

**Hutchinson Public Schools
Operational Expectations Monitoring Report
OE 6 – Financial Administration
January 8, 2018**

SUPERINTENDENT CERTIFICATION:

With respect to OE-6 – Financial Administration, the Superintendent certifies that proceeding information is accurate and complete, and that the District is:

In Compliance

In Compliance, with noted exception(s):

Not in Compliance

Signed: _____ Date: _____
Superintendent of Schools

BOARD ACTION

With respect to OE-6 – Financial Administration, the Board finds that the District and the Superintendent:

Are fully compliant

Are compliant with noted exception(s)

Are non-compliant

Comments and findings:

Date for re-monitoring: _____

Signed: _____ Date: _____
Board President

Hutchinson Public Schools
Board Monitoring Report
January 8, 2018

Re: Monitoring Report on OE-6: Financial Administration
From: Gary Price, Superintendent
Julie Stucky, Executive Director of Financial Management / Business

Board Focus: Action Required

Monitoring of operational expectations policies is part of the ongoing process of superintendent evaluation. This operational expectation policy addresses several aspects of the superintendent’s responsibility regarding financial administration.

OE 6: Financial Administration	Superintendent		Board		
OE 6: The Superintendent shall not: cause or allow any financial activity or condition that materially deviates from the budget adopted by the Board; cause or allow any fiscal condition that is inconsistent with achieving the Board’s Results or meeting any Operational Expectations goals; or place the long term financial health of the district in jeopardy.	Compliant	Not Compliant	Compliant	Not Compliant	Compliant with Exceptions
	X		X		

Superintendent Interpretation: *The board has an expectation that the administration will stick to the approved spending plan, and that the accountability for the dollars expended under the plan will be transparent, fiscally sound, and aligned with the Results and Operational expectations policies.*

- *budget – the state budget documents as approved by the board*
- *long term – beyond the current year and into the foreseeable future*
- *financial health – the ability to sustain the necessary level of spending to meet the district’s commitments in critical areas, such as bond and interest payments, building and technology maintenance, payroll, and necessary instructional purchases*
- *jeopardy – creating an unlawful situation, planning for spending for which one cannot reasonably expect revenue to cover*

OE 6: Financial Administration	Superintendent		Board		
The Superintendent will: 6.1 Assure that payroll and legitimate debts of the district are promptly paid when due.	Compliant	Not Compliant	Compliant	Not Compliant	Compliant with Exceptions
	X		X		

Superintendent Interpretation: *The board has an expectation that the district's financial obligations will be paid on time.*

- *payroll – the monthly compensation of employees paid the 15th of each month*
- *legitimate debts – undisputed amounts for which contracts and purchase orders have been properly obtained and goods and services have been received*
- *due – the date indicated on billing statements or invoices by which payment is due to avoid lateness and/or penalty or the date specified by law*

Compliance:

Indicator 1: The district is compliant when 100% of the payrolls are prompt and accurate.	Compliant
Evidence: District payroll registers show 0 instances of late payments for payrolls during the 2016-2017 fiscal year.	
Indicator 2: The district is compliant when 100% of the accounts payable checks are paid each Thursday or at the end of the month with board approval for payment at each first board meeting of each month.	Compliant
Evidence: : District accounts payable check registers and board minutes show accounts payable checks were paid each Thursday or at the end of the month with board approval for payment at each first board meeting of each month.	
Indicator 3: The district is compliant when employees will be paid with appropriate documentation and approval of hours worked.	Compliant
Evidence: District electronic and manual time keeping records show all payrolls paid with documentation and approval of hours worked.	
Indicator 4: The district is compliant when 100% of vendors are paid for work with appropriate documentation and approval of services rendered or items received.	Compliant
Evidence: District electronic purchase orders and receiving records show all services and equipment rendered or received were paid with documentation and appropriate approvals.	
Indicator 5: The district is compliant when the District has no or minimal internal control weaknesses regarding the payment of employees or vendors.	Compliant
Evidence: For the fiscal year ended June 30, 2017, the CPA firm found no evidence of insufficient internal controls regarding payment of payroll and other debts of the district.	

