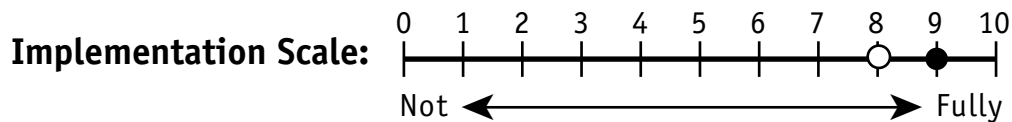
The district should arrange for an annual audit (single audit) within the deadlines established by Education Code Section 41020.

Progress on Recommendations and Recovery Steps

1. The district sent out an RFP and selected an independent auditor (Boceta, Macon, Workman and Associates) for fiscal year 2000-2001 in accordance with the Education Code. While the district was repaying the loan to the state, the state controller's office conducted the audit of the district's books at the end of the fiscal year. Now that the district has fully repaid the loan to the state, it is free to select an auditor as any other district would.

Standard Implemented: Fully Implemented - Substantial

February 1999 Rating: 8
August 1999 Rating: Not Reviewed
February 2000 Rating: Not Reviewed
August 2000 Rating: Not Reviewed
February 2001 Rating: Not Reviewed
August 2001 Self Rating: 9
August 2001 New Rating: 9



7.7 Budget Adoption, Reporting and Audits - Audit Administration and Resolution - Audit Resolution

Professional Standard

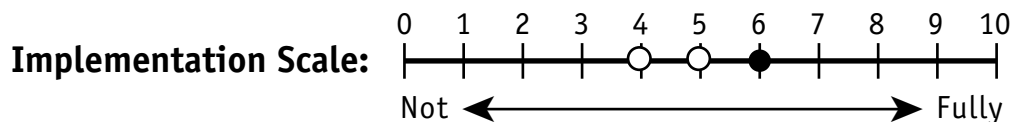
The district should include in its audit report, but not later than March 15, a corrective action for all findings disclosed as required by Education Code Section 41020.

Progress on Recommendations and Recovery Steps

1. The district has closed its books on time for the last two years. The number of audit findings has decreased as follows:
 - 1997 - 29 findings
 - 1998 - 14 findings
 - 1999 - 13 findings.
2. The district received the audit for the fiscal year ending 2000 from the state controller's office on July 10, 2001. The district cannot determine the reason for the delay. It is therefore impossible for the district to respond to the March 15th deadline established by E.C. Section 41020(j)(2).
3. Now that the district has fully repaid the state loan, the district has hired an auditor to audit the 2000-01 fiscal year. It expects to receive the audit findings in a timely manner to meet the December 15th deadline for next year.

Standard Implemented: Partially Implemented

February 1999 Rating: 4
August 1999 Rating: 5
February 2000 Rating: Not Reviewed
August 2000 Rating: Not Reviewed
February 2001 Rating: Not Reviewed
August 2001 Self Rating: 6
August 2001 New Rating: 6



7.8 Budget Adoption, Reporting and Audits – Audit Administration and Resolution – State Reporting

Professional Standard

The district must file certain documents/reports with the state as follows:

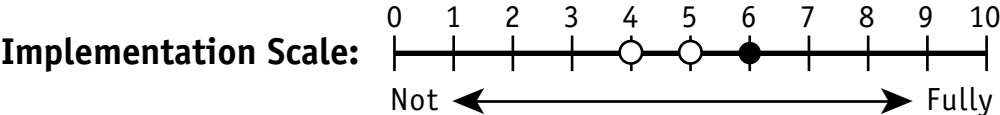
- a. J-200 series – (Education Code Section 42100)
- b. J-380 series – CDE procedures
- c. Interim financial reports – (Education Code Section 42130)
- d. J-141 transportation report – (Title V, Article 5, Section 15270)

Progress on Recommendations and Recovery Steps:

- 1. The district has submitted Form J200 and the Interim Financial Reports on time for the prior three fiscal years, 1998-1999, 1999-2000, and 2000-2001.
- 2. The district has not submitted Form J-380 and J-141 on time in prior years. The district has made provisions identifying a timeline and individuals responsible to ensure that both of these documents are submitted on time for the fiscal year ending 2001.

Standard Implemented: Partially Implemented

February 1999 Rating:	4
August 1999 Rating:	Not Reviewed
February 2000 Rating:	5
August 2000 Rating:	Not Reviewed
February 2001 Rating:	Not Reviewed
August 2001 Self Rating:	8
August 2001 New Rating:	6



8.1 Budget Monitoring - Encumbrance of Overexpenditures

Professional Standard

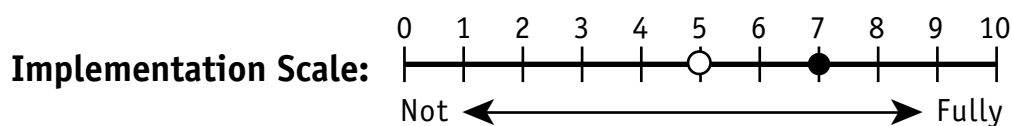
All purchase orders are properly encumbered against the budget until payment.

