

MONITORING REPORT: Policy OE-6 (Financial Administration)

PHASE ONE: Interpretation and Monitoring Indicators

DATE: November 2018

Policy

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* priorities or meeting any *Operational Expectations* goals; or places the long-term financial health of the district in jeopardy.

Interpretation

The Board has communicated in its Strategic Commitments a strong belief that “the way we allocate resources significantly impacts our ability to serve the growth and learning needs of children.” Therefore, the Board is “dedicated to the careful use of all resources -- people, time, facilities, and money, along with other less tangible but essential resources like trust, vision, ideas, energy, and hope.”

We understand that, through this policy, the Board is directing us to ensure that all District **financial** resources are maximized in support of their operational expectations and student learning outcomes, especially as those outcomes are spelled out in their Operational Expectations and Results Policies. In other words, the Board wants us to oversee the financial resources allocated to both building-based and district-centered functions to make sure they are used effectively, efficiently, and in a manner most likely to achieve the Board’s goals and priorities.

We further understand that the Board expects us to follow sound financial practices as we direct and control the District’s financial resources in the service of their goals and priorities, starting with the development of an annual budget that is clearly aligned to those goals and priorities. When the District uses comprehensive information to develop a data-driven budget that links spending to desired educational outcomes, and the Board reviews and adopts said budget, it can serve as a blueprint for school improvement.

Monitoring Indicator(s)

Provided below for each part of OE-6

The Superintendent will:

- 1. Assure that payroll and legitimate debts of the district are promptly paid when due.**

Interpretation

The Superintendent is responsible for putting policies and procedures in place that will ensure regular and timely payment of the debts of the District to include payroll, contracts, and purchases. The Superintendent is also responsible for monitoring said policies and procedures.

Monitoring Indicator(s)

We will know we are compliant when we can provide:

- Evidence that employee payroll has been processed each month according to the published schedules and all employees receive the correct pay and benefits.
- Evidence that weekly accounts payable have been completed on all legitimate outstanding debts in the District's possession in accordance with agreed upon payment timelines.
- Confirmation reports from the previous year indicating payroll was run on time, along with an explanation of any exceptions and a plan for corrective action.
- A report outlining any instances of payments of late fees or interest on late payments over the past year, along with an explanation and a plan for corrective action.

2. **Assure that all purchases are based upon comparative prices of items of similar value, including consideration of both cost and long-term quality.**

Interpretation

Washington State law defines requirements for public agencies relative to competitive purchase and procurement processes. These requirements are intended to ensure public entities, like the Ferndale School District, get the lowest possible price for goods, services, and materials. At the same time, the Board expects the Superintendent to ensure that all goods, services, and materials purchased are of suitable quality to meet the Board's operational expectations and student learning results. The Board understands that being fiscally responsible means selecting the right products to match identified needs, investing in sufficient quality, and considering longevity. Buying cheap can lead to spending more down the line for maintenance and upkeep or replacement costs. Even worse, buying the wrong product can impede the District's ability to meet its goals. Therefore, the Board expects the Superintendent to develop and implement procedures and processes aimed at getting reasonably high-quality products aligned with the District's goals and priorities for the lowest costs possible.

Monitoring Indicator(s)

We will know we are compliant when we can provide:

- Evidence that all competitive bid/procurement procedures and laws have been complied with during the previous year.
- Evidence that all goods, services, and/or materials purchased during the previous year were specified in such a way that they achieved their desired purpose and did not require untimely replacement.
- The annual financial audit report from the previous year with no issues related to competitive bid/procurement process deficiencies.

- A summary of any goods, services, and/or materials purchased over the past year that required rebidding or replacement due to inferior quality, along with explanation(s) and a corrective action plan.
3. **Use a competitive bidding procedure for the purchase of supplies, materials and equipment, and any contracted services except professional services, for all transactions consistent by State law.**

Interpretation

Washington State and Federal law defines requirements for public agencies relative to competitive purchase and procurement processes. These requirements are intended to ensure public entities, like the Ferndale School District, get the lowest possible price for goods and services. Therefore, the Board expects the Superintendent to develop and implement policies and procedures that ensure the District adheres to State and Federal bid laws.

Monitoring Indicator(s)

We will know we are compliant when we can provide:

- Evidence that all competitive bid/procurement procedures and laws were complied with during the previous year.
 - The annual financial audit report from the previous year shows no issues related to competitive bid/procurement process deficiencies.
 - A summary of any goods, services, and/or materials purchased during the previous year that required rebidding due to lack of adherence to the bid/procurement requirements, along with explanation(s) and a plan for corrective action.
4. **Coordinate and cooperate with the state financial auditor for an annual audit of all district funds and accounts.**

Interpretation

In compliance with Washington State law, the Superintendent will support the annual financial audit with the allocation of time, space, access and District resources as appropriate.