OE 6: Financial Administration	Superintendent		Board		
<p>The Superintendent will:</p> <p>6.2 Assure that all purchases are based upon comparative prices of items of similar value, including consideration of both cost and long-term quality</p>	Compliant	Not Compliant	Compliant	Not Compliant	Compliant with Exceptions
	X		X		

Superintendent Interpretation: *The board has an expectation that the district will get the best value for the taxpayers' dollar when buying goods and services.*

- *purchases – any goods or services which the district obtains from an outside source*
- *comparative prices – obtaining at least three informal quotes for items over \$1000 and formal bids for items over \$20,000*
- *similar value – goods or services that perform the same function while working with existing district system capabilities*
- *consideration of cost and quality – weighing the benefits of the amount expended vs. the life expectancy and durability of an item or the level of expertise and reputation of the service provider; the bidding or competitive shopping process may not always result in the lowest bid receiving the business*

<p>Indicator 1: The district is compliant when bidding procedures are followed 100% when required by board policy or state statute.</p>	Compliant
<p>Evidence: There were no purchases made that were not according to district standards.</p>	
<p>Indicator 2: The district is compliant when 100% of the purchases for \$1,000 or more and warrant comparative pricing obtain informal quotes.</p>	Compliant
<p>Evidence: Staff has formally bid or informally obtained quotes for all purchases of supplies, materials, and equipment, and contracted services and most of the professional services per the legal and board requirements.</p> <p>During the year, the District formally bid all purchase of supplies, materials and equipment where the value was \$20,000 or greater. These can be found on board agendas throughout the fiscal year.</p> <p>All purchases below \$20,000 and higher than \$1,000 will have informal quote paperwork attached as part of the backup on each of these purchases. The savings are tracked on a log sheet.</p>	

OE 6: Financial Administration	Superintendent		Board		
The Superintendent will: 6.3. Use a competitive bidding procedure for the purchase of supplies, materials and equipment, and any contracted services except professional services, consistent with state law.	Compliant	Not Compliant	Compliant	Not Compliant	Compliant with Exceptions
	X		X		

Superintendent Interpretation: *The board has an expectation that the district remains in legal compliance with statutory bidding requirements.*

- *competitive bidding procedure – give proper notification of bid specs to all potential vendors*
- *supplies, materials, and equipment – all such products, but does not include curricular materials*
- *professional services – auditor, architect, construction management-at risk, and attorney are excluded from the bid requirement*
- *state law - statute requires that purchases or projects costing more than \$20,000 must be bid unless an emergency situation exists, such as a loss covered by insurance or repair necessary to be able to safely and comfortably occupy a facility to keep school in session, as per K.S.A. Supp.72-6760*

Compliance:

The District strictly follows the bidding requirements for the purchase of all supplies, materials and equipment, and any contracted services except professional services. The State legal requirement for such bidding is \$20,000 which is the limit and Board policy of the District. K.S.A. Supp.72-6760.

Indicator 1: The district is compliant when all purchase of supplies, materials and equipment, and any contracted services except professional services in excess of the legal requirement are bid according to the requirements of the State of Kansas Competitive Bidding Guidelines.	Compliant
Indicator 2: The district is compliant when there are no instances of bid splitting.	Compliant
Evidence: For the fiscal year ended June 30, 2017, the CPA firm found no evidence of non-compliance regarding bidding requirements.	
Indicator 3: When staff take advantage of the piggyback provision (“piggyback” means to legally utilize the terms and conditions of bids that have been previously bid by the State of Kansas and Educational Service Centers, without having to repeat the process) to gain efficiencies and cost savings.	Compliant
Evidence: For the fiscal year ended June 30, 2017, the CPA firm found no evidence of non-compliance.	

OE 6: Financial Administration	Superintendent		Board		
The Superintendent will: 6.4 Coordinate and cooperate with the Board’s appointed financial auditor for an annual audit of all district funds and accounts.	Compliant	Not Compliant	Compliant	Not Compliant	Compliant with Exceptions
	X		X		

Superintendent Interpretation: *The board expects transparency and full disclosure of information to the district’s designated auditor, as well as any state and federal auditors.*

- *coordinate – select an appropriate date for the audit and adjust employees’ work schedules to be available for the auditors during that timeframe*
- *cooperate – provide timely and complete information as requested*
- *district funds and accounts – all monies controlled by USD 308 and its grantees, such as Head Start*

Compliance:

Indicator 1: The district is compliant when there has been a yearly audit by District’s Certified Public Accountant firm qualified to audit Kansas School Districts and as selected by the Board.	Compliant
Evidence: The Board approved the CPA firm of Swindoll, Janzen, Hawk and Loyd to audit the District’s financial records. They have completed audits for June 30, 2010 through June 30, 2017. The District has received the audit report for the year ending June 30, 2017.	