Progress on Recommendations and Recovery Steps:

1. The State Controller's Office (SCO) audit finding recommendation to discontinue reliance on CODE 52 was implemented. The SCO finding number 98-10, excessive number of direct payment transactions, was implemented in fiscal year 1998-99 and removed from the audit report.
2. The implementation of this standard, that all purchase orders are properly encumbered against the budget until payment, has been sustained for two fiscal years, 1999-2000 and 2000-2001. The use of open purchase orders has been greatly curtailed, limited to only food services and maintenance and operations, with a limited number of authorized purchasers.
3. All district payments are encumbered and only under rare circumstances is the Code 52 used. Those rare circumstances that occurred were approved directly by the Chief Fiscal Officer.
4. The district has made tremendous improvement in establishing internal control processes in the management of fiscal operations. These improvements are largely due to the efforts of the current Chief Fiscal Officer. Although procedures have been put into writing and staff has been trained on appropriate internal control practices, the district must make strong efforts to replace the Chief Fiscal Officer, who is leaving the district in September, with another highly capable candidate to ensure that the district's fiscal operations do not backslide. Lax internal controls would make the district vulnerable to various fiscal problems.

Standard Implemented: Partially Implemented

February 1999 Rating: 5
August 1999 Rating: 7
February 2000 Rating: Not Reviewed
August 2000 Rating: Not Reviewed
February 2001 Rating: Not Reviewed
August 2001 Self Rating: 8
August 2001 New Rating: 7



8.2 Budget Monitoring - Monitoring of Department and Site Budgets

Professional Standard

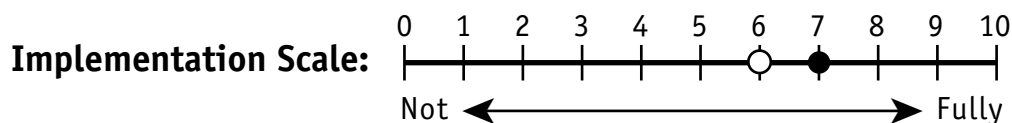
There should be budget monitoring controls, such as periodic reports, to alert department and site managers of the potential for overexpenditure of budgeted amounts. Revenue and expenditures should be forecast and verified monthly.

Progress on Recommendations and Recovery Steps:

1. The district budget is regularly monitored for possible overexpenditure. Each site and department head receives bi-monthly reports for review. Additionally, budget reports are monitored by fiscal services for any overexpenditure amounts. All requisitions and/or board items submitted to budgeting are reviewed to determine if funding is available. If funding is not available, the requisition or board action item is returned to the originator. This process is monitored thoroughly, and fiscal staff do not approve requisitions without sufficient funds available.
2. At present, all board items requiring financing must be reviewed and approved by the Chief Fiscal Officer as a budget monitoring control before being included on the board agenda for consideration. This is a good process to maintain and should not be bypassed, even when the new Chief Fiscal Officer is hired.
3. The district's encumbrance procedures also ensure that budgets will not be overspent.
4. During the transition to the new leadership in the fiscal area, budget monitoring controls should be closely scrutinized.

Standard Implemented: Partially Implemented

February 1999 Rating: 6
August 1999 Rating: Not Reviewed
February 2000 Rating: Not Reviewed
August 2000 Rating: Not Reviewed
February 2001 Rating: Not Reviewed
August 2001 Self Rating: 8
August 2001 New Rating: 7



8.4 Budget Monitoring - Position Control

Professional Standard

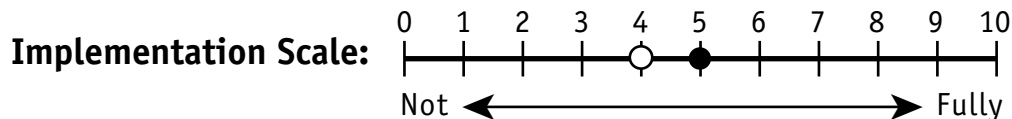
The district uses an effective position control system, which tracks personnel allocations and expenditures. The position control system effectively establishes checks and balances between personnel decisions and budgeted appropriations.

Progress on Recommendations and Recovery Steps:

1. The district has worked to improve its position control system and reduce the number of discrepancies between the personnel and budget data entries. However, the district's position control system is not at the point where it can be used accurately with the LACOE Budget Development package (PBA). The fiscal services and personnel divisions have begun monthly meetings to improve communications and to work to eliminate discrepancies. However, there has been no measurable change in addressing this standard since the last review.

Standard Implemented: Partially Implemented

February 1999 Rating:	4
August 1999 Rating:	Not Reviewed
February 2000 Rating:	5
August 2000 Rating:	Not Reviewed
February 2001 Rating:	Not Reviewed
August 2001 Self Rating:	5
August 2001 New Rating:	5



11.1 Attendance Accounting – Accuracy of Attendance Accounting System

Professional Standard

An accurate record of daily enrollment and attendance is maintained at the site and reconciled monthly.

