



**Racine Unified School District  
Operational Expectations Monitoring Report**

**OE-6 (FINANCIAL ADMINISTRATION-INTERNAL)  
SUMMARY OF COMPLIANCE STATUS**

**Date: SEPTEMBER 28, 2015**

**SUPERINTENDENT CERTIFICATION**

With respect to Operational Expectation 6 (Financial Administration-Internal), taken as a whole, the superintendent certifies that the proceeding information is accurate and complete, and is:

<u>XXX</u>	<b>In Compliance</b>
_____	<b>In Compliance with Exception (as noted in the evidence)</b>
_____	<b>Not in Compliance</b>

**Executive Summary:**

This report monitors OE-6 (Internal) policy for July 1, 2014-June 30, 2015. This monitoring report is recommended to the Board as "In Compliance".


Section 6.12 (Indicator 2) related to all purchases utilizing a bid process. This was not in compliance last year. We consider it to be in compliance with one minor exception this year.

Sections 6.13 related to using competitive bidding procedures, 6.15 related to collection of funds, and 6.17 related to efforts to use local vendors, all moved from being not in compliance last year to in compliance this year.

Sections 6.19 related to indebting the organization, and 6.21 related to executing contracts subject to Board approval, had areas that were not monitored last year and for this year we are reporting that we are in compliance.

**All sections are in compliance except:**

Section 6.18: Some construction projects brought before the Board for approval did not include information about the level of local work, performance of LEED compliant work, Project Labor Agreements, the level of minority work, and apprenticeship program participation.

Signed:   
Superintendent

Date: September 23, 2015

**BOARD OF EDUCATION ACTION**

With respect to Operational Expectation 6 (Financial Administration-Internal), the Board:

<u>XXX</u>	<b>Accepts the report as fully compliant</b>
_____	<b>Accepts the report as compliant with noted exceptions</b>
_____	<b>Finds the report to be noncompliant</b>

**Summary statement/motion of the Board**

Dr. Frontier moved, Mrs. McKenna seconded, to amend the motion and accept the report as being in compliance with exceptions. All were in favor.

Mrs. McKenna moved, Mr. Nielsen seconded to commend administration for their thinking, their suggestions and their hard work in this area. All were in favor.

Mrs. McKenna moved, Mr. Nielsen seconded, that two months prior to when OE-6 (Internal) is due for monitoring, the Board and administration work together to revisit and change the indicators to be more appropriate. All were in favor.

Signed:   
Board President

Date: September 28, 2015



**Racine Unified School District  
Operational Expectations Monitoring Report**

**DATE: September 28, 2015**

**OE-6 (FINANCIAL ADMINISTRATION - INTERNAL)**

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.

Interpretation for Internal OE-6.11 to 6.24: The Board of Education expects the superintendent to promptly pay financial obligations, make purchasing decisions based on price and quality, collect all funds due to the District, provide monthly financial reports to the Board, make a reasonable effort to utilize local vendors when possible, and use specific criteria for utilizing contractors for construction projects. In addition, the Board prohibits the superintendent from incurring debt, expending funds for non-budgeted high cost items, enter into large contracts, or accept large grants without Board approval.

- **Financial activity:** Any sanctioned action conducted on behalf of the District by a District employee that causes a monetary impact, including the purchase of goods and services, payment of liabilities to employees or vendors, incurring debt, and the receipt or management of funds.
- **Condition:** An action or event that causes a financial impact.
- **Fiscal condition:** The availability of funds needed to meet financial obligations.
- **Long-term fiscal health:** The ability of the District to meet planned or anticipated expenditures for the current fiscal year and maintaining adequate balances for the District to meet financial obligations for the next 1 - 3 fiscal years.

<b>6.11 The superintendent will:</b> Assure that payroll and legitimate debts of the District are promptly paid when due.	<i>In Compliance</i>
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**Interpretation:** The Board of Education expects the superintendent to pay all District debts accurately and on time.