Monitoring Indicator(s)

We will know we are compliant when we can provide:

- Evidence that the annual financial audit has been completed, including the entrance and exit briefings, with no audit notes relative to the District's support for the audit.
 - The exit report from the previous year's audit showing successful compliance and the absence of any negative notes relative to the District's support for the audit.
5. **Make all reasonable efforts to collect any funds due the District from any source.**

Interpretation

The Board supports the State law prohibiting the gift of public funds. As such, the Board expects the Superintendent to make a reasonable effort to collect funds due to the District from individuals, businesses, and/or corporations. With that said, the Board

also understands that, in some cases, the amount of effort required to collect funds exceeds the benefit to the District of the amount due. And in other cases, the collection process may run contrary to the District's values, as would be the case of singling out students who have unpaid lunch bills.

Monitoring Indicator(s)

We will know we are compliant when we can provide:

- Procedures that have been put in place to track funds due to the District and to maintain overdue amounts below a reasonable level.
- Procedures that have been put in place to recover overdue amounts and evidence that these procedures have been reasonably exercised.
- An annual accounting of all funds due to the district that are overdue for payment.
- For each type of fund overdue for payment, a summary of the efforts taken to recover the funds, along with any other pertinent information or considerations.

6. Keep complete and accurate financial records by funds and accounts in accordance with State guidelines.

Interpretation

The Board expects us to use the budget process to allocate financial resources to support their goals and priorities. To ensure this happens, our District's finances must be recorded and tracked (1) in compliance with the Washington State Accounting Manual, and (2) in alignment with Board's operational expectations and desired learning outcomes.

Monitoring Indicator(s)

We will know we are compliant when we can provide:

- The annual district financial audit confirming that all District audited operations are in compliance with the Washington State Accounting Manual.
- Evidence that resources were allocated according the Board's operational expectations and desired learning outcomes.

7. Publish a financial condition statement annually.

Interpretation

The Board expects us to administer the District's finances in a manner designed to achieve its Operational Expectation (OE) Policies and Results (R) Policies, and annually to provide monitoring reports to the Board specifying the extent to which we have done so. These annual monitoring reports on each OE and R Policy will be published on the District website and become part of the public record. In addition, the Board expects us to communicate at least once a year with the District stakeholders about the current and projected future financial health of the District.

Monitoring Indicator(s)

We will know we are compliant when we can provide:

- A public report summarizing the current and projected future financial health of the District. (It is anticipated this will be accomplished through an annual report in accordance with OE-9.2c: Communication with the Public.)

The Superintendent may not:

8. **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, and/or the authorized transfer of funds from reserve funds or tax anticipation notes.**

Interpretation

We understand the Board expects the District to plan a budget that includes ongoing expenditures that do not exceed revenues. To this end, any time cash reserves are used to project spending in excess of revenues, the excess should be used for identified one-time expenditures that will not be required in future years. The previous year-end budget summary presented to the Board should verify that expenditures were less than revenues, unless the unreserved fund balance remaining from the previous year was in excess of 5%, and budget plans were approved to utilize these excess funds, while still projecting an ending unreserved fund balance of no less than 5% of proposed expenditures for the upcoming year.

Monitoring Indicator(s)

We will know we are compliant when we can provide:

- Evidence that the previous year's expenditures did not exceed revenues.
- The previous year-end F-196 Annual Financial Statement showing that total expenditures did not exceed the total revenues plus any previous year's ending fund balance.
- The previous year-end F-196 Annual Financial Statement showing an unreserved fund balance for the following year of at least 5% of expenditures.

9. **Indebt the organization.**

Interpretation

The borrowing of money is a function over which the Board wishes to retain authority. Therefore, any debt taken on by the District must have prior Board approval.

Monitoring Indicator(s)

We will know we are compliant when we can provide:

- Evidence that any debt taken on by the District during the previous year was pre-approved by the Board.

10. **Allow any required reports to be overdue or inaccurately filed.**

Interpretation

The Washington State Accounting manual sets forth requirements for state reporting of financial information. The Superintendent will ensure that all required reports are filed accurately on or prior to the required deadline.

Monitoring Indicator(s)

We will know we are compliant when we can provide:

- Evidence that all financial reports from the past year were filed on time and accurately, including the F-195, F-196, S-275, and F-200, if applicable. (The Board will be provided with the due dates and submission dates for these State-required annual financial reports: F-195 Budget Summary, F-196 Annual Year-End Financial Statements, S-275 Personnel Report, and F-200 Budget Extension, if necessary.)

11. Receive, process or disburse funds under controls that are insufficient under applicable State law and regulations.

Interpretation

While the Board would hope that every individual would respect the value and importance of utilizing school resources to support our students and community, the potential for theft always exists when people are handling money. Therefore, the Board expects the Superintendent to ensure that every transfer of money is performed in compliance with the Washington State Accounting Manual.

Monitoring Indicator(s)

We will know we are compliant when we can provide:

- Evidence that all transfers of funds from the previous year were done in compliance with requirements of the Washington State Accounting Manual.
- For any identified transfers out of compliance with the Washington State Accounting Manual, evidence that the Superintendent has investigated and appropriately implemented corrective action to address the noncompliance.
- The annual District financial audit confirming that all District-audited transfers (receipts, processes, and disbursements) were processed in compliance with the Washington State Accounting Manual.