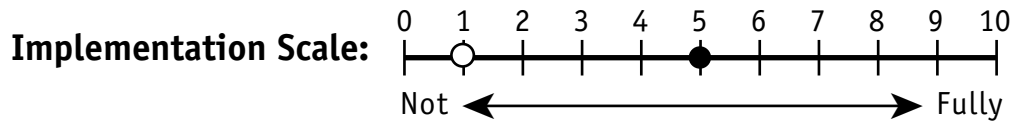
Progress on Recommendations and Recovery Steps

1. Because of problems with their student information system software, the district could not verify their attendance last year (1999-00), and therefore submitted to the county and state, an attendance document based on the previous year's attendance (1998-99). The Los Angeles County Superintendent of Schools (LACOE) could not certify the district's attendance figures as there was no legal authority for the district to utilize the previous year's attendance numbers. The district sought a legislative remedy for this issue. The legislature subsequently passed a bill that allowed the district to utilize its 1998-99 attendance data plus .75% for the 1999-00 school year attendance count, plus its actual hourly program attendance. The district's budget allocation was based on this adjusted ADA.
2. The district regressed in the rating on this standard during an earlier six-month review because it was unable to provide accurate attendance data for the 1999-2000 school year. The district has since reinstated the SASI III student information system. Responsibility for district attendance accounting was moved to the Fiscal Division. Monitoring of sites has been continual, and any discrepancy evaluated. The internal auditors monitor attendance on a monthly basis. Key results visitations by district staff also provided another means of monitoring attendance accounting.
3. New attendance manuals were developed, and extensive staff training for attendance clerks and teachers was conducted during summer and fall of the 2000-01 school year, and is planned again for this summer. Additional staff was assigned to manage the ADA process and procedures. Attendance accounting was back on track with back-up checks in place. The district's P-1 was filed on time.
4. In October 2000, LACOE requested and received updated enrollment and attendance data for 2000-01 and verbal verification of the ongoing training of the district's teachers and staff. In its January 12, 2001, response to the First Interim Report, LACOE commented that two updates had been provided during meetings with the district, the CDE and FCMAT. Another update was provided on February 15, 2001.
5. There is no change to the rating on this standard. Although the earlier attendance problems have been addressed with the district's return to the use of the SASI III information system, careful monitoring still needs to occur. For example, the district discovered in April that the SASI software did not automatically adjust for the reporting of attendance for school schedules that are set up in block schedules. The high schools in the district have block schedules in which students attend three of their six assigned classes on one day for a double length of time, and the other three on the next day. If a student is absent on one day for the three periods that are meeting, he

will not be marked absent for the three periods that are not meeting, so the computer will think that the student is present for part of the day and mark him present. The district runs a “patch program” each month to make the adjustment to the system so that any student who is absent for three periods will be determined to be absent for the day. The district made corrections to its biennial report and a P-2 adjustment so that the attendance figures submitted are accurate. Given that legislation was necessary to correct earlier inaccurate attendance accounting, the district must exercise constant vigilance in overseeing its attendance accounting system to avoid any future perceptions of inaccuracy.

Standard Implemented: Partially Implemented

February 1999 Rating: 5
August 1999 Rating: 5
February 2000 Rating: Not Reviewed
August 2000 Rating: 1
February 2001 Rating: 5
August 2001 Self Rating: 5
August 2001 New Rating: 5



12.4 Accounting, Purchasing and Warehousing - Accounting Procedures - Payroll

Legal Standard

The district's payroll procedures should be in compliance with the requirements established by the Los Angeles County Office of Education. (Education Code Section 42646) Standard accounting practice dictates that the district implement procedures to ensure the timely and accurate processing of payroll.

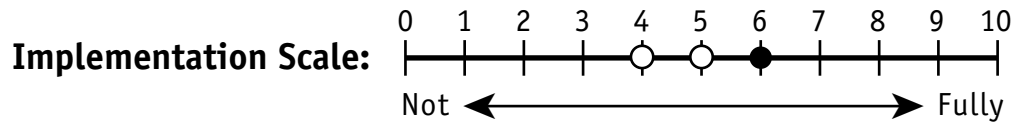
Progress on Recommendations and Recovery Steps

1. Appropriate interaction between payroll and personnel is occurring. Monthly payrolls are timely, but since LACOE's payroll system is based on positive reporting instead of exception reporting, the regular district payroll must be regenerated each month. Staff inputs any corrections between payroll and personnel.
2. Supplemental payrolls remain a problem because of the numerous instructional programs and extra-duty hours the staff accumulates on a weekly basis. Several supplemental payrolls are generated each month. The district should revise its procedures to preclude supplemental payroll runs, except for rare and extreme situations. Additionally, there should be continued supervision and monitoring of input to reduce errors in the processing of payroll. The district's internal auditors will focus on the extra-duty hours this year, as some abuses in this area have been noted by the district. The district has established a set hourly rate for extra-duty pay.
3. The district completed a fiscal handbook and provided training to secretaries on payroll procedures. Additional staffing was added to the payroll department to increase the quality and quantity of work completed. Payroll has established customer service hours of 10:00-11:00 and 2:00-4:00 to be more accessible to staff, and to provide uninterrupted time to concentrate on payroll input.
4. The district internal auditors in 1999-2000 audited the vacation balances of staff for fiscal year 1998-99 to ensure that the beginning vacation balances for 1999-00 was accurate. All employees received notification that district policy concerning vacation accrual would be enforced, and that they will not be able to carryover more than two years accrued vacation. Employees have been taking vacation days this summer so as not to lose days that cannot be carried over into the new fiscal year. As with many other districts, the district has not automated this process. Closer monitoring of this area is occurring.
5. The district is maintaining absence records. Separation of duties and appropriate posting is occurring.
6. The meetings that have been held between personnel and payroll staff are going well. However, the meetings have not yet been occurring on a regular basis, but have occurred every four to six weeks.

7. The district needs to continue to address this standard and monitor its efforts closely, particularly in light of the transition to new leadership in the fiscal area.

