

# EXECUTIVE LIMITATION 1.6 FISCAL MANAGEMENT AND CONTROLS

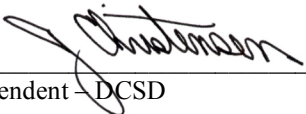
January 20, 2009

To: Board of Education

From: Superintendent – DCSD

Re: FY 2007-2008 Financial Data Internal Monitoring Report – Executive Limitation Fiscal Management and Controls

I hereby present my monitoring report on our Fiscal Management and Controls Executive Limitation 1.6 in accordance with the monitoring schedule as set forth in board policy. I certify the information in this report is true.

Signed  \_\_\_\_\_ Date: January 15, 2009  
Superintendent – DCSD

**EL 1.6 Fiscal Management and Controls**

**The Superintendent shall not cause any fiscal jeopardy or any fiscal condition that is inconsistent with achieving the priorities established in the Board’s Ends.**

**Interpretation:**

I interpret “any fiscal jeopardy or any fiscal condition” as being identified as on financial watch by the State Auditor’s Office based on their criteria. The State Auditor’s Office has established a set of criteria to identify school districts that might require special assistance from the state if the criteria show significant change.

**Data Reported:**

The District has not been identified as being on financial watch by the State Auditor’s Office according to the set of criteria in the State Fiscal Health Tracking attached as appendix A.

**I report compliance.**

**EL 1.6.1 The Superintendent shall not:**

**Maintain insufficient general fund, capital reserve fund and insurance reserve fund fiscal year-end balances of less than five percent of current fiscal year revenues.**

**Data Reported:**

Audited financial statements for Fiscal Year 2007-2008 show fund balances at 5% of revenues or greater.

**FY 07-08 FUND BALANCE RESERVES**

FUND	ESTIMATED REVENUE	5% REQUIREMENT	ENDING FUND BALANCE	COMPLIANCE
General	\$350.873M	\$17.543M	\$17.882M	Yes
Capital Reserve	\$120.16M	\$.600M	\$1.98M	Yes
Insurance Reserve	\$3.307M	\$.165M	\$2.305M	Yes

**I report compliance.**

## EXECUTIVE LIMITATION 1.6 FISCAL MANAGEMENT AND CONTROLS

### **EL 1.6.2 The Superintendent shall not:**

**Pay District obligations in an untimely manner or outside of the ordinary course of business.**

**Interpretation:**

I interpret “**District obligations**” as liability requiring payment on a specific date as required by contract, law, or District practice.

I interpret “**untimely manner**” as failure to pay District obligations when due.

**Data Reported:**

The District pays its obligations when due. When a payment is in fact due is subject to negotiations with the various vendors; regardless, the standard for “timeliness” is derived from the payment terms agreed to upon award and/or the terms expressed upon an invoice. Eighty-two (82%) of the District’s invoices are paid when due within thirty days. An additional 9% of obligations paid through Accounts Payable, are paid within 45 days. The balance, 9%, of all Accounts Payable activities are processed beyond the payment terms for reasons attributable to product and/or billing dispute. In respect to routine obligations arising from payroll functions, 100% of the payments are processed for receipt by the district’s employees on or before the 20<sup>th</sup> of the month. Any corresponding liabilities tied to the compensation of an employee (benefits, taxes) – are paid when due. Detailed dates and amounts are shown on the Payroll Payables Spreadsheet as appendix B and the Accounts Payable Spreadsheet as appendix C.

**I report compliance.**

### **EL 1.6.3 The Superintendent shall not:**

**Obligate the District without Board approval to a single purchase greater than \$750,000.**

**Interpretation:**

I interpret “**Obligate the District**” as committing taxpayer dollars in the name of Douglas County School District without Board approval.

I interpret “**a single purchase**” to mean a single contract, single purchase order, or payment for a single service or product.

**Data Reported:**

All single purchases processed during 2007-2008 exceeding \$750,000 received Board approval. The list of vendors, descriptions, and amounts and the corresponding Board approval dates are included in appendix D.