- Legitimate: Payments are based on verified invoices and verified payroll hours/contracts.
- Promptly paid: District financial obligations are covered within the time period noted in contracts, District policy, and financing arrangements. The standard payment term for the District is 60 days.

<b>Indicator 1:</b> All payrolls will be run with at least a 99.5% accuracy.	<b>In Compliance</b>
<b>Evidence:</b> 80,072 payroll checks and direct deposits were run with 99.94% accuracy. <i>See Appendix A</i>	
<b>Indicator 2:</b> 100% of payroll liabilities are accurately paid within the timeframes established by the IRS and federal and state laws.	<b>In Compliance</b>
<b>Evidence:</b> All submitted payroll liabilities were paid within guidelines set by the IRS, federal and state laws and as a result the District did not incur any financial penalty or interest for tax deposits during 2014-15.	
<b>Indicator 3:</b> 100% of invoices are reviewed for completeness and appropriateness before a vendor is paid.	<b>In Compliance</b>
<b>Evidence 1:</b> 100% of invoices paid included proof of receipt of materials or service. The ERP system prohibits invoice payments without a receipt of materials or service. <b>Evidence 2:</b> 100% of invoices were authorized and matched with the Purchase Order or Check Request. All records or files for check requests include a copy of the invoice, the form with authorization for payment and a copy of the check.	
<b>Indicator 4:</b> No vendor action is taken against the District for late payments.	<b>In Compliance</b>
<b>Evidence:</b> No vendor collection action was taken against the District.	

<p><b>6.12 The superintendent will:</b> Assure that all purchases are based upon comparative prices of items of similar value, including consideration of both cost and long term quality.</p>	<p><i>In Compliance</i></p>
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**Interpretation:** The Board expects the superintendent to assure that purchases are based upon competitive bids, quotes, utilize State contracts or joint purchase agreements and that processes consider quality, durability, function and price.

- All purchases: Acquisitions that are in excess of \$10,000. Sole source products may not be required to obtain bids or quotes.
- Long-term quality: A product effectively meets the purpose for which an item was purchased for the intended life of the item.

<p><b>Indicator 1:</b> 100% of all purchases over \$10,000 use RFP, RFI, RFQ, bids or quotes for purchasing decisions.</p>	<p><b>In Compliance with 1 Exception</b></p>
<p><b>Evidence:</b> 275 purchase orders over \$10,000 were issued. Of the 275 purchase orders, less than 1% (.0036) did not use bids or quotes. The one exception did not use bids because it was originally expected to cost less than \$10,000; however, due to change orders, the final work amounted to \$14,000. <i>See Appendix B</i></p>	
<p><b>Indicator 2 (new):</b> All invitations for bids (IFBs) and requests for proposals (RFPs) include solicitations for quality factors and all submissions are reviewed for quality factors as part of any recommendation.</p>	<p><b>In Compliance</b></p>
<p><b>Evidence:</b> During 2014-15, three RFPs and eight IFBs were issued which included quality factors that must be met by vendors submitting bids.</p>	

<p><b>6.13 The superintendent will:</b>          Use a competitive bidding procedure for the purchase of all supplies, materials and equipment, and any contracted services except professional services, in the amount of \$10,000 or more, including sealed bids over \$100,000. Contracts and purchases made through official State contracts, joint purchase agreements with other governmental entities or consortia, and those awarded to sole source providers based on Request for Proposal (RFP) or Request for Information (RFI), are excluded from provisions of this section.</p>	<p><i>In Compliance</i></p>
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**Interpretation:** The Board of Education expects the superintendent to use competitive bids for purchases over \$10,000 (sealed bids for over \$100,000). Exceptions are allowed for sole source providers or when an RFP, RFI or cooperative contract is used.

- Competitive bidding: A confidential process that compares specifications for goods and services by a variety of vendors for the most reasonable price, quality and function.
- Sole source provider: A vendor that is the only supplier for a product or a unique product that is only available from a specific vendor.