Standard Implemented: Partially Implemented

February 1999 Rating: 4
August 1999 Rating: Not Reviewed
February 2000 Rating: Not Reviewed
August 2000 Rating: Not Reviewed
February 2001 Rating: 5
August 2001 Self Rating: 7
August 2001 New Rating: 6



12.8 Accounting, Purchasing and Warehousing - Accounting procedures - Purchasing and Warehousing

Legal Standard

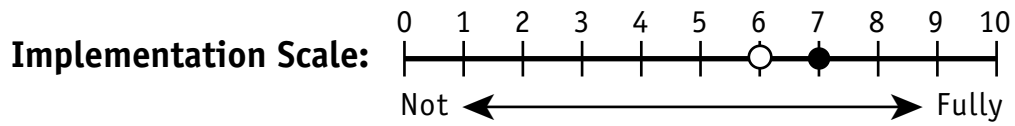
The district should comply with the bidding requirements of Public Contract Code Section 20111. Standard accounting practice dictates that the district have adequate purchasing and warehousing procedures to ensure that only properly authorized purchases are made, that authorized purchases are made consistent with district policies and management direction, that inventories are safeguarded, and that purchases and inventories are timely and accurately recorded.

Progress on Recommendations and Recovery Steps

1. The district has implemented several procedures to ensure that only properly authorized purchases are made. The purchasing department has implemented an Excel system that tracks all purchase requisitions from receipt until the items are received back in the department. The tracking system is working well. The purchasing process is also being slated to move on-line via PeopleSoft with a proposed implementation date of July 2, 2002.
2. The district has established formal procedures for dealing with partial orders and returning merchandise via a statement to vendors that is incorporated on all orders with numerous line items, particularly towards the end of the year. The Director of Purchasing is responsible for handling partial orders.
3. The use of open purchase orders has been curtailed, and limited to food services and maintenance and operations. A statement is incorporated into the body of the open purchase order agreement detailing order limits, and the individual authorized to make calls for goods.
4. The district has reviewed its vendor list, narrowing the list of approved vendors. The approved vendor list is reviewed and updated semi-annually to insure that only the most qualified and responsive bidders are maintained on the district's bidders list.
5. Guidelines regarding open agreements have been developed and shared with all personnel. All departments were provided with excel spreadsheets and a diskette to monitor balances on open purchase orders. All departments and sites receive bi-monthly reports to assist in managing their budgets. The budgeting department returns all requisitions that do not have funds available in their budgets.
6. All of these procedural changes and implementation efforts need to be sustained and monitored, particularly in light of the transition to new leadership in the fiscal area.

Standard Implemented: Partially Implemented

February 1999 Rating: 6
August 1999 Rating: Not Reviewed
February 2000 Rating: Not Reviewed
August 2000 Rating: Not Reviewed
February 2001 Rating: Not Reviewed
August 2001 Self Rating: 8
August 2001 New Rating: 7



13.1 Student Body Funds – Management of Student Body Funds

Legal Standard

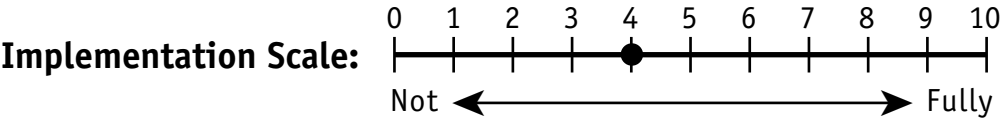
The governing board adopts policies and procedures to ensure compliance regarding how student body organizations deposit, invest, spend, raise and audit student body funds. (Education Code 48930 – 48938)

Progress on Recommendations and Recovery Steps

1. The district has updated all policies and procedures including those for student body funds. However, district fiscal services is still working to oversee the implementation of accounting procedures for student body funds at the sites. Training for ASB directors, student activity coordinators and bookkeepers are provided, and the internal auditors monitor student body funds on a continuous basis.
2. The district intends to assign a school site controller position to each of the high schools to more closely monitor student body funds, but has not yet found qualified individuals to fill these positions.
3. No significant progress has been made in this area since the last review. The district acknowledges that this remains a priority focus area for its internal audit team.

Standard Implemented: Partially Implemented

February 1999 Rating: 4
August 1999 Rating: 4
February 2000 Rating: Not Reviewed
August 2000 Rating: Not Reviewed
February 2001 Rating: Not Reviewed
August 2001 Self Rating: 4
August 2001 New Rating: 4



13.2 Student Body Funds – Supervision of Student Body Funds

Legal Standard

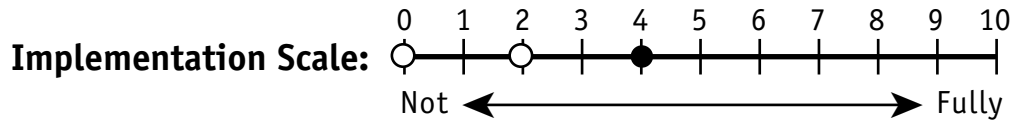
Proper supervision of all student body funds shall be provided by the Board. (EC 48937) This supervision includes establishing responsibilities for managing and overseeing the activities and funds of student organizations, including providing procedures for the proper handling, recording and reporting of revenues and expenditures.