OE 6: Financial Administration	Superintendent		Board		
The Superintendent will: 6.5 Make all reasonable efforts to collect any funds due the district from any source.	Compliant	Not Compliant	Compliant	Not Compliant	Compliant with Exceptions
	X		X		

Superintendent Interpretation: *The board expects that the administration will pursue funds the district is owed.*

- *Reasonable efforts – debts will be accounted for, debtors will be notified multiple times of their debt, debtors will be turned over to collections for non-payment, and/or legal means will be pursued for disputes with contractors and vendors when other avenues of negotiation have been exhausted*
- *Any source – vendors, contractors, employees, and patrons. This does not include funds that are late or withhold by governmental entities.*

Compliance:

Indicator 1: The district is compliant when the District monitors and receives all revenue sources owed the District.	Compliant
Evidence: During the year ended June 30, 2017, the District received all funds due from the state and federal government. Note: there were federal funds in the red; however, they were reimbursed the following month according to federal guidelines. The State of Kansas owed the District funds on June 30, 2017. The District received this payment in July.	
Indicator 2: When all outstanding obligations are tracked completely through until payment is received or submitted to Kansas Set-Off Program.	Compliant
Evidence: All funds due to the district were received or submitted to the Kansas Set-Off program.	

OE 6: Financial Administration	Superintendent		Board		
The Superintendent will: 6.6 Keep complete and accurate financial records by funds and accounts in accordance with Generally Accepted Accounting Principles.	Compliant	Not Compliant	Compliant	Not Compliant	Compliant with Exceptions
	X		X		

Superintendent Interpretation: *The board expects that the district’s resources will be accounted for in a standard manner, and that the effective accounting will be confirmed through an annual audit.*

- *Complete – all revenue and expenses will be documented*
- *Accurate – free from errors*
- *Funds and Accounts – the categorizing of sources of income and expenses as required by state law and KSDE accounting guidelines*

Compliance:

Indicator 1: The district is compliant when 100% of the chart of accounts follows the State of Kansas Standardized Account Code Structure (Kansas Accounting Handbook) for account and fund organization.	Compliant
Evidence: The District has fully implemented the Kansas Accounting Handbook in the financial system. There were no exceptions noted from state audits and no exceptions from the independent auditor.	
Indicator 2 : The district is compliant when 100% of receipts and disbursements are properly categorized.	Compliant
Evidence: According to the annual audit, all receipts and disbursements have been properly categorized into the proper fund, as well as properly categorized into the proper resource, goal, function and object.	
Indicator 3: The district is compliant when there are no audit exceptions regarding the maintenance of financial records.	Compliant
Evidence: There were no audit exceptions regarding the maintenance of financial records for the year ended June 30, 2017.	

OE 6: Financial Administration	Superintendent		Board		
<p>The Superintendent may not:</p> <p>6.7. 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 the authorized transfer of funds from reserve funds.</p>	Compliant	Not Compliant	Compliant	Not Compliant	Compliant with Exceptions
	X		X		

Superintendent Interpretation: *The board expects that the district will not “deficit spend” or violate the Kansas cash basis law.*

- *Expend – to disperse or encumber funds*
- *Fund Balances – General Fund, Supplemental General Fund, Capital Outlay, Special Ed, Bilingual, Food Service, Inservice, Vocational Ed, and the KPERS fund.*
- *Authorized Transfer – board approval*
- *Reserve Funds – any monies used to carry over year-end cash, such as contingency reserve*

Compliance:

Indicator 1: The district is compliant when Monthly Cash Summary Reports by the Treasurer and Assistant Treasurer go to the Board	Compliant
Evidence: Board minutes show Cash Summary Reports and Treasurer’s Reports were presented to the board.	
Indicator 2: The district is compliant when the State of Kansas Budget document is filed	Compliant
Evidence: The State of Kansas Budget document was filed in a timely manner and is posted on the district website.	
Indicator 3: The district is compliant when there are 0 instances of deficit spending/violations of cash balances.	Compliant
Evidence: Audit by Federal, State, and Local Auditors found no cash basis violations.	