<p><b>Indicator 1:</b> The Board approves 100% of purchases over \$100,000, and 100% are subject to bid, RFP, quotes, State contracts or Coop/piggyback agreements and sole/single source purchases.</p>	<p><b>In Compliance</b></p>
<p><b>Evidence:</b> In 2014-15, there were 26 purchase orders that exceeded \$100,000, all of which were approved by the Board of Education. <i>See Appendix C</i></p> <ul style="list-style-type: none"> <li>• 14 of the purchases utilized a bidding, RFP or IFB process</li> <li>• 6 were sole or single source providers</li> <li>• 4 were a continuation of ongoing services previously approved by the Board</li> <li>• 1 was part of a cooperative purchasing contract</li> </ul>	
<p><b>Indicator 2:</b> 100% of purchases over \$10,000 and under \$100,000 are subject to bid, RFP, quotes, State contracts or Coop/piggyback agreements and sole source purchases.</p>	<p><b>In Compliance</b></p>
<p><b>Evidence:</b> In 2014-15, there were 180 purchases valued between \$10,000 and \$100,000. All original purchase orders between \$10,000 and \$100,000 utilized a bid, RFP, RFQ, cooperative agreement, blanket PO or textbook adoption process. <i>See Appendix D.</i></p> <ul style="list-style-type: none"> <li>• Note: An original purchase order was entered for Katt Construction for concrete services for less than \$10,000 and, therefore, was not subject to bid requirements. The purchase order amount was increased to \$14,386 at the request of Buildings and Grounds due to additional work added from the original project scope.</li> </ul>	

<p><b>6.14 The superintendent will:</b>          Use a competitive bidding procedure for professional services in the amount of \$50,000 or more except for replacement positions within the Teaching and Learning Division and those positions filled by temporary personnel services. Contracts and purchases made through official State contracts, joint purchase agreements with other governmental entities or consortia, and those awarded to sole source providers based on Request for Proposal (RFP) or Request for Information (RFI), are excluded from provisions of this section.</p>	<p><i>In Compliance</i></p>
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**Interpretation:** The Board of Education expects the superintendent to use competitive bids for purchases of professional services over \$50,000 with the exception allowed for sole source providers, Teaching and Learning temporary positions, or when an RFP, RFI or cooperative contract is used.

- Competitive bidding: A confidential process that compares specifications for goods and services by a variety of vendors for the most reasonable price, quality, and function.
- Professional services: Work of a service nature provided by an individual, vendor or group of consultants that is not tied to the purchase of materials, supplies or equipment.

<p><b>Indicator:</b> Personal service agreements over \$50,000 for non-Teaching and Learning will have an RFI, RFP, or State contract or be approved by the Board of Education.</p>	<p><b>In Compliance</b></p>
<p><b>Evidence:</b> During the calendar year 2014, there were six 1099's issued over \$50,000. All 6 were done with proper Board approvals.</p> <ul style="list-style-type: none"> <li>• Cambridge Education: Priority School Turn Around Partner - DPI RFP &amp; Board Approved</li> <li>• Aspen Group International - Board approved</li> <li>• Bright Horizon's: offsite 4K program - under District contracted amount</li> <li>• Dual Language Education: Professional Development - Board approved</li> <li>• Why Gangs: Violence Free School Zone program - Sole Source - Board Approved and bid exception granted</li> <li>• Sunbelt Staffing - T&amp;L related to temporarily fill speech pathologist needs</li> </ul>	

<b>6.15 The superintendent will:</b> Make all reasonable efforts to collect any funds due the District from any source.	<i>In Compliance</i>
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**Interpretation:** The Board of Education expects the superintendent to monitor accounts receivable for timely and successful collection.

- Reasonable efforts: Internal collection procedures and the use of contracted services for funds due that are determined to be non-collectable and suitable for collection.
- Source: Funds from the federal and state government, employees, customers, vendors, organizations and any other individual or party.