Progress on Recommendations and Recovery Steps

1. Three school controller positions, one for each of the high schools, were established and included in the budget for the new school year. However, the district has not found individuals with the necessary skill level to fill the positions. The district has readvertised the positions. These positions will be assigned to the high schools to collect funds and manage student body accounts. These positions are intended to provide on-site accountability and will report directly to the Senior Director of Fiscal Services. Student organizations will be required to prepare budgets and a list of potential activities for the year. Budgets would be monitored monthly with budget to actual statements sent to the district office at least quarterly.
2. The district's internal auditors review student body funds and cash receipts. Some training on student body fund accounting was provided to school site personnel. The district has established a centralized disbursement process from the Fiscal Division. Better oversight of the student body fund expenditures and budget reconciliation is being provided. One example of oversight and remedial action was the cancellation of the high school yearbook contracts at all three high schools last year because of insufficient funds. Student body bank accounts are being monitored by district staff. Procedures for cash receipts at the sites still need to be tightened.
3. The district has developed a student body accounting manual, and provided training for student body advisors. The district should respond quickly and forcefully to situations where there are potential irregularities in order to protect student funds.
4. No significant progress has been made in this area since the last review. The district acknowledges that this remains a priority area for its internal audit team.

Standard Implemented: Partially Implemented

February 1999 Rating: 0
August 1999 Rating: Not Reviewed
February 2000 Rating: Not Reviewed
August 2000 Rating: 2
February 2001 Rating: 4
August 2001 Self Rating: 4
August 2001 New Rating: 4



13.4 Student Body Funds – Internal Audit Functions

Professional Standard

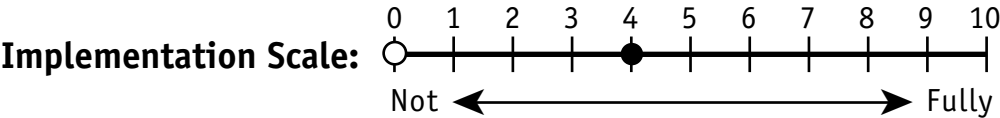
In order to provide adequate oversight of student funds and to ensure the proper handling and reporting, the California Department of Education recommends that internal audits be performed. Such audits should review the operation of student body funds at both district and site levels.

Progress on Recommendations and Recovery Steps

1. The district’s internal auditors review student body funds and cash receipts. Some training on student body fund accounting was provided to school site personnel. The internal auditors provide written reports of findings and recommendations to the State Administrator on a regular basis. On an ongoing basis, the district’s fiscal division addresses the recommendations made by the auditors to continually improve fiscal operations.
2. The district has established a centralized disbursement process from the Fiscal Division for student body accounts. Better oversight of the student body fund expenditures and budget reconciliation is being provided. One example of oversight and remedial action was the cancellation of the high school yearbook contracts at all three high schools last year because of insufficient funds. Student body bank accounts are being monitored by district staff. Procedures for cash receipts at the sites still need to be tightened.
3. The district has developed a student body accounting manual, and provided training for student body advisors. The district should respond quickly and forcefully to situations where there are potential irregularities in order to protect student funds.
4. No significant progress has been made in this area since the last review. The district acknowledges that this remains a priority area for its internal audit team.

Standard Implemented: Partially Implemented

February 1999 Rating: 0
August 1999 Rating: 0
February 2000 Rating: Not Reviewed
August 2000 Rating: 4
February 2001 Rating: 4
August 2001 Self Rating: 4
August 2001 New Rating: 4



16.1 Multi-Year Impact of Collective Bargaining Agreements – Development of Parameters and Guidelines for Collective Bargaining

Professional Standard

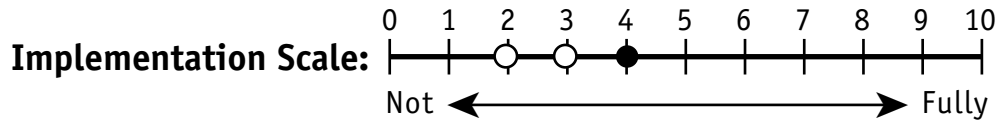
The Governing Board is the final signature of a collective bargaining agreement and consequently must work closely with the Superintendent and the district's chief negotiator to ensure the bargaining agreement effectively reflects the policy interests of the district. The Governing Board must develop with the district administrative team, parameters and guidelines for the collective bargaining negotiation; district board guidelines must represent the public interest and avoid, throughout the negotiating debate, representation of special interests or selected district employees. The Board must ensure that the agreement enhances instructional delivery while maintaining fiscal solvency for the district. Governing Board parameters must be provided in a confidential environment reflective of the obligations of a closed executive Board session.

Progress on Recommendations and Recovery Steps

1. The governing board is still not thoroughly engaged in the collective bargaining process. The district's collective bargaining positions continue to be determined by the district's administrative team and the State Administrator. The board asks questions of staff on affordability of proposed settlements and is engaged in approving the final agreements. The Human Resources division does contract negotiations.
2. In transitioning to the return of governance to the board, the board should participate, along with the administrative team, in a training process regarding the appropriate development of collective bargaining parameters and guidelines and the do's and don'ts of the bargaining process. Board members must agree that discussion of bargaining guidelines and parameters are confidential as required of closed session issues.
3. The district has settled negotiations with employee units for the 2000-01 year, completing negotiations with the last group of classified employees represented by AFT. The district's negotiated settlement with the teachers was 11% for the 2000-01 school year. No contracts for the 2001-2002 year have yet been negotiated.
4. The Division of Fiscal Services provides negotiators with a multi-year projection for every raise scenario that is contemplated. The district focuses on costing out all proposals placed on the table, as the district's fiscal solvency remains paramount.