**I report compliance.**

### **EL 1.6.4 The Superintendent shall not:**

**Make any purchase or contract:**

**(a) of more than a minimal amount wherein normally prudent protection has not been given against conflict of interest;**

**(b) of over \$100,000 without having obtained competitive prices and comparative quality unless inappropriate for the circumstances;**

**(c) of over \$250,000 without a stringent method of assuring a favorable balance of long-term quality and cost.**

**Splitting orders is not allowed.**

## EXECUTIVE LIMITATION 1.6 FISCAL MANAGEMENT AND CONTROLS

### **Interpretation:**

I interpret (a) “**normally prudent protection**” as executing contracts and making purchases in adherence to Douglas County School District administrative policies. These policies are in accordance with Colorado Revised Statute 22.32.109 (1) (b).

I interpret (b) “**obtaining competitive prices and comparative quality**” and (c) “**stringent method of assuring a favorable balance of long-term quality and cost**” as both being accomplished through a formal competitive process (Invitation for Bid or Request for Proposal) with evaluation and selection criteria based not solely on cost, but to include:

- ◆ ability of the vendor to provide quality and timely products and services
- ◆ vendor qualifications and experience
- ◆ life cycle cost of the product or service
- ◆ warranty

I interpret (b) “**unless inappropriate for the circumstances**” as being a sole source or emergency purchase that is exempt from competitive processes and must be approved by the Purchasing and Contracting Department.

### **Data Reported:**

Contracts are executed and purchase orders are issued through the Purchasing and Contracting Department according to Purchasing Bid/RFP procedures. An abbreviated version of these procedures is outlined in Appendix E. Purchasing and Contracting issued one hundred twenty-seven (127) Requests for Proposals and Invitations for Bid during 2007-2008 for purchases of goods and services exceeding \$25,000. 100 percent (%) were in compliance with this executive limitation.

### **I report compliance.**

#### **EL 1.6.5 The Superintendent shall not:**

##### **Exercise inadequate internal controls over disbursements or allow material dissipation of assets**

### **Interpretation:**

I interpret “**inadequate internal controls**” over disbursements as not having policies and procedures that are designed to prevent and detect fraud. Inadequate internal controls may give cause to an external auditor finding that an entity has a “material weakness” which is commonly described as more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected.

I interpret “**material dissipation of assets**” as non-compliance with Colorado Revised Statute, which requires an entity to properly account for the assets and liabilities as ensured through the annual independent audit.

### **Data Reported:**

In 2008, the District hired an external independent contractor to complete an inventory and appraisal of select categories of capital assets including land improvements, buildings, machinery and equipment. An inventory of capital assets was not performed in 2007 and was indicated as a material weakness in last years report to governance.

This year’s annual independent audit reported an unqualified opinion on our financial statements which opines that the information reported is stated fairly, in all material respects, the respective financial position changes therein and where applicable, cash flows thereof for the year then ended in conformity with generally accepted accounting principles (GAAP).

Additionally, the independent auditors did not identify any deficiencies in internal control over financial reporting that would be considered to be a material weakness in internal controls.

### **I report compliance.**

## EXECUTIVE LIMITATION 1.6 FISCAL MANAGEMENT AND CONTROLS

### **EL 1.6.6 The Superintendent shall not:**

**Compromise the independence of the Board’s audit or other external monitoring or advice.**

#### **Interpretation:**

I interpret “**independence**” as free from conflicts of interest, interference in the selection process of the independent auditor, and intervention in the conduct of the audit process and report.

I interpret “**the Board’s audit**” as the Board’s annual independent audit conducted in accordance with Colorado State Law.

I interpret “**other external monitoring or advice**” as any independent third party reports that contain relevant findings and recommendations.

#### **Data Reported:**

As required by Colorado Revised Statute, the independent audit was completed and was presented to the Board on December 16, 2008. No other external monitoring or advice was conducted that would compromise the independence of the board.

**I report compliance.**

### **EL 1.6.7 The Superintendent shall not:**

**Accept revenues from sources that are not, in fact and appearance consistent with Ends.**

#### **Interpretation:**

I interpret “**revenue from sources**” as all economic resources received.

I interpret “**consistent with Ends**” as in support of expected behaviors/interactions as defined in the Board’s Ends.

#### **Data Reported:**

Money was received from the School Finance Act, Mil Levy Override, and Grants Bond funds and from other sources was spent to support the Boards Ends. In the course of the prior year, we adopted the American Beverage Association’s School Beverage Guidelines.

**I report compliance.**