<b>Indicator 1:</b> All State aid, local property taxes and Federal aid due to the District is collected.	<b>In Compliance</b>
<b>Evidence:</b> 100% of State aid and local property taxes were collected.	
<b>Indicator 2:</b> The write-off for nonpayment of student fines and fees and other receivables is less than 5% per year.	<b>In Compliance</b>
<b>Evidence:</b> Write-off of receivables, including student fines and fees, was 4.64% due to efforts to reconcile 3 years of uncollected invoices. This action was in response to auditor concerns over the extent of the amounts in the aging categories. <i>See Appendix F</i>	

<p><b>6.16 The superintendent will:</b> Provide for the Board a monthly update of the Statement of Revenue and Expenditures and Balance Sheet indicating month and year-to-date financial activity, and in addition provide a financial condition statement annually.</p>	<p><i>In Compliance</i></p>
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**Interpretation:** The Board of Education expects the superintendent to include monthly financial reports in the Board’s business meeting packet and receive an audited financial report from the District’s independent auditing firm.

- Statement of Revenue and Expenditures and Balance Sheet: A report that summarizes month-to-date revenues by the source of the funds, expenditures by functional area, and the beginning and ending balance of total funds.
- Financial Condition Statement: A complete audit report of financial activities in accordance with generally accepted accounting principles (GAAP) compiled in accordance with auditing standards by a firm of licensed certified public accountants.

<p><b>Indicator 1:</b> Monthly financial reports are included as part of the Superintendent’s Consent Agenda each month.</p>	<p><b>In Compliance</b></p>
<p><b>Evidence:</b> All packets for monthly Board business meetings included monthly financial reports for All Governmental Funds and the General Fund.</p>	
<p><b>Indicator 2 (new):</b> The annual financial audit, completed by a firm of licensed certified public accountants, is presented and reported to the Board of Education.</p>	<p><b>In Compliance</b></p>
<p><b>Evidence:</b> An annual independent financial audit was completed by Schenck SC, a certified public accounting firm, and presented to the Board of Education for approval on November 17, 2014.</p>	



<p><b>6.17 The superintendent will:</b>          Make reasonable efforts to utilize contractors, vendors, manufacturers, and other such agents who reside within the boundaries of the Racine Unified School District or Racine County. The superintendent shall report to the Board all responsive and qualified District/County bidders.</p>	<p><i>In Compliance</i></p>
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**Interpretation:** The Board of Education expects the superintendent to spend District funds locally where reasonable and possible.

- Locally: Within RUSD geographic boundary or Racine County.
- Reasonable effort: To encourage local vendors to submit bids/quote/RFPs through advertising and direct contact and when price and quality are comparable, use the local source.

<p><b>Indicator 1:</b> All RFPs are advertised locally to notify vendors of opportunity to bid.</p>	<p><b>In Compliance</b></p>
<p><b>Evidence:</b> 100% of RFPs were advertised in the Racine Journal Times.</p>	
<p><b>Indicator 2:</b> Over 25% of costs and vendors used were local.</p>	<p><b>In Compliance</b></p>
<p><b>Evidence 1:</b> Of the 22,032 purchase order lines, 7,169 were to local vendors or 32.5%.</p>	
<p><b>Evidence 2:</b> Of the total costs of purchase orders, \$6,015,724 was to local vendors or 27.7%.</p>	

<p><b>6.18</b> The superintendent shall, for all construction and renovation projects in excess of \$100,000, present to the Board, prior to their selection of the successful bid/proposal, the result of each bid proposal with respect to the following criteria:</p> <ul style="list-style-type: none"> <li>a. Percent of the hours worked that are to be performed by District residents,</li> <li>b. Percent of hours worked that are to be performed by County residents,</li> <li>c. Previous District/County work hours used by the contractor in similar projects,</li> <li>d. Ability/history of performing work that is compliant with LEED (Leadership in Energy &amp; Environment Design), Gold Certification, as determined by the U.S. Green Building Council,</li> <li>e. Willingness to or already have entered into a Project Labor Agreement that covers the various trades for the contractor's direct and sub-contracted work,</li> <li>f. Compliance with current Wisconsin Department of Workforce Development standards to set appropriate apprenticeship ratios.</li> <li>g. Willingness to or already have included the First Choice Pre-Apprenticeship Program, or some similar program, in recruitment efforts to hire for apprenticeship programs,</li> <li>h. Ability/history of minority employment and the utilization of minority contractors.</li> </ul>	<p><i>In Compliance</i></p>
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**Interpretation:** The Board of Education expects the superintendent to provide information in the Board packet related to the approval of a construction or renovation project in excess of \$100,000 about the level of work to be performed by local or county residents, ability of performing LEED compliant work, Project Labor Agreements for direct and subcontracted work, the level of minority employees or contractors, and apprenticeship program participation.