Standard Implemented: Partially Implemented

February 1999 Rating: 2
August 1999 Rating: Not Reviewed
February 2000 Rating: Not Reviewed
August 2000 Rating: 3
February 2001 Rating: 3
August 2001 Self Rating: 4
August 2001 Self Rating: 4



17.1 Management Information Systems – Planning and Fiscal Input

Professional Standard

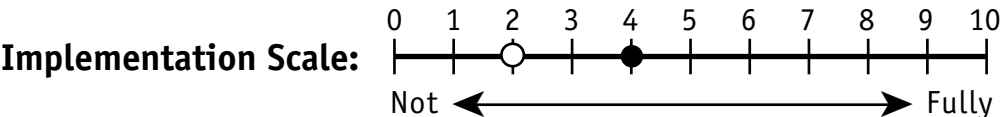
There should be a process in place for fiscal input and planning of the district technology plan. The goals and objectives of the technology plan should be clearly defined. The plan should include both the administrative and instructional technology systems. There should be a summary of the costs of each objective and a financing plan should be in place.

Progress on Recommendations and Recovery Steps

1. The Information Technology Department (ITD) has been moved in the last year to the supervision of the Chief Fiscal Officer. The Technology Use Plan has been completed and will be submitted to the board for adoption. The plan is a collaborative effort and reflects the input of both the Information Technology and Education Technology Departments. Both departments will report directly to the Chief Fiscal Officer effective July 1, 2001. The ITD director position has been vacated twice in the last year, and the district is still reorganizing the ITD staff and determining functions. A new Director of Information Systems has been named effective July 1, 2001.
2. The district has developed a new technology policy which will incorporate the need for input from Fiscal Services and a financial analysis of any new automated/technology system proposed. A cost benefit analysis will be created for consideration in decision-making. Any new system proposed will be implemented in parallel with the existing system for a period of six months.
3. In the last year, the district has worked extensively to put technology infrastructure in place. T-1 lines have been installed to the sites. Connectivity is planned for all computers to the CUSD Network resources. However, the attendance system still remains the only data system currently connected to the district office. Each school has 100 SASI numbers. Implementation of connectivity of additional data systems is expected soon.
4. Internet connectivity, email, and various administrative and educational applications are dependent on ongoing staff training and the establishment of appropriate use policies.

Standard Implemented: Partially Implemented

February 1999 Rating: 2
August 1999 Rating: 2
February 2000 Rating: Not Reviewed
August 2000 Rating: Not Reviewed
February 2001 Rating: 4
August 2001 Self Rating: 5
August 2001 New Rating: 4



17.2 Management Information Systems – Needs Assessment

Professional Standard

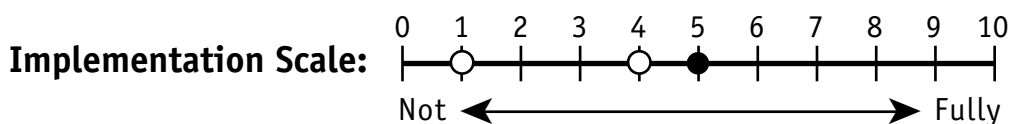
Management information systems must support users with information that is relevant, timely, and accurate. Needs assessments must be performed to ensure that users are involved in the definition of needs, development of system specifications, and selection of appropriate systems. Additionally, district standards must be imposed to ensure the maintainability, compatibility, and supportability of the various systems. The district must also ensure that all systems are compliant with the new Standardized Account Code Structure (SACS), year 2000 requirements, and are compatible with county systems with which they must interface.

Progress on Recommendations and Recovery Steps

1. The district's Technology Use Plan has been completed and will be submitted to the board for adoption. The plan is a collaborative effort and reflects the input of both the Information Technology and Education Technology Departments. Both departments report directly to the Chief Fiscal Officer effective July 1, 2001. The ITD director position has been vacated twice in the last year, and the district is still reorganizing the ITD staff and determining functions. A new Director of Information Systems has been named effective July 1, 2001.
2. The district is adopting a new district policy for the purchase of automated systems. The policy is going to the board for approval on July 10, 2001. The new technology policy will incorporate the need for input from Fiscal Services and a financial analysis of any new automated/technology system proposed. A cost benefit analysis will be created for consideration in decision-making. Any new system proposed will be implemented in parallel with the existing system for a period of six months.
3. Needs assessments should be performed on all current systems and the efficiency of current operational systems should be determined. The district should maintain close coordination with LACOE to meet SACS and conformance for PBA and HRS systems. The student information system should remain a high priority for continual monitoring.

Standard Implemented: Partially Implemented

February 1999 Rating:	1
August 1999 Rating:	4
February 2000 Rating:	Not Reviewed
August 2000 Rating:	Not Reviewed
February 2001 Rating:	Not Reviewed
August 2001 Self Rating:	5
August 2001 New Rating:	5



17.3 Management Information Systems – Automation and Computerization of Financial Reports and Systems

Professional Standard

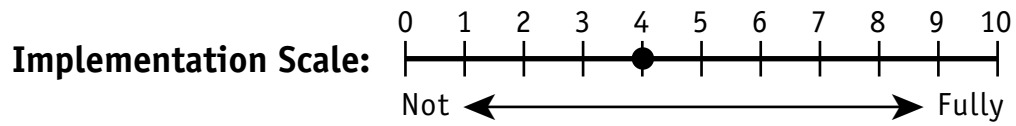
Automated systems should be used to improve accuracy, timelines, and efficiency of financial and reporting systems. Needs assessments should be performed to determine what systems are candidates for automation, whether standard hardware and software systems are available to meet the need, and whether or not the district would benefit. Automated financial systems should provide accurate, timely, relevant information and should conform to all accounting standards. The systems should also be designed to serve all of the various users inside and outside the district. Employees should receive appropriate training and supervision in the operation of the systems. Appropriate internal controls should be instituted and reviewed periodically.

