

FCMAT

FISCAL CRISIS & MANAGEMENT
ASSISTANCE TEAM

Business Services Review

February 16, 2024

Budget

Amount	Details	Month	Amount
4,500	Mid Year Bonus	June	2,000
2,500	Year End Bonus	December	3,000
		January	5,000

Costs	Expenditure	Month	Amount
2,300	November vacation	November	450
600	Home for the holidays	December	600
350	Gifts for family	December	600
60	Family vacation	July	300
		January	880
		January	
		January	
		January	

Annual Budget by Month			
April	May	June	
9,915	13,220	16,000	
	7,000	7,000	
	0		

Burbank Unified School District

Michael H. Fine
Chief Executive Officer

February 16, 2024

John Paramo, Ed.D., Superintendent
Burbank Unified School District
1900 W. Olive Ave.
Burbank, CA 91506

Dear Superintendent Paramo:

In July 2023, the Burbank Unified School District and the Fiscal Crisis and Management Assistance Team (FCMAT) entered into an agreement for FCMAT to conduct a review of the district's Business Services Department. The agreement stated that FCMAT would perform the following:

1. Review operational processes and procedures in the Business Services Department and make recommendations for improved efficiency, if any, in the following areas:
 - Budget Development
 - Budget Monitoring
 - Position Control
 - Accounts Payable
 - Accounts Receivable

This final report contains the study team's findings and recommendations.

FCMAT appreciates the opportunity to serve the Burbank Unified School District and extends thanks to all the staff for their assistance during fieldwork.

Sincerely,



Michael H. Fine
Chief Executive Officer

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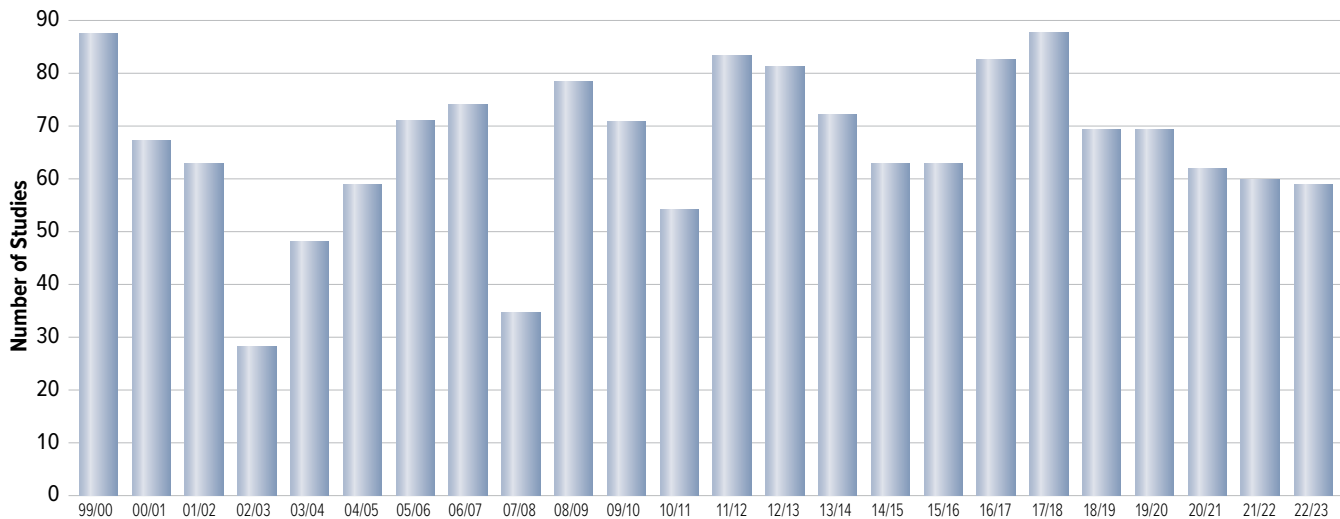
About FCMAT

FCMAT’s primary mission is to assist California’s local TK-14 educational agencies to identify, prevent, and resolve financial, human resources and data management challenges. FCMAT provides fiscal and data management assistance, professional development training, product development and other related school business and data services. FCMAT’s fiscal and management assistance services are used not just to help avert fiscal crisis, but to promote sound financial practices, support the training and development of chief business officials and help to create efficient organizational operations. FCMAT’s data management services are used to help local educational agencies (LEAs) meet state reporting responsibilities, improve data quality, and inform instructional program decisions.

FCMAT may be requested to provide fiscal crisis or management assistance by a school district, charter school, community college, county office of education, the state superintendent of public instruction, or the Legislature.

When a request or assignment is received, FCMAT assembles a study team that works closely with the LEA to define the scope of work, conduct on-site fieldwork and provide a written report with findings and recommendations to help resolve issues, overcome challenges and plan for the future.

Studies by Fiscal Year



FCMAT has continued to make adjustments in the types of support provided based on the changing dynamics of TK-14 LEAs and the implementation of major educational reforms. FCMAT also develops and provides numerous publications, software tools, workshops and professional learning opportunities to help LEAs operate more effectively and fulfill their fiscal oversight and data management responsibilities. The California School Information Services (CSIS) division of FCMAT assists the California Department of Education with the implementation of the California Longitudinal Pupil Achievement Data System (CALPADS). CSIS also hosts and maintains the Ed-Data website (www.ed-data.org) and provides technical expertise to the Ed-Data partnership: the California Department of Education, EdSource and FCMAT.

FCMAT was created by Assembly Bill (AB) 1200 in 1991 to assist LEAs to meet and sustain their financial obligations. AB 107 in 1997 charged FCMAT with responsibility for CSIS and its statewide data management work. AB 1115 in 1999 codified CSIS’ mission.

AB 1200 is also a statewide plan for county offices of education and school districts to work together locally to improve fiscal procedures and accountability standards. AB 2756 (2004) provides specific responsibilities to FCMAT with regard to districts that have received emergency state loans.

In January 2006, Senate Bill 430 (charter schools) and AB 1366 (community colleges) became law and expanded FCMAT's services to those types of LEAs.

On September 17, 2018 AB 1840 was signed into law. This legislation changed how fiscally insolvent districts are administered once an emergency appropriation has been made, shifting the former state-centric system to be more consistent with the principles of local control, and providing new responsibilities to FCMAT associated with the process.

Since 1992, FCMAT has been engaged to perform more than 1,400 reviews for LEAs, including school districts, county offices of education, charter schools and community colleges. The Kern County Superintendent of Schools is the administrative agent for FCMAT. The team is led by Michael H. Fine, Chief Executive Officer, with funding derived through appropriations in the state budget and a modest fee schedule for charges to requesting agencies.

Introduction

Background

The Burbank Unified School District serves students in transitional kindergarten through grade 12 (TK-12) in the community of Burbank in Los Angeles County California. The district is governed by a five-member elected board of trustees and consists of 11 TK-5 elementary schools, three middle schools, two comprehensive high schools, and one continuation school. According to the district's Local Control and Accountability Plan (LCAP), 2023-24 enrollment is approximately 14,850 students, with the most populous ethnicities being Caucasian (47.7%), Hispanic/Latino (32.7%) and Asian (5.3%). The district's unduplicated pupil population was approximately 5,244; these are students who are eligible for free or reduced-price meals, and/or are English learners, and/or are foster youth. Approximately 31.34% of students are considered socioeconomically disadvantaged, 10.4% English learners, and 0.2% foster youth. The district's 2023-24 adopted budget includes general fund expenditures of \$229,805,462.

Study and Report Guidelines

On July 25, 2023, the Burbank Unified School District and the Fiscal Crisis and Management Assistance Team (FCMAT) entered into an agreement for FCMAT to conduct a review of the district's Business Services Department.

A FCMAT study team visited the district on October 23-24, 2023, to conduct interviews with district and school staff, collect data, and review documents. After fieldwork, FCMAT continued to request, review and analyze documents. This report is the result of those activities.