OE 6: Financial Administration	Superintendent		Board		
The Superintendent may not : 6.8 Indebt the organization.	Compliant	Not Compliant	Compliant	Not Compliant	Compliant with Exceptions
		X		X	

Superintendent Interpretation: *The board expects that only board action will authorize the selling of bonds or other debt instruments or authorize on-going financial commitments.*

- *Indebt – obligate payment of bonds, loans, leases, or contracts*

Compliance:

Indicator 1: The district is compliant when the Board approves 100% of bonds, leases and agreements that obligate the District to debt.	Compliant
Evidence: Minutes of Board meetings show where the Board of Education approved bonds, lease and/or other agreements.	

OE 6: Financial Administration	Superintendent		Board		
The Superintendent may not : 6.9 Expend monies from reserve funds.	Compliant	Not Compliant	Compliant	Not Compliant	Compliant with Exceptions
		X		X	

Superintendent Interpretation: *The board expects the board will approve any use of dollars from reserve funds.*

- *Expend – disperse or encumber funds*
- *Reserve funds – contingency reserve or other funds used to carry over year-end cash*

Compliance:

Indicator 1: The district is compliant when there is Zero percent of the Contingency Reserve Fund spent without Board approval.	Compliant
Evidence: There has been no contingency reserve funds spent during the fiscal year.	

OE 6: Financial Administration	Superintendent		Board		
<p>The Superintendent may not:</p> <p>6.10 Permanently transfer money from one fund to another except as approved in the budget.</p>	Compliant	Not Compliant	Compliant	Not Compliant	Compliant with Exceptions
	X		X		

Superintendent Interpretation: *The board expects to approve all transfers of monies among funds beyond those originally approved in the annual budget.*

- *Permanently – transferred with the intention of being used for that purpose. This does not mean funds temporarily transferred to cover shortfalls in federal or state funds due to delayed payments by governmental entities.*

Compliance:

Indicator 1: The district is compliant when the Board approves 100% of transfers.	Compliant
Evidence: 100% of the transfers were approved by the board.	

OE 6: Financial Administration	Superintendent		Board		
The Superintendent may not : 6.11 Allow any required reports to be overdue or inaccurately filed.	Compliant	Not Compliant	Compliant	Not Compliant	Compliant with Exceptions
	X		X		

Superintendent Interpretation: *The board expects that the staff will work diligently to file required fiscal reports on time.*

- *Required – any report requested by KSDE, USDE, grantors, Internal Revenue Service, state law or other financial institutions*
- *Overdue – beyond the specified due date*
- *Inaccurately – containing errors of fact or omission*

Indicators of Compliance	Evidence of Compliance		
	On time	Accurate	Comment
Daily posting of accounts payable and purchasing batches	x	x	
Monthly board reports – Treasurers report and Check Registers	x	x	
As needed securing Sales Tax Exemptions for District purchases	x	x	
Yearly Missing Assets reports and Building Asset Reports for Administration	x	x	
Numerous Annual reports for all Auditors	x	x	
Weekly and Monthly Accounts Payable check runs and reports	x	x	
Monthly compliance report with purchasing cards to administrators	x	x	
Monthly summary of Hutchinson Credit Union transactions to Administration and bookkeepers/secretary's	x	x	
Monthly Payroll check runs and reports.	x	x	
Monthly overtime audit report to HR each month.	x	x	
Monthly bank reconciliations of over 9 district bank accounts and 13 building bank reconciliations.	x	x	
Monthly KPERS contributions report	x	x	
Annual KPERS contribution report due in January	x	x	
Annual W-2's and 1099's as well as 1095C	x	x	
Annual required Voluntary Benefit Reporting	x	x	
Magnetic Media to IRS every January/February	x	x	
Bi-Annual Medicare Audit report	x	x	
Monthly and Quarterly Unemployment report	x	x	