Progress on Recommendations and Recovery Steps

1. The district management and staff are participating in training and information sessions offered by LACOE for implementation of PBA modifications, SACS compliance and PeopleSoft.
2. Fiscal Services has developed quarterly objectives for all business and financial services. As the Information Technology Department is now part of the Fiscal Services division, ITD has identified performance objectives for its own department. The fiscal services division expects to evaluate the performance objectives of each of its departments on a quarterly basis.
3. The district is adopting a new district policy for the purchase of automated systems. The policy is going to the board for approval on July 10, 2001. The new technology policy will incorporate the need for input from Fiscal Services and a financial analysis of any new automated/technology system proposed. A cost benefit analysis will be created for consideration in decision-making. Any new system proposed will be implemented in parallel with the existing system for a period of six months.
4. The ITD department has established a technology help desk to be responsive to district users. A computer training lab has been established with 18 computer stations for large group training and a room for self study training.
5. Needs assessments should be performed on all current systems and the efficiency of current operational systems determined. The student information system should remain a high priority for continual monitoring.

Standard Implemented: Partially Implemented

February 1999 Rating: 4
August 1999 Rating: 4
February 2000 Rating: Not Reviewed
August 2000 Rating: Not Reviewed
February 2001 Rating: Not Reviewed
August 2001 Self Rating: 5
August 2001 New Rating: 4



17.4 Management Information Systems – Cost/Benefit Analyses and Comparisons

Professional Standard

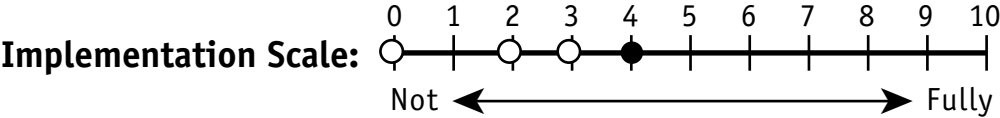
Cost/benefit analyses provide an important basis upon which to determine which systems should be automated, which systems best meet defined needs, and whether internally generated savings can provide funding for the proposed system. Cost-benefit analyses should be complete, accurate, and include all relevant factors.

Progress on Recommendations and Recovery Steps

1. The district is adopting a new district technology policy for the purchase of any new automated systems. The policy is going to the board for approval on July 10, 2001. The new technology policy will incorporate the need for input from Fiscal Services and a financial analysis of any new automated/technology system proposed. The policy requires that a cost benefit analysis be created for consideration in decision-making. Any new system proposed will be implemented in parallel with the existing system for a period of six months before a final decision on full implementation.
2. Applying cost-benefit analysis prior to acquiring or modifying major operational systems may help the district avoid costly and/or inefficient systems. The district made a premature decision to implement the Comprehensive Information Management System (CIMS) in the 1999-00 school year. The system did not accurately report student accounting information for the district. The district also purchased the KRONOS time clock system that did not work out as expected and is not being used. The district did, however, contract a study, including a cost-benefit analysis, on district transportation services and determined that those services could be contracted out to a private provider to provide services more cost-effectively.

Standard Implemented: Partially Implemented

February 1999 Rating:	0
August 1999 Rating:	0
February 2000 Rating:	Not Reviewed
August 2000 Rating:	2
February 2001 Rating:	3
August 2001 Self Rating:	4
August 2001 New Rating:	4



17.5 Management Information Systems – Technology Selection Process

Professional Standard

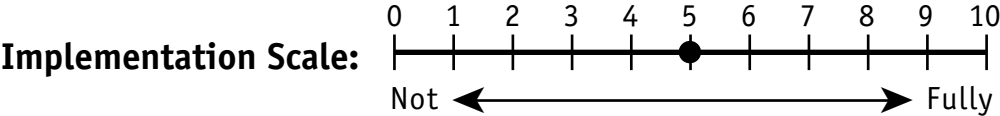
Selection of information systems technology should conform to legal procedures specified in the Public Contract Code. Additionally, there should be a process to ensure that needs analyses, cost/benefit analyses, and financing plans are in place prior to commitment of resources. The process should facilitate involvement by users, as well as information services staff, to ensure that training and support needs and costs are considered in the acquisition process.

Progress on Recommendations and Recovery Steps

1. The district is adopting a new district technology policy for the purchase of any new automated systems. The policy is going to the board for approval on July 10, 2001. The new technology policy will incorporate the need for input from Fiscal Services and a financial analysis of any new automated/technology system proposed. The policy requires that a cost benefit analysis be created for consideration in decision-making. Any new system proposed will be implemented in parallel with the existing system for a period of six months before a final decision on full implementation.
2. See also response to Standards 17.1, 17.2, 17.3, 17.4.