FCMAT's reports focus on systems and processes that may need improvement. Those that may be functioning well are generally not commented on in FCMAT's reports. In writing its reports, FCMAT uses the Associated Press Stylebook, a comprehensive guide to usage and accepted style that emphasizes conciseness and clarity. In addition, this guide emphasizes plain language, discourages the use of jargon and capitalizes relatively few terms.

Study Team

The study team was composed of the following members:

John Von Flue
FCMAT Chief Analyst

Maria Arias
FCMAT Consultant

John Lotze
FCMAT Technical Writer

Those members of this study team who are otherwise employed by a local educational agency (LEA) were not representing their respective employers but were working solely as independent contractors for FCMAT.

Each team member reviewed the draft report to confirm accuracy and achieve consensus on the final recommendations.

Executive Summary

The district has experienced staff turnover and vacancies over the past year, which exacerbated weaknesses in its business systems and procedures in its Administrative Services Department. As a result, the district and community have lost some confidence in the department's ability to function properly in the areas of budget development and monitoring; its ability to maintain business relations with vendors has also declined, because invoices are not paid in a timely manner.

Although this report reviews and identifies opportunities for improvement in managing the functions identified in the scope, the most critical and overarching issues affect all the functions of the Administrative Services Department and possibly the district.

Organizational structure and internal controls set the tone of a district. The organizational structure identifies relationships and roles between a district's staff and provides for a system of authority, responsibility, communication and accountability. Internal controls formalize the district's processes and procedures to achieve operational objectives and compliance with standard accounting practices, reporting requirements and board policies. Both organizational structure and internal controls are essential to developing a district's organizational culture and enabling the district to provide optimal support of its educational programs.

In addition to staffing turnover and vacancies in the past year, the district's business services have been further challenged with deficiencies related to their business systems, procedures and training.

To support its business functions, the district uses numerous technology systems that are outdated and do not interact with each other. The systems used should be effective in supporting the district's operational processes and should integrate with one another to support the collection and sharing of data efficiently. The district's lack of this causes the business staff to maintain several systems, many of which are individually developed, that do not share information. This necessitates redundant data entry, which is inefficient and prone to data errors, omissions and inconsistency.

Procedures in the Business Services Department are not formalized or documented. Well-documented procedures help support consistency and compliance. They also support staff accountability and serve as guidance and training resources in times of transition.

Staff reported the lack of a training system to support productive and consistent work. New staff, substitutes, and staff helping across functions reported needing to be self-taught. Proper training increases employee competence, benefiting both the district and its employees, and is essential for the district to operate effectively.

Findings and Recommendations

Organizational Structure

The purpose of an organizational structure is to help a district's administration provide proper oversight and help improve student learning while balancing internal financial resources.¹ The organizational design should outline the management process and its specific links to the formal system of communication, authority and responsibility needed to achieve an organization's goals and objectives. Authority in a school district originates with the governing board, which delegates its authority to the superintendent, who serves as the employer of record and has responsibility for overseeing and superintending the district. Through the superintendent, authority and responsibility are delegated to the district's administration and staff.

Management positions are typically responsible for supervising employees and overseeing the work of the department for which they are accountable. They must ensure that staff members understand all policies and procedures established by the district and perform their duties in a timely and accurate manner. A manager must also serve as a liaison between their department and others to identify and resolve problems and design and modify processes and procedures as needed. Management positions typically should not be responsible for a department's routine daily functions; these should be assigned to department support staff.

When staffing school districts, administrators should consider the basic theories of organizational structure used in other school agencies of similar size and type. The most common of these theories include job specialization and departmentalization, authority and responsibility, chain of command, centralization and decentralization, line and staff authority, and span of control.²

Job Specialization and Departmentalization

Efficiently organized districts are usually divided by specialized task(s) and district departments. For example, business operations are usually structured to closely align with other education support departments such as maintenance and operations, facilities, food services, risk management, and others. Those departments pertaining to education and instruction are also aligned, including but not limited to student services, special education, and behavioral health. Districts have great flexibility in determining the best fit for their organization and may structure the organization to best meet their needs.

Authority and Responsibility

Authority refers to the right to make decisions and direct the work of others. Staff must have the authority to carry out the work for which they are responsible. The superintendent is delegated by the board to serve at the highest level of authority in the district, and thus has the greatest responsibility. Delegation of authority then continues to lower levels of staff, who are given less authority and responsibility down the chain of command.

¹Daft, Richard L., (2001). *Organization Theory and Design*. South-Western College Publishing.

²Wood, R. Craig, Thompson, David C., Picus, Lawrence O., Tharpe, Don I. (1995). *Principles of School Business Management*. Association of School Business Officials International.

Chain of Command

Chain of command refers to the flow of authority in an organization. Chain of command is characterized by two guiding principles: unity of command, meaning that a subordinate is accountable to only one supervisor, thus eliminating the potential for conflicting direction and instruction from a variety of supervisors; and the scalar principle, meaning that subordinates at every level in the organization follow the chain of command and communicate only through their immediate supervisor. The result is a hierarchical division of labor in the organization.

Centralization and Decentralization

The level of centralization and decentralization is a common dilemma among organizations.

Decentralization refers to the delegation of authority to lower levels, while centralization keeps authority at the top level of school administration. There are advantages to both, and typically a balance is maintained based on the level of competence and experience found in staff at the lower levels.

Line and Staff Authority

Line authority is the relationship between supervisors and subordinates and refers to the direct line in the chain of command. For example, in the district, the superintendent has direct line authority over the assistant superintendent, and the assistant superintendent has direct line authority over the staff in their department. Staff authority refers to the authority delegated to each staff member by their supervisor. A school district's organizational structure establishes the framework for leadership and the delegation of specific duties and responsibilities to all staff members.

Span of Control

Span of control refers to the number of subordinates who report directly to a supervisor. Although there is no agreed-upon ideal number of subordinates for span of control, the span can be larger at lower levels of an organization than at higher levels because subordinates at lower levels typically perform more routine duties and therefore can be more efficiently supervised.

Authority Granted by the Governing Board

Board policy (BP) 2220 provides that "[t]he Superintendent shall organize the administrative staff in a manner that best supports the educational program through efficient operations, effective communications and direct assistance to schools." It further states, "[t]he Superintendent or designee may adjust staff responsibilities temporarily or permanently as needed to accommodate the workload and/or individual capabilities."

2023-24 District Organizational Structure

Organizational charts are important to show the organizational structure and the relationship of all positions to one another. In doing so, an organizational chart also identifies authority, the chain of command, span of control, and the functional areas for which each staff member is responsible.