Indications of Compliance	Evidence of Compliance		
	<i>On time</i>	<i>Accurate</i>	<i>Comment</i>
Monthly and Quarterly Federal 941 report	x	x	
Monthly and Quarterly Federal & State tax report			
	X	x	
Monthly Garnishment reports	x	x	
Weekly report monthly supplemental wage reports	x	x	
Rule 10 wage reports	x	x	
Monthly 403(b) reports	x	x	
Monthly workers compensation report	x	x	
Monthly Current Employment Statistics Report	x	x	
Monthly Form 240 requesting federal aid	x	x	
Monthly Payment Requests for Head Start Program	x	x	
Annual and Quarterly Reports for all Federal programs: ARRA School Improvement funds, HeadStart, Title I, Title II, Title III and Math and Science Grants	x	x	
Annual Day care financial reports for United Way	x	x	
Annual Day care annual report for the Hutchinson Community Foundation Grant	x	x	
Annual Learning Center Financial Reports	x	x	
Annual Bilingual and At-Risk 4 and At-Risk K.12 reports	x	x	
Annual Special Education Transportation report	x	x	
Annual data Special Education VI-B Grant report	x	x	
Annual data Special Education for Special Grant report	x	x	
Annual District Budget	x	x	
Every two years GASB 45 report	x	x	
Monthly Benefit Committee Report	x	x	
Monthly Health Pool Reports	x	x	
Annually Early Retirement Report	x	x	
Quarterly SDAC Staff Pool List and Financial Reports	x	x	
Annual 18E report	x	x	
Annual Kansas Set-Off Reports	x	x	
Annual Outstanding Obligation Notices	x	x	
Annual Local Effort Report for year-end State Aid	x	x	
Every two years Civil Rights Financial Data Report	x	x	
Annual Capital Outlay Summary	x	x	
Weekly Posting of Accounts Receivable	x	x	
Weekly Posting of Journal Entries (copy machine, postage, activity bus, fuel, bank transfers, fund transfers)	x	x	
Daily reconciliation of on-line credit card sales	x	x	
Annual Parents as Teachers Financial Report	x	x	
Annual Operational Expectation Reports #5 – Financial Planning, #6 – Financial Administration, #7 – Assets	x	x	
Bi-Annual Surplus List Report			
	x	x	

OE 6: Financial Administration	Superintendent		Board		
<p>The Superintendent may not:</p> <p>6.12 Receive, process or disburse funds under controls that are insufficient under generally accepted accounting procedures.</p>	Compliant	Not Compliant	Compliant	Not Compliant	Compliant with Exceptions
	X		X		

Superintendent Interpretation: *The board expects that there are sufficient safe guards and procedures in place to prevent loss of assets through fraud or theft.*

- *Funds – any district monies, be they cash, check, or credit card transactions*
- *Controls – procedures to prevent loss*
- *Insufficient – identified as a risk by the district’s auditor*

Compliance:

<p>Indicator 1: The district is compliant when it has implemented all recommended internal controls.</p>	Compliant
<p>Evidence: Swindoll, Janzen, Hawk & Loyd, LLC provided an opinion (titled “Independent Auditors’ Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance With OMB Circular A-133”) to the District October 23, 2017. That report stated “In our opinion, Unified School District 308, Hutchinson, Kansas (District) complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2017.</p>	
<p>Indicator 2: The district is compliant when the annual audit indicates the District is in 100% compliance with requirements of OMB Circular A-133 (Federal Funds).</p>	Compliant
<p>Evidence: Swindoll, Janzen, Hawk & Loyd, LLC provided an opinion (titled “Independent Auditors’ Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance With OMB Circular A-133”) to the District October 23, 2017. That report stated “In our opinion, Unified School District 308, Hutchinson, Kansas (District) complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2017.</p>	
<p>Indicator 3: The district is compliant when the annual audit indicates the District is in 100% compliance with State requirements.</p>	Compliant
<p>Evidence: Swindoll, Janzen, Hawk & Loyd, LLC provided an opinion (titled “Independent Auditors’ Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance With OMB Circular A-133”) to the District October 23, 2017. That report stated “In our opinion, Unified School District 308, Hutchinson, Kansas (District) complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2017.</p>	