- Construction or renovation projects: The building, design, repair, demolition or improvement of facilities, buildings, infrastructure and property.

<p><b>Indicator 1:</b> Information is included in the Board packet related to the approval of construction and renovation projects about the level of local work, LEED compliance, Project Labor Agreements, level of minority employees and apprenticeship program participation.</p>	<p><b>In Compliance with 1 Exception</b></p>
<p><b>Evidence:</b> Information was provided to the Board for new school Construction Management Services and the Case High School Field House project regarding the level of local work, LEED compliant work, Project Labor Agreements, apprenticeship ratios, and minority hiring. <i>See Appendix E.</i> However, this information was not provided for 4 IRS managed bids for construction projects which came before the Board for approval.</p>	

*Note: This policy was adopted October 6, 2014.*

<b>6.19 The superintendent may not:</b> Indebt the organization.	<i>In Compliance</i>
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**Interpretation:** The Board of Education expects the superintendent to obtain Board approval for all long-term debt agreements.

- **Indebt:** Financial obligations, notes, bonds, leases or borrowing that are incurred in the short (within the fiscal year) and long (beyond the current year) term.

<b>Indicator:</b> 100% of new debt issues are Board approved.	<b>In Compliance</b>
<p><b>Evidence:</b> All debt issuances and authorizations for the 2014-15 school year were approved by the Board.</p> <ul style="list-style-type: none"> <li>• \$9.2 million Note Anticipation Notes – BOE approved 7/21/15</li> <li>• \$15 million emergency line of credit for cash flow purposes – BOE approved 9/22/15</li> <li>• \$9.2 million bond for new school construction (refinance NAN) – BOE approved 3/16/15</li> <li>• \$5 million Note Anticipation Notes – BOE approved 5/18/15</li> <li>• \$9.7 million GO Bonds – BOE approved 6/15/15</li> </ul>	

<p><b>6.20 The superintendent may not:</b>          Commit to any single, non-budgeted purchase or expenditure greater than \$100,000.          Such items must be presented to the full Board at least 7 days prior to the Board action.          Budgeted purchases are items listed in the official budget and approved by the Board.          Splitting orders to circumvent this limit is unacceptable.</p>	<i>In Compliance</i>
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**Interpretation:** The Board of Education expects the superintendent to obtain Board approval for all expenditures over \$100,000 that were not in the original Annual Budget, and that any item over \$100,000 that is on the Board agenda as an action item to be sent to the Board at least 7 days in advance of the Board meeting.

- Budgeted purchase: Items listed in the official budget approved by the Board or that was previously approved by the Board.

<p><b>Indicator 1:</b> Vendor payments above \$100,000 are either part of the approved budget or are approved as a Board action item.</p>	<b>In Compliance</b>
<p><b>Evidence:</b> See Appendix C which lists all vendor payments above \$100,000.</p>	
<p><b>Indicator 2:</b> Expenditures over \$100,000 that were approved by the Board were received at least 7 days in advance of the Board meeting.</p>	<b>In Compliance</b>
<p><b>Evidence:</b> All requests for approval of expenditures above \$100,000 were included in the Board packet which was sent at least 7 days in advance of the regular business meeting.</p>	

<b>6.21 The superintendent may not:</b> Execute a contract which includes financial incentives to a third party without Board approval.	<i>In Compliance</i>
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**Interpretation:** The Board of Education expects that the superintendent will not enter into incentive contracts.