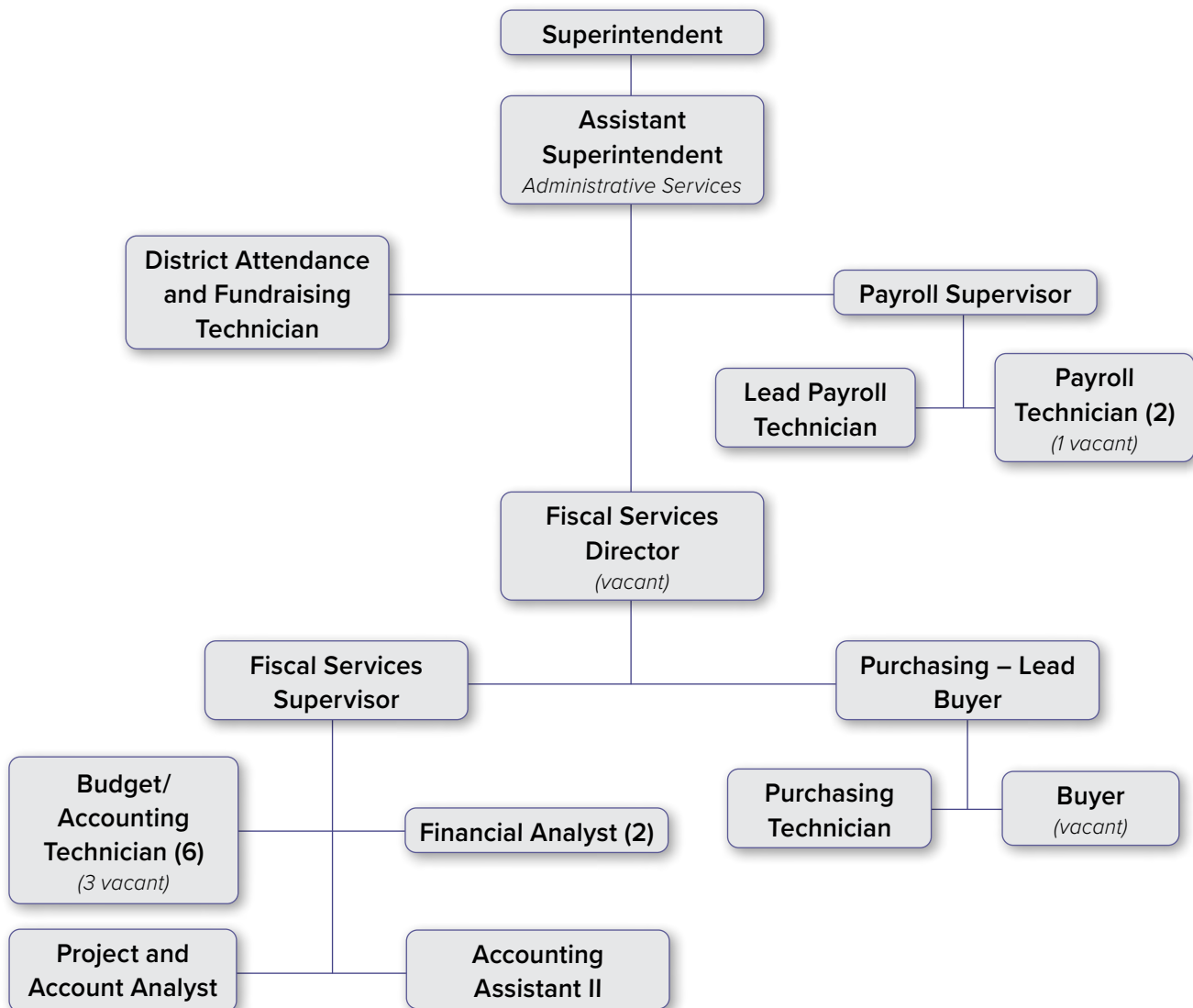
The district's organizational chart for 2023-24 (see [Appendix A](#)) identifies a structure in which each of five department heads (two assistant superintendents of instruction services, assistant superintendent of edu-

cational services, assistant superintendent of human resources, and assistant superintendent of administrative services) has authority and responsibility for all aspects of their respective departments, including staff, and each reports directly to the superintendent.

This report includes discussion of a portion of the Administrative Services Department as it pertains to the scope of this study regarding budget development and monitoring, position control, accounts payable and accounts receivable.

According to the district’s organizational chart, the assistant superintendent of administrative services oversees the director of information technology and education support, the director of fiscal services, the director of food services, purchasing, a payroll supervisor, an injury/illness prevention technician, and the director of facilities. The director of fiscal services, in turn, oversees fiscal services, which is responsible for the district’s budget, accounts payable, accounts receivable, and a portion of position control.

The organizational chart below shows the part of the current structure of the Administrative Services Department that pertains to this study.



Job Descriptions

Job descriptions are essential to ensure that each staff member understands the essential duties, authority, responsibilities, and requirements of their position. To help both the organization and the employee understand expectations and provide for accountability, job descriptions should provide general information including job title, classification, whom the position reports to, essential functions of the position, qualifications and skills needed, and required education and experience. In addition, proper identification of functions and responsibilities in job descriptions can be used to gauge employee performance and serve as a guide for training. By clearly identifying expectations, job descriptions support the employer-employee relationship and promote competency and job satisfaction. To maintain their validity and effectiveness, job descriptions must be kept accurate and current in all aspects.

In response to FCMAT's document request, the district provided job descriptions for all business department positions. FCMAT found various defects in the job descriptions provided; these defects are described below.

Director of Fiscal Services

This job description shows that the position reports to the "Business Manager," a position that is not in the district's organizational chart. The document states that the position supervises fiscal services, budget, and purchasing in agreement with the organizational chart; however, it also includes warehouse, duplicating and communications, which appear to conflict with the organizational chart. The job description also identifies a date of "7/96," which could be the date the job description was developed and/or last reviewed.

Fiscal Services Supervisor – Budget

This job description states it is "under the direction of an assigned supervisor," which is vague because it does not identify the supervisor position. This position is listed as responsible for the "Budget section of the District Fiscal Services Department" including supervision of assigned personnel. In the area where other job descriptions are dated, the job description states "Budsup," an unknown term.

Budget/Accounting Technician

This job description states it is "under the direction of an assigned supervisor" and that it is responsible for general functions and duties related to budget and accounting. The job description is labeled "Job Study – 1/2020," which may indicate how and when it was created.

Financial Analyst

This job description states it is "under the direction of an assigned supervisor" and lists functions related to "procedures development and financial data analysis" and duties related to budget and financial management. The job description is labeled "Job Study – 1/2020."

Project Accounting Technician

This job description states it is "under the direction of an assigned supervisor," and basic functions include "technical and complex project accounting." This position was referred to as "Project and Accounting Analyst" in the department directory and in interviews. The job description is labeled "Formatted 2022."

Accounting Assistant II

No job description was provided for this position.

Lead Buyer

This job description states it is "under the direction of an assigned supervisor." The position is responsible for performing "complex technical duties in the purchase of District supplies, materials, equipment and service," and duties include, "train and provide work direction to purchasing personnel." The job description is labeled "Reclass 2/2022."

Purchasing Technician

This job description identifies it as “under the direction of an assigned supervisor” and states that its basic function is to “perform responsible technical duties in the coordination and purchase of supplies, materials, equipment and services.” The job description is labeled “Job Study-1/2020.”

Buyer

This job description states it is “under the direction of an assigned supervisor.” Duties listed appear appropriate and specific to the position. The job description is labeled “Job Study – 1/2020.”

District Attendance and Fundraising Technician

This job description identifies it as “under the direction of an assigned supervisor.” Based on the position and the fact that its duties are not identified under another supervisor, it presumably reports directly to the assistant superintendent of administrative services. The job description is detailed and corresponds to the duties identified during interviews. The job description is dated September 1, 2021.

Fiscal Services Supervisor – Payroll

This job description states it is “under the direction of the of [sic] an assigned supervisor” and is responsible for coordinating, supervising and reviewing operations and activities of the payroll section of the Business Services Department. This position was referred to as “Payroll Supervisor” during interviews and on the district’s organizational chart. The duties also include ensuring compliance, and training, supervising and evaluating assigned personnel. The job description is dated March 2012.

Lead Payroll Technician

This job description states it is “under the direction of an assigned supervisor” and is responsible for “high-level technical payroll duties to ensure that District employees are paid according to established guidelines and in a timely manner.” This position also advises other payroll technicians and helps solve payroll problems. The job description is labeled “Formatted 2022.”

Payroll Technician

This job description states it is “under the direction of an assigned supervisor” and is responsible for “technical payroll duties.” The job description is labeled “Job Study – 1/2020.”

Staffing

Organizations function optimally when they are staffed appropriately with knowledgeable and experienced persons. At the time of FCMAT’s fieldwork, the district had been and was continuing to experience high staff turnover and vacancies in the Business Services Department.

Turnover and vacancies can be costly, resulting in inefficiency and ineffectiveness. A deviation from normal staffing creates challenges that affect the detail and accuracy of certain business functions and can exacerbate any weaknesses in processes and controls. At the time of FCMAT’s interviews, six of the 21 positions in the Administrative Services Department were vacant, including the director of fiscal services position, three budget/accounting technician positions, the accounting assistant II position, and a payroll technician position.

In addition, several key staff had been in their positions for less than a year at the time of fieldwork, including the assistant superintendent of administrative services, three budget/accounting technicians, and the buyer.

To compensate for the vacancies and maintain workflow, data systems and reporting, the district relied on staff members to manage both their own positions’ duties and take on additional responsibilities of

the vacant positions or help train newly hired staff members. In doing so, significant additional costs were incurred because of staff overtime and a reliance on outside consultants, as authorized by BP 3600.

Recommendations

The district should:

1. Ensure that its organizational structure is well thought out, intentional, and reflects the authority, responsibility, and span of control intended for each department and staff member.
2. Ensure that its organizational chart accurately reflects its organizational structure.
3. Ensure position titles are complete, clear, accurate and aligned with the organizational chart.
4. Ensure every position has an approved job description.
5. Review and update all job descriptions to ensure their accuracy, clarity, alignment with the organizational structure, and that they clearly identify to whom the position reports.
6. Standardize the job description format to support consistency of information and how they identify date of creation, last review, and/or most recent revision.
7. Continue recruiting to fill vacancies in essential positions.

Operational Processes and Procedures

Internal Controls

Internal controls as applied to organizations, including school agencies, are defined as “a process, effected by an entity’s board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting, and compliance.”³ The reference to achievement of objectives refers to planning, organizing, directing and performing routine tasks.

Controls are established by setting goals, objectives, budgets, and performance expectations. Several factors influence the effectiveness of internal control, including the social environment and how it affects employees’ behavior, the availability and quality of information used to monitor the organization’s operations, and the policies and procedures that guide the organization. Internal control helps an organization obtain timely feedback on its progress in meeting operational goals, adhering to guiding principles, producing reliable financial reports, and ensuring compliance with applicable laws and regulations.

Internal control is the principal mechanism for preventing and/or deterring fraud or illegal acts, which include an assortment of irregularities characterized by intentional deception and misrepresentation of material facts. Effective internal control provides reasonable assurance that operations are effective and efficient, that the financial information produced is reliable, and that an organization complies with all applicable laws and regulations.

Internal control provides the framework for an effective fraud prevention program. An effective internal control structure includes the policies and administrative regulations established by the board, operational procedures used by staff, adequate accounting and information systems, the work environment, and the professionalism of employees. The five integrated components of internal control and their summarized characteristics are shown in the following table. These are from the [Committee of Sponsoring Organizations of the Treadway Commission](#).

Internal Control Components and Their Characteristics

Internal Control Component	Characteristics
Control Environment	The set of standards, processes and structures that provide the basis for carrying out internal control across an organization. Comprises the integrity and ethical values of the organization. Commonly referred to as the moral tone of the organization, the control environment includes a code of ethical conduct; policies for ethics, hiring and promotion guidelines; proper assignment of authority and responsibility; oversight by management, the board or an audit committee; investigation of reported concerns; and effective disciplinary action for violations.
Risk Assessment	Identification and assessment of potential events that adversely affect the achievement of the organization’s objectives, and the development of strategies to react in a timely manner.
Control Activities	Actions established by policies and procedures to enforce the governing board’s directives. These include actions by management to prevent and identify misuse of the LEA’s assets, including preventing employees from overriding controls in the system.
Information and Communication	Ensures that employees receive information regarding policies and procedures and understand their responsibility for internal control. Provides opportunity to discuss ethical dilemmas. Establishes clear means of communication within an organization to report suspected violations.

³Everson, Miles E.A., Soske, Stephen E., Martens, Frank J., Beston, Cara M., Harris, Charles E., Garcia, J. Aaron, Jourdan, Catherin. I., Posklensky, Jay A., and Perraglia, Sallie J. (2013). *Internal Control – Integrated Framework, Executive Summary*. The Committee of Sponsoring Organizations of the Treadway Commission.

Internal Control Component	Characteristics
Monitoring Activities	Ongoing monitoring to ascertain whether all components of internal control are present and functioning; ensures deficiencies are evaluated and corrective actions are implemented.

The five components of internal control are supported by underlying principles that help ensure an entity achieves effective internal control. Each of the five components listed above and their related principles must be present and functioning in an integrated manner to be effective. An effective system of internal control can provide reasonable but not absolute assurance that an organization will achieve its objectives.

Although the board and all employees in an LEA have some responsibility for internal control, the board, superintendent, and other key management personnel have a higher ethical standard, fiduciary duty, and responsibility to safeguard the LEA's assets.

Control Environment

The internal control environment establishes an organization's moral tone. Although intangible, it begins with leadership and consists of employees' perception of the ethical conduct displayed by the governing board and executive management.

The control environment is a prerequisite that enables other components of internal control to be effective in achieving the goals and objectives to prevent and/or deter fraud or illegal acts. It sets the tone for the organization, provides discipline and control, and includes factors such as integrity, ethical values, and competence of employees.

The control environment can be weakened significantly by a lack of experience in financial management and internal control, or when other controls are not upheld by the administration.

Control Activities

Control activities are a fundamental component of internal control and are a direct result of policies and procedures designed to prevent and detect misuse of an LEA's assets, including preventing any employee from overriding system controls. Examples of control activities include the following:

- Performance reviews, which compare actual data with expectations. In accounting and business offices, this most often occurs when budgeted amounts are compared to actual expenditures to identify variances and are followed by budget transfers to prevent overspending.
- Information processing, which includes the approvals, authorizations, verifications and reconciliations needed to ensure that transactions are valid, complete and accurate.
- Physical controls, which are the processes and procedures designed to safeguard and secure assets and records.
- Supervisory controls, which assess whether the transaction control activities performed are accurate and in accordance with established policies and procedures.
- Segregation of duties, which consists of processes and procedures that ensure no employee or group is placed in a position to be able to commit and conceal errors or fraud in the normal course of duties. In general, segregation of duties includes separating the custody of assets, the authorization or approval of transactions affecting those assets,

the recording or reporting of related transactions, and the execution of the transactions. Adequate segregation of duties provides for separate processing by different individuals at various stages of a transaction, and for independent review of the work. These measures reduce the likelihood that errors will remain undetected.

Organizational Culture

Organizational culture is the set of values, guiding beliefs, understandings, and ways of thinking shared by an organization.⁴ Organizational culture has great influence on attracting and retaining staff, as these shared values strongly influence the way people in the organization interact and how they dress, act, and perform their jobs. Every school district has a unique culture. Organizational culture is usually not formal but is shaped by a district's leadership over time and shapes the reputation of a district.

District actions at the governance and top administrative level, including how a district is organized, how resources are used, and interaction with other entities, set the tone regarding what is important and tolerated. When leaders override or otherwise dismiss the importance of a position, processes, procedures, training, and deadlines, it sends the message that they are not important, necessary or required. When applied to business operations, dismissive action or inaction by management can quickly compromise the effectiveness of a district's internal control system.

FCMAT Standards

During this review, the FCMAT study team found that the district lacks some of the elements noted above, and some elements have been established but are not functioning optimally. Areas of concern directly related to the scope of this study are addressed later in this report.

To support districts in evaluating their operations, FCMAT has developed an extensive list of management standards for public school agencies, including standards for financial and personnel management. These standards address general functions such as policies and procedures; job descriptions; internal and external communication; internal control; orientation and training; and accounting, payroll and purchasing. The district would benefit from using these standards to conduct periodic self-evaluations to identify and/or monitor areas of potential risk and to help develop best practices for its operations. [The most recent list of standards](#) is available on FCMAT's website

Recommendation

The district should:

1. Review [FCMAT's list of management standards](#) and assess its risk and alignment with best practices.

Business Systems

Business systems used in organizations should efficiently and effectively support the operational processes and the collection, sharing and retention of data needed by the entity. Optimally, business-related organizational systems integrate to collect and share data, limiting the need for redundant data collection and entry

⁴Daft, Richard L. (2001). *Organization Theory and Design*. South-Western College Publishing.

by staff. Once collected and entered into a district database, the information needs to be accessible and shared with other systems without the need for additional data entry. Data systems that are integrated to share and access information reduce delays and exposure to human error.

The district uses multiple systems for its business functions. These systems are outdated and require significant and redundant manual entries because of the lack of electronic document flow and integration. Each time staff collect and enter data manually, there is the potential for human error, incomplete data, and delays, all of which can create inconsistencies and inaccuracies in the information.

Smartetools business system software is the main software used for the district's local accounts payable and receivable transactions, including all aspects of purchasing and invoicing. For receiving cash, the district uses a product called Fox Pro along with Smartetools. Payroll is processed on the HRS (Human Resource System) and ETAC software systems. Position control is built on in-house, ad-hoc systems since the retirement of their previous system, Helios Software. KeyAnalytics is used to manage bond-funded facility projects. Out of necessity, district staff use individually-developed spreadsheets to manage and track financial and personnel data. Staff use various forms of Google Docs and Microsoft Excel worksheets to accomplish their tasks and fulfill their responsibilities. In addition, the district must interface regularly with the Los Angeles County Office of Education's (LACOE's) financial management system, BEST (Business Enhancement System Transformation).

This use of multiple independent business software systems makes it difficult to manage and reconcile information between all systems. The volume of data entry and the complexity of maintaining the various desks and systems make the district prone to errors, omissions and untimely data, it is also inefficient and compromises the reliability of the data.

Recommendations

The district should:

1. Identify and evaluate its business processes and business technology systems, including staff-developed ad-hoc systems, to determine their effectiveness.
2. Research software systems and tools that would consolidate and integrate the processes and data. Consult with LACOE and peer districts regarding systems that successfully synchronize processes.
3. Consider investing in and implementing a system or systems that best serve its needs in a comprehensive and integrated manner and reduce the need for individually-developed tools.

Budget Development

Allocating resources through budgeting to achieve a district's goals is one of the most important responsibilities of a district's governing board and one of the most important functions of management. Budget development in school districts is a complex and continual process that requires careful planning, collaboration and transparency to ensure that financial resources are allocated and used effectively to support student learning and the district's priorities. Budgeting plays a critical role in fulfilling a district's educational mission and goals while meeting the needs of students, teachers, and the community.

School districts are required to adopt their annual budget within the statutory timelines established by Education Code (EC) 42127. Before July 1 of each year, the governing board of each school district must

hold a public hearing on, and adopt, the budget for the subsequent fiscal year. In addition, the budget to be adopted must be prepared in accordance with [EC 42126](#). The budget document needs to include a narrative that can be understood easily by a layperson. An effective budget presentation will include a description of budget assumptions and their financial impact, and illustrate the changes in revenues, expenditures, and fund balance. Because the district's general fund ultimately makes up for shortfalls in other district funds, all other funds need to be included in all budget presentations to the board.

Within 45 days after the governor signs the annual budget act, the district is required to make available for review any revisions in revenues and expenditures made to its budget that align with the funding allocated by the budget act.

Budget development is a detailed process that typically begins in or before January of the preceding fiscal year. Effective budget development includes using a budget development calendar so each staff member is aware of the timeline and their responsibility within the process and is held accountable to meet deadlines. The budget development calendar should outline tasks, deadlines, and the individuals responsible for their completion. A budget development calendar can ensure clear communication and the inclusion of all affected schools and departments in budget-related matters, but its effectiveness is limited unless it is widely distributed and consistently adhered to.

During effective budget development, a district revises and updates position control (a tool used to manage staffing and compensation), estimates revenues and expenses, and aligns its budget with its local control and accountability plan (LCAP), which prioritizes the district's goals and the actions to achieve those goals.

The district's BP 3000 supports the above process and requires that in "development of a district budget, the Board and the Superintendent or designee shall establish a calendar that reflects the full budget cycle and a process that satisfies the requirements of law, including opportunities for public input." Furthermore, BP 3100 provides that budget development "shall involve appropriate staff in the development of budget projections."

In June 2022, the district presented to the board for approval the 2022-23 budget calendar outlining the budget process and timeline. According to the calendar, the budget development meetings with schools and departments begin in September, then in January when the governor's state budget proposal is released the district develops its revenue and expense projections. Within 45 days of the governor's signing of the annual budget act, the district should revise the budget to reflect funding changes. An effective budget development calendar will outline the month each action is completed, describe each action, and specify the department responsible. Actions that pertain to statutory requirements and/or meetings will be identified in the month they are due.

In most districts, the individuals responsible for overseeing budget development attend budget update workshops for the governor's budget in January and for the revised state budget in May. In addition, they attend training as needed on budget development, position control, and other budget planning. The chief financial officer for the district will typically present budget information to the budget advisory committee, which is composed of teachers, administrators, parents, community members, union representatives, and a minority of board members. The intent of this committee is to understand the budget in great detail and to provide input, advice, and recommendations for consideration by the school district's leaders and board. Under the chief financial officer's leadership, budgets should be developed for each school in collaboration with the principals and their teams, and for various departments in cooperation with their respective managers and staff. Collaborating during this process helps create a sense of shared ownership and responsibility and a better understanding of budget issues, and can reduce the number of budget transfers needed during the year. In many districts, the business department prepares budget development materials, con-

ducts budget workshops for school and department staff, and offers ongoing support to facilitate a more accurate and collaborative budgeting process.

The district did not provide a budget calendar for the 2023-24 fiscal year. If a calendar was not developed, the district would not be in compliance with its board policy requirements. The first indication of budget development in the district was when the assistant superintendent of administrative services presented a report to the board on the governor's budget update for 2023-24 on February 2, 2023. This report provided an overview of the California state budget, impacts to education in general, and the district's multiyear financial projection approved for the 2022-23 first interim report. Public hearings on the district's proposed LCAP and budget occurred on June 15, 2023, and adoption occurred at the June 22, 2023 special meeting of the board.

Based on its 2022-23 budget calendar, the district would benefit from having a more detailed internal calendar that includes additional components, such as a position control update and LCAP timelines, interim reporting tasks and due dates, and purchasing cutoff dates. It should also include the staff member responsible and the specific due date for each task. It should be updated each year and revised as needed to best serve the district and maintain compliance.

In interviews, staff indicated that not all department and school administrators participate in budget development. In addition, staff expressed a lack of understanding about the budget development process and unfamiliarity with the budget in general. A failure to include key department heads and school principals in budget development can lead to inadequate or excessive budget allocations and budget implementation. The district needs to hold annual meetings with administrators regarding budget development and provide staff with training to develop an accurate budget that aligns with department and school needs.

Under the assistant superintendent of administrative services' leadership, budgets need to be developed for each school in collaboration with the principals and their teams, and for various departments in cooperation with their respective managers and staff. Collaborating during this process would help create a sense of shared ownership and responsibility, a better understanding of budget issues, and possibly a more accurate budget that requires fewer budget adjustments during the year. In well-functioning districts, the business department prepares budget development materials, conducts budget workshops for school and department staff, and offers ongoing support to facilitate a more accurate and collaborative budgeting process.

In addition, school and department managers need to be given a position control report that includes a list of all employees charged to their respective budgets. The report needs to include each employee's name, position, hours per day, and the funding source for the position. This report is best provided to schools and departments during budget development and at each interim reporting period. School and department managers need to review it for accuracy in their respective budgets as well as cross-reference with other departments for staff who work at their sites or with their departments but belong to other departments, and immediately report any inconsistencies to the Human Resources Department. This process helps verify the data used to develop position control, which affects the budget reports.

The district also needs to improve communication regarding the budget to ensure that all parties involved have a better understanding of the budget document and budget development.

In addition, as discussed previously in the "Business Systems" section of this report, many of the systems the district uses are individually developed in Google Docs and Microsoft Excel. Based on interviews and documents reviewed, FCMAT found that most of the budget development information and modeling is performed by individuals on ad-hoc worksheets, which makes collaboration and verification of data difficult and increases the risk of error or omission.

Recommendations

The district should:

1. Establish a budget development calendar that organizes all budget development and interim reporting tasks and that includes their due dates and the individuals or departments responsible for completing them.
2. Ensure that the budget calendar is distributed to all who are responsible for completing the listed tasks and that they are held accountable for meeting the timelines.
3. Ensure those tasked with developing the district's budget attend budget workshops to stay current with best practices.
4. Develop and implement a process for involving school and/or department administrators in budget development.
5. Establish regular communication with school and department staff to share budget development information and updates. Use clear narratives and periodic updates to keep everyone informed.

Budget Monitoring

School district budgets are not static: the estimated revenues, expenses, and ending balance of each fund change throughout the year because of revenue items such as the state budget, enrollment and attendance, and expenditure items such as changes in personnel and negotiated settlements of employee bargaining agreements.

Budgets need to be monitored regularly during the fiscal year to ensure that revenues remain appropriately projected, that actual expenditures are not materially different from those budgeted, and that appropriations are not overspent. In addition, it is essential to monitor and adjust budgets throughout the fiscal year to ensure fiscal responsibility and the efficient and effective distribution of resources to support all students' educational needs.

Budget adjustment and budget transfer conditions are addressed in EC 42600–42603 and 42610. EC 42600 states the following:

The total amount budgeted as the proposed expenditure of the school district for each major classification of school district expenditures listed in the school district budget forms .. shall be the maximum amount which may be expended for that classification of expenditures for the school year.

EC 42600 also specifies the following:

Transfers may be made from the designated fund balance or the unappropriated fund balance to any expenditure classification or between expenditure classifications at any time by written resolution of the board of education of any school district governed by a board of education, when filed with the county superintendent of schools and the county auditor, or by written resolution of the board of trustees of any school district not governed by a board of education, when approved by the county superintendent of schools and filed with the county auditor. A resolution providing for the transfers specified in this section shall be approved by a majority vote of the members of the governing board.

This provision is interpreted to mean that all budget adjustments and budget transfers should be approved at an official meeting of a district's governing board.

Most districts make budget revisions many times during the fiscal year as additional information develops and priorities change; these revisions typically fall into three main categories:

- Material increases and decreases to estimated income and expenditure appropriations resulting from the receipt of new grant awards or donations.
- Budgeted carryover balances from prior years.
- Adjustments to expenditure appropriations to prevent budget overruns.

It is the best practice to report all the following to the board monthly:

- Changes in operating costs.
- Employee and retiree benefit trends.
- Salaries and benefits as a percentage of all expenditures.
- Contributions to restricted programs.
- Ongoing versus one-time resources.
- General fund deficits.
- Projected balances of reserve funds.
- Cash flow projections.

However, some districts submit this data and budget revisions to the board only with interim reports, which is the minimum recommended practice.

Regardless of frequency, budget revisions should be presented in a manner that ensures understanding and transparency. Details linking the previously approved budget and the recommended budget are essential. Specific changes in assumptions and/or actual changes should accompany each budget revision recommended for approval.

The district has not included specific budget revisions with its board agendas throughout the year. The projected budget, which is column D of the interim report, apparently served as a budget revision for the first and second interim reports even though the board report does not specifically indicate this occurred. In these instances, the board report needs to state that the interim report functioned as a budget revision, and additional detail needs to be provided to explain what adjustments are needed and why.

The district's 2022-23 first interim report memo stated, "All amendments to the budget posted through the end of October are reflected in this report." The report identified a general fund revenue increase of \$42,636,063 and an expenditure increase of \$28,642,036. The interim report and its budget revisions were approved with no further detail or clarity provided.

Per Government Code 3547.5(a), when collective bargained agreements are considered, details of the settlement must be shared and approved at a public board meeting. This process and document is commonly known as an AB 1200 disclosure. For 2022-23, the district made the following AB 1200 disclosures:

- AB 1200 disclosure March 2, 2023, included a current year compensation increase for California School Employees Association Chapter 674 totaling \$2,843,928 and an increased cost to the unrestricted general fund of \$1,501,535. In addition, a disclosure was

approved for the Burbank Association of School Administrators totaling \$721,587 which did not affect the previously approved budget.

- AB 1200 disclosure Dec 7, 2023, included a current year compensation increase for the Burbank Teachers Association totaling \$4,789,099 and an increased cost to the unrestricted general fund of \$3,249,471.

Although these disclosures identified changes to the budget and included the revised budget amounts, no specific recommendation was made nor any action taken to make budget revisions when the settlements were approved. Such action would help bring improved transparency to the revisions' impact on the budget and their timing.

With the district's existing business systems, identifying variances is a challenge. In interviews, staff indicated that at each interim reporting period they reconcile budget and actual expenditures for the period by collecting data manually and creating a comparison using ad-hoc worksheets. In addition, in September and January the staff compare employee compensation data using a laborious process involving data from human resources, position control worksheets, and reports to LACOE.

Significant differences between the approved budget and actual expenditures are an indication of lapses in budget monitoring and adjustment. These variances may also indicate a lack of accountability among those responsible for department and school budgets. The district's budget needs to accurately reflect the approved allocations; its budget details need to be communicated clearly; and each department or school administrator needs to be responsible for managing their budget.

FCMAT reviewed the district's audits for fiscal years 2020-21 through 2022-23 and found significant variances between the district's final budget and the actual expenditures for each fiscal year.

The district's 2020-21, 2021-22 and 2022-23 audits identified significant differences between the approved budget and the district's actual expenditures, as shown in the following tables.

2020-21 Audit — Variances (page 69)

2021-22	Final Budget	Actual	Variance
Revenues	\$ 207,846,532	\$ 189,896,240	\$ (17,950,292)
Expenditures	\$ 181,965,043	\$ 174,378,151	\$ (7,586,892)
Excess (Deficit)	\$ 25,881,489	\$ 15,518,089	\$ (10,363,400)

2021-22 Audit — Variances (page 71)

2022-23	Final Budget	Actual	Variance
Revenues	\$ 213,807,051	\$ 211,977,851	\$ (1,829,200)
Expenditures	\$ 201,030,548	\$ 204,517,468	\$ 3,486,920
Excess (Deficit)	\$ 12,776,503	\$ 7,460,383	\$ (5,316,120)

2022-23 Audit — Variances (page 69)

2022-23	Final Budget	Actual	Variance
Revenues	\$ 240,664,755	\$ 240,664,757	\$ 2
Expenditures	\$ 206,579,573	\$ 207,123,765	\$ 544,192
Excess (Deficit)	\$ 34,085,182	\$ 33,540,992	\$ (544,190)

In addition, as shown in the tables below, the audits identified expenditures that exceeded the approved budget amount, which indicates unauthorized expenditures of funds. Expenditures that exceed the budgeted amounts approved by the board indicate inaccurate budgeting and/or a lack of control over expenditures.

2020-21 Audit — Expenditures in Excess of Appropriations (Page 77)

Category	Excess Expenditure
Classified Salaries	\$ 1,585,886
Employee Benefits	\$ 6,773,995

2021-22 Audit — Expenditures in Excess of Appropriations (page 80)

Category	Excess Expenditure
Certificated Salaries	\$ 3,558,941
Classified Salaries	\$ 2,647,666
Employee Benefits	\$ 9,110,535
Services and Other Operating Expenditures	\$ 4,215,296
Interfund Transfers Out	\$ 208,749

2022-23 Audit — Expenditures in Excess of Appropriations (page 79):

Category	Excess Expenditure
Excess expenditures over appropriations	
Capital Outlay	\$ 962,776
Debt Service	\$ 294,630

These variances indicate that the district did not update budget amounts to align with actual revenues and expenditures and/or did not control expenditures, allowing them to exceed approved amounts.

The district's BP 3100 is the board-established policy on how often revisions are submitted and approved. It states the following:

Whenever revenues and expenditures change significantly throughout the year, the Superintendent or designee shall recommend budget amendments to ensure accurate projections of the district's net ending balance.

In addition, budget amendments shall be submitted for Board approval as necessary when collective bargaining agreements are accepted, district income declines, increased revenues or unanticipated savings are made available to the district, program proposals are significantly different from those approved during budget adoptions, interfund transfers are needed to meet actual program expenditures, and/or significant changes occur that impact budget projections.

Although the policy does not speak to the detail to be provided with the budget amendments, the best practice is for every budget revision to be accompanied by a detailed background, assumptions, and explanation of its impact so it is clear why the budget has changed and the effects of the change.

Monitoring budgets during the year includes helping schools and departments effectively use the funds available to them as well as ensuring that budgets are not overspent and that activity is coded correctly.

Common accounts reconciled during each interim period and at year-end closing are accounts receivable and accounts payable. At the end of each fiscal year, any revenue earned by June 30 but not yet received must be recorded as an accrual entry. The same is true for any outstanding payments for supplies or services provided in the fiscal year closing. Accrual entries record the revenues and expenditures in the periods in which they were earned or incurred.

In interviews, staff indicated that the overstatement of the district's financials was because of the recording of an accrual initially set up to pay retroactive amounts resulting from a collective bargaining agreement settlement. However, the retroactive amounts were paid before the end of the fiscal year, doubling the liability. When it discovered the accrual entry, the district corrected the financials and the fund balance experienced an unintended substantial increase. As part of each interim period and year-end process, the district needs to reconcile its accounts receivable and accounts payable to accurately show its financial position.

The district needs to work to minimize variances between budget and actual expenses throughout the year and at year-end closing. This would give the governing board accurate and timely data to use when making decisions regarding the district's resources and would increase credibility with district departments, employee associations, the community, and the governing board. Communication regarding budget adjustments and how they affect the district needs to be ongoing, detailed, transparent and understood.

Recommendations

The district should:

1. Review and consider revising board policy to further specify how often budget revisions should be submitted to the board for approval. At minimum, budget revisions should occur with each interim report; however, in accordance with board policy, revisions should also occur whenever the district learns of a material change in revenues or expenditures.
2. Revise its board policy to require details in budget revisions submitted to the board for approval to ensure all adjustments and their effects are clearly understood.
3. Ensure department and school administrators are aware of their budget allocations and accountable for independently managing their budgets.
4. Monitor and revise the budget throughout the fiscal year to ensure appropriations are not overspent, revenues remain accurately projected, and actual expenditures are not materially different from those budgeted.
5. Give school and department managers position control reports at budget development and during the year, ideally at each interim reporting period. Ensure that managers review the reports and inform the Human Resources Department of any errors.
6. Perform regular reconciliations of accounts payable and accounts receivable to ensure errors are identified promptly and resolved.

Position Control

Position control is a system that manages the allocation of authorized positions within a district and plays a crucial role in budgeting, staffing, and organizational planning. It involves managing the creation, change, and elimination of positions, as well as ensuring that positions are necessary to meet the district's educational goals. Position control is usually managed collaboratively by a district's human resources and busi-

ness departments, but all school and department leaders have a responsibility to ensure they comply with policies and procedures regarding position control.

Following are some key aspects of position control in school districts:

1. **Job Classification**
Position control involves defining and classifying various positions based on factors such as job responsibilities, qualifications and pay scales. This helps ensure consistency and fairness in how different roles are categorized.
2. **Staffing Levels**
This involves determining the optimal number of staff members needed in each position to efficiently run the district's operations; these are typically tied to ratios specified in collective bargaining agreements. This can include teachers, administrators, support staff, and other personnel.
3. **Budgeting**
Position control is closely tied to budgeting because it helps staff and managers estimate salaries and benefits accurately. By controlling the number and type of positions, school districts can better allocate their financial resources and avoid overbudgeting or underbudgeting.
4. **Recruiting and Hiring**
School districts use position control to identify vacant positions and start recruitment and hiring to fill these positions. This includes creating job postings, conducting interviews, and selecting candidates.
5. **Job Changes**
When roles need to be changed or updated, position control helps manage these changes. This could include increases or decreases in hours, adjusting funding allocations, or adjusting salaries and benefits because of collective bargaining agreements.
6. **Compliance**
Ensuring that the district complies with its board policies, labor laws, employment regulations, and collective bargaining contracts is an important part of position control. It helps avoid legal issues related to staffing and employment practices.
7. **Data Management**
Position control often involves maintaining a database or system to track information related to positions, staff members, and changes over time. This data is valuable for decision-making, reporting and auditing.
8. **Strategic Planning**
Position control aligns with the district's educational goals and objectives. It helps district leaders make informed decisions about staffing priorities and resource allocations.

Position control provides essential information about the largest part of a district's expenditure budget: In most school districts, 85% to 90% of the budget is spent on employee salaries and benefits. Therefore, accurately projecting salary and benefit costs is crucial. A comprehensive position control system also prevents omission of other annual expenses tied to positions, such as substitutes, stipends, vacation pay, step-and-column changes, and other salary- and benefit-related items that may be in the district's collective bargaining agreements.

To be most effective, a position control system must be integrated with other financial modules such as those used for budget development, human resources and payroll. When the Business Services and Human Resources departments use one system, the efficiency and effectiveness of a district’s financial management increase because it streamlines processes, reduces errors, and provides a comprehensive and up-to-date view of the district’s financial health that enables better decision-making.

Proper segregation of duties is a fundamental principle of internal controls and is essential for proper position control. It helps prevent fraud, errors, and misuse of resources by ensuring that position control functions are divided among individuals and between the business and human resources functions. Internal controls for position control ensure that only board-authorized positions are entered in the system, that human resources hires only for authorized positions, and that payroll pays only employees hired for authorized positions. The district has no formal processes and procedures for coordinating position control between its Business Services and Human Resources departments.

The following table shows a suggested distribution of labor between the Business Services and Human Resources departments to provide the necessary internal control structure for position control.

Suggested Division of Labor for Position Control

Task	Responsibility
Approve or authorize position.	Governing board or designee
Input approved position into position control, with estimated salary/budget. Every position is given a unique number.	Human Resources Department
Review salary/account codes.	Business Services Department
Enter demographic data, including: <ul style="list-style-type: none"> Employee name. Employee address. Social Security number. Credential. Classification. Salary schedule placement. Annual review of employee assignments. 	Human Resources Department
Update employee benefits. Update salary schedules.	Human Resources or Business Services Department
Review and update employee work calendars. Update employee step and/or column placement.	Human Resources Department
Assign Account codes. Budget development. Budget projections. Multiyear projections. Salary projections.	Business Services Department

The district lacks a comprehensive position control system to manage, track and report staffing and compensation. It maintains employee salary and benefits information on spreadsheets that require extensive formulas with heavy data entry that can lead to errors because of the complexity of updating and maintaining data. The district would benefit from a financial system that offers an integrated position control module that allows data to be updated frequently to ensure accurate salary and benefit projections for budget development.

The district uses a Personnel Transaction Request (PTR) form to initiate a new position and to revise details of an existing position or change an existing employee assignment. The PTR form is a manual, paper-based process initiated by human resources, department heads, or school administrators. Each PTR is routed

physically through designated levels of administration for approval, depending on the position, as well as for verification of funding source. The information from the PTR form is then entered into various systems, including Aeries, HRS, FileMaker Pro, Microsoft Access, and the full-time equivalent (FTE) spreadsheets. The employee position control numbers are generated automatically from Helios, an old system used by the Human Resources Department. In both September and January, salaries and benefits are verified against the FTE spreadsheets and the BEST and Smartetools systems. FCMAT was unable to identify through interviews or document review any evidence that there is reconciliation across all systems, and there is uncertainty about the consistency of information across all the systems and spreadsheet workbooks the district uses.

Costs for overtime, substitutes, and stipend positions are budgeted based on a three-year average of actual expenses and updated as new PTR forms are generated. Staff reported that the PTR forms do not accurately budget funds for these costs, and employees are often paid more than the allocated budget amount. A fully integrated position control system would help the district maintain accurate salary and benefit information for more accurate budget projections.

Reconciling position control with budget and payroll is essential for effective financial management. This reconciliation involves aligning all authorized positions in the district, as managed through position control, with the budget allocations and actual payroll disbursements. It ensures that the district's financial resources are allocated efficiently and accurately to cover personnel costs while adhering to staffing levels. Reconciling this data can prevent overbudgeting and underbudgeting and help improve budget consistency. This enables district leaders to make informed decisions about resource allocations, staffing priorities, and fiscal responsibilities, thus contributing to the district's overall financial health.

In addition, to improve transparency and facilitate effective planning, it is essential that schools and departments receive a comprehensive staff list at least twice a year so they can review and verify positions, staff assignments and associated budget implications to make sure they align with position control, budget, and payroll processes.

Recommendations

The district should:

1. Implement a position control system that integrates with the financial system to improve data accuracy for budget projections.
2. Provide training and support to users who will be working with the integrated system.
3. Audit position control data to ensure it includes all positions and salary costs, including those for substitutes, stipends and extra duty.
4. Implement an electronic routing system for its PTR forms, and provide staff with training on the automated process.
5. Distribute a comprehensive staff list to all schools and departments for review and verification of positions.
6. Ensure that position control is reconciled with budget and payroll regularly, at least during budget development and interim reporting periods.

Accounts Payable

Accounts payable is the function responsible for accurately tracking amounts owed to vendors, ensuring payments to vendors are properly approved, and processing those payments. The accounts payable process starts when a purchase is made to obtain supplies, materials or services from a vendor. Accounts payable work includes accurately tracking amounts owed to vendors, ensuring vendor payments are properly approved, and processing timely payments to vendors.

School districts use purchase requisitions and/or purchase orders to initiate purchases from vendors. A purchase requisition is most commonly used to start a request and complete an approval process to make a purchase. Purchase orders are used to communicate the order to the vendor. A purchasing process that uses a purchase order system integrated with the financial system is the best practice because such systems automatically encumber (i.e., reserve a purchase order amount to prevent spending for other purposes) the district's budget when a purchase order is prepared. This is essential for controlling spending and managing and monitoring the budget. When used to its fullest, an integrated purchasing system can also be used to document and track the receipt of goods and services and provide information to accounts payable to support the authorization for payment and for auditing.

Because of the nature and volume of work, purchasing and accounts payable functions are at high risk for errors and fraud. Effective purchasing and accounts payable processes and procedures include activities to ensure that all expenditures are approved based on available budgeted resources and that only legitimate and accurate invoices are authorized and paid.

The district's BP 3314 states the following:

[The board] recognizes the importance of developing a system of internal control procedures in order to fulfill its obligation to monitor and safeguard district resources. To facilitate warrant processing, the Superintendent or designee shall ensure that purchasing, receiving, and payment functions are kept separate. He/she shall also ensure that invoices are paid expeditiously so that the district may, to the extent possible, take advantage of available discounts and avoid finance charges.

Further, BP 3300 states:

[The board] recognizes its fiduciary responsibility to oversee the prudent expenditure of district funds. In order to best serve district interests, the Superintendent or designee shall develop and maintain effective purchasing procedures that are consistent with sound financial controls and that ensure the district receives maximum value for items purchased.

Although the board policies identify the importance and seriousness of safeguarding district funds, the district does not have documented procedures for the accounts payable process. However, FCMAT found that several controls are in place, such as the requirements that a purchase order accompany every invoice and employee reimbursement and that a budget hard stop occur if sufficient funds are not available, preventing the purchase order from being approved.

Purchase orders are taken to the board monthly for approval. The information presented is detailed enough to provide appropriate oversight and includes the purchase order number, vendor, description of purchase, site, fund, and total amount. As an additional oversight, BP 3314 requires that the board "approve all warrants at a regularly scheduled Board meeting." Warrants are also taken to the board monthly for approval; however, the information provided includes only the warrant numbers, whether each warrant is for payroll or commercial, the date range of the warrants, and the total amount of the warrants by payroll or commercial. Without further detail, it is not possible for the board to know which vendors are being paid, the

amount being paid with each warrant, or what is being paid for. Ideally, the warrant list will have the same level of detail as the purchase order report and include the purchase order number against which each warrant is being paid.

At the time of FCMAT's fieldwork, the budget/accounting technician positions responsible for accounts payable were vacant. Interviews indicated the district had difficulty making timely payments to vendors, resulting in the suspension of accounts. The problem stems from the purchasing/accounts payable positions being vacant and payments not being processed over the summer. Business staff helped process payments to vendors and reestablish accounts, enabling the district to resume purchasing. However, despite these efforts, staff reported that there had been a two- to three-week delay in processing payments to vendors. The procedures for vendor payments need to be documented to facilitate smoother transitions during future vacancies, prevent delays in paying vendors, and ensure a more efficient and structured workflow.

To support districts and help ensure appropriate use of public funds, the Los Angeles County Office of Education, the district's oversight agency, is required to audit and approve school districts' payments to vendors. According to the county office's website, it provides guidance on procurement, contracts, purchase orders, invoices, and other subjects related to nonsalary business transactions.

Recommendations

The district should:

1. Continue to recruit for and fill its vacant accounts payable positions.
2. Ensure the accounting technicians responsible for purchasing and accounts payable duties are adequately trained in all duties.
3. Develop and document accounts payable procedures to detail the vendor payment process, including invoice receipt, review, approval, coding verification, payment authorization, deadline, and document retention.
4. Consider adding detail to the warrant list presented to the board for approval.

Accounts Receivable

School districts collect cash from various activities, including student fundraising, meals and other cafeteria food, retiree health benefit payments, developer fees, and many other items. Accounts receivable is the function of organizing and processing funds owed to the district from other entities such as grantor governments and customers (e.g., other school districts that contract with the district for services). These funds may come in the form of electronic transfers through the county superintendent of schools or other granting authority, checks, cash, or other means. Duties associated with accounts receivable and cash collections usually include creating and sending invoices, collecting cash receipts, depositing money received into bank accounts or the county treasury, recording deposits in the financial system, reconciling accounts, and setting up accruals of outstanding balances due at year end. Effective accounts receivable policies and procedures ensure revenue accounts are updated and monitored regularly.

When handling cash and deposits, it is essential to maintain internal controls, including segregation of duties and chain of custody. Segregation of duties requires having separate individuals count and verify funds received independently (i.e., a two-person cash count), including cash tally records, reconciliation reports, and deposit transactions. Chain of custody ensures the security of funds in transition from receipt

to deposit and includes implementing measures such as sealed deposit bags, secure storage locations, and documented transfers from one person to another.

According to interviews, accounts receivable duties are assigned to the budget and accounting technician positions. Only three of the six positions are filled, and these three employees have been with the district less than a year. Because the district has no documented procedures, these employees had to mostly self-train and create ad-hoc spreadsheets to track accounts receivable activities. Interviews identified past issues with accounts receivable work not being completed efficiently and on time because of the vacancies and lack of procedures.

Recommendations

The district should:

1. Develop, document, and implement policies and procedures for proper accounts receivable management.
2. Ensure duties are segregated, including transport, counting, recording, deposit, and reconciliation of all funds received, so there is proper invoicing and receipt of funds.
3. Provide training and appropriate duty assignments to ensure coverage for and timeliness of accounts receivable duties.
4. Provide training and enforce adherence to proper handling of any receipts and cash collected, including a two-person cash count and deposit verification.

Training

In BP 4331, the district “recognizes that professional development enhances employee effectiveness and contributes to personal growth.” It is the district’s responsibility to provide staff with training opportunities and guidance so they can follow district procedures and best practices in their respective duties and roles.

Staff members need to receive training in all assigned areas of responsibility when they start in a position or are assigned a new task, and managers should provide clear direction and ongoing oversight as needed.

Many staff reported during interviews that they did not receive any training on their job responsibilities. Most