Standard Implemented: Partially Implemented

February 1999 Rating:	5
August 1999 Rating:	Not Reviewed
February 2000 Rating:	Not Reviewed
August 2000 Rating:	Not Reviewed
February 2001 Rating:	Not Reviewed
August 2001 Self Rating:	6
August 2001 New Rating:	5



17.6 Management Information Systems – Implementation and Training

Professional Standard

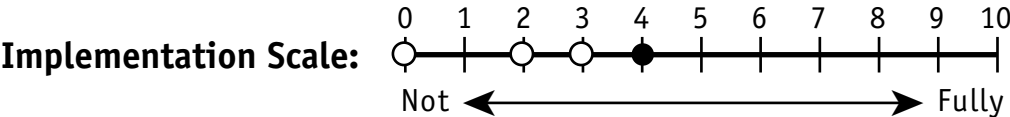
Major technology systems should be supported by implementation and training plans. The cost of implementation and training should be included with other support costs in the cost/benefit analyses and financing plans supporting the acquisition.

Progress on Recommendations and Recovery Steps

1. The SASI III student information system was reimplemented in the district during the 2000-2001 school year because of attendance accounting problems with the previous CIMS system. Extensive training was provided for attendance clerks and teachers in the use of the SASI system and in the importance of accurate attendance reporting. This emphasis and training will continue during the August back-to-school professional development workshops.
2. The district’s Technology Use Plan has been completed and will be submitted to the board for adoption. The plan is a collaborative effort and reflects the input of both the Information Technology and Education Technology Departments. Both departments will report directly to the Chief Fiscal Officer effective July 1, 2001. The ITD director position has been vacated twice in the last year, and the district is still reorganizing the ITD staff and determining functions. A new Director of Information Systems has been named effective July 1, 2001.
3. The district has worked extensively to put technology infrastructure in place. T-1 lines are installed to the sites. Connectivity is planned for all computers to the CUSD Network resources. However, the attendance system is the only data system currently connected to the district office. Each school has 100 SASI numbers. Implementation of connectivity of additional data systems is expected soon.
4. The district has identified a set of standards for the acquisition of business workstations and servers. This standardization will assist the district to become more efficient by limiting the types of systems which will need service and limiting the amount of training for the end users.

Standard Implemented: Partially Implemented

February 1999 Rating:	0
August 1999 Rating:	2
February 2000 Rating:	Not Reviewed
August 2000 Rating:	Not Reviewed
February 2001 Rating:	3
August 2001 Self Rating:	4
August 2001 New Rating:	4



18.1 Maintenance and Operations Fiscal Controls - Risk Management

Professional Standard

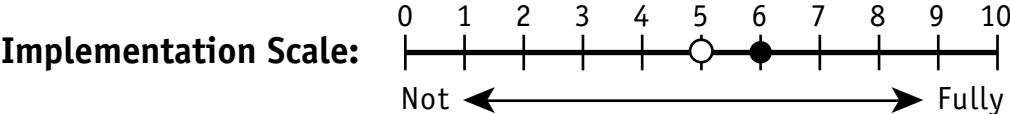
The district has a comprehensive risk management program. The district should have a program that monitors the various aspects of risk management including workers compensation, property and liability insurance, and maintains the financial well being of the district.

Progress on Recommendations and Recovery Steps

1. The district has hired a Risk Management Consulting Team, but currently has no individual hired in the risk manager position. The Consulting Team participates on the district's Safety Committee.
2. Workers compensation training is provided to all administrators and managers on an annual basis. An incentive program has been developed to reward sites for the least number of workers compensation claims. The number of workers compensation claims is slowly decreasing. Page three of the latest actuarial report indicates that numbers of claims went from 466 to 442. The experience factor is now at 5.6.
3. The district had a safety inspection performed district-wide to determine areas needing attention and/or correction. Extensive safety training programs have been provided for district employees. The Facilities Department staff also participated in safety training programs offered outside the district.

Standard Implemented: Partially Implemented

February 1999 Rating:	5
August 1999 Rating:	Not Reviewed
February 2000 Rating:	Not Reviewed
August 2000 Rating:	Not Reviewed
February 2001 Rating:	Not Reviewed
August 2001 Self Rating:	7
August 2001 New Rating:	6



18.5 Maintenance and Operations Fiscal Controls – Materials and Equipment/ Tools Inventory

Professional Standard

Materials and equipment/tools inventory should be safeguarded from loss through appropriate physical and accounting controls.

Progress on Recommendations and Recovery Steps

1. The development of mobile maintenance teams by the maintenance department has resulted in better accounting for district equipment and tools.
2. A new software system (SPSMMS 2020-School Preventive Maintenance Management System) was purchased in the last three months for the maintenance and operations division to properly account for tools and equipment. The new tracking system helps staff of the maintenance and operations department to inventory materials and equipment. The managers of each trade department can track their trade area’s use of materials and equipment and can then report to the department director.
3. The district is also hiring a firm, RCI, to tag all the district’s equipment and furniture. The \$89,000 contract for this service is going to the board for approval. This process will also interrelate with the requirements of GASB34.
4. The district is taking steps to track its materials and assets. However, these processes have been newly implemented and any new system efficiencies have not yet been determined.

Standard Implemented: Partially Implemented

February 1999 Rating:	0
August 1999 Rating:	Not Reviewed
February 2000 Rating:	Not Reviewed
August 2000 Rating:	Not Reviewed
February 2001 Rating:	3
August 2001 Self Rating:	6
August 2001 New Rating:	4