- Financial incentives: Providing monetary payments based on meeting performance standards or criteria.

<b>Indicator:</b> The District did not enter into any incentive contracts.	<b>In Compliance</b>
<b>Evidence:</b> No incentive contracts were entered into during 2014-15 fiscal year.	

<p><b>6.22 The superintendent may not:</b> Sign or allow a subordinate to sign any contract for which the terms of said contract have not been reviewed and approved by legal counsel.</p>	<p><i>In Compliance</i></p>
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**Interpretation:** The Board of Education expects that the superintendent will not allow for new contracts to be signed and put in force unless it has been subject to legal review.

- Any contract: All major contracts that have a financial impact of \$100,000 or more and/or create a long-term liability or obligation for the District.

<p><b>Indicator:</b> 100% of major new contracts with non-standard language are reviewed and approved by legal counsel before going to the Board.</p>	<p><b>In Compliance</b></p>
<p><b>Evidence:</b> All major new contracts were submitted to the District’s legal counsel for review. <i>See Appendix H</i></p>	

<p><b>6.23 The superintendent may not:</b>  Execute or allow a subordinate to execute a contract encumbering Racine Unified School District for \$100,000 or more.</p>	<p><i>In Compliance</i></p>
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**Interpretation:** The Board of Education expects that the superintendent will not allow for a contract of \$100,000 or more to be signed on behalf of the District unless it is approved by the Board of Education.

- Execute a contract: Sign a contract so that it is legally enforceable.

<p><b>Indicator:</b> 100% of purchases or contracts for \$100,000 or more are approved by the Board of Education.</p>	<p><b>In Compliance</b></p>
<p><b>Evidence:</b> All purchases or contracts for \$100,000 or more have received approval from the Board of Education. <i>See Appendix C</i></p>	

<p><b>6.24 The superintendent may not:</b> Accept any new grants over \$50,000 for which the District is the fiscal agent without approval through the Board Consent Agenda.</p>	<p><i>In Compliance</i></p>
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**Interpretation:** The Board of Education expects the superintendent to obtain Board approval through the Board Consent Agenda for all new grants awarded to the District above \$50,000.

- New grant: Any grant that is not part of the previous year’s budget and commit the District as the fiscal agent or requires a fiscal commitment of District resources for grant implementation.

<p><b>Indicator 1:</b> 100% of new grants above \$50,000 are approved through the Board Consent Agenda.</p>	<p><b>In Compliance</b></p>
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**Evidence:** All new grants above \$50,000 during the 2014-15 fiscal year were approved by the Board through the Board consent agenda. (See Appendix G)



**Action Plan to Improve/Enhance OE-6 (Internal):**

Through the Office of the Chief Financial Officer, the superintendent will continue to address areas of non-compliance in OE-6 (Internal). The 2015-16 action plan includes:

**6.13:** Include in monitoring an allowance that final costs can exceed approved orders by 10% subject to a notification or authorization process.

**6.15:** Procedures should be updated to define a process for an internal collection effort and a review to determine the cost of collecting the owed funds and assessing whether or not to write off the receivable. This can be utilized as an indicator for future reporting. In addition, utilize tools included in Infinite Campus to improve fee collection and implement online fee payment system.

In addition, action plans to enhance compliance include:

**6.20:** Final budget documents should include, as an addendum, a listing of large purchases over \$100,000.

**NOTE:** The superintendent requests that the Governance Committee consider reviewing the following policy changes:

**6.17:** The superintendent renews the request from last year that the Board clarify policy 6.17 as to which categories of purchases should be monitored for local vendor data (i.e. utilities, construction projects, purchase of services, supplies).

**6.18:** Transfer policy 6.18 to OE-3 because it relates to building construction and the evidence for the indicator resides in the Office of the Chief Operations Officer.

**6.22:** The superintendent requests that the Board clarify policy 6.22 as to the level of contracts that should be subject to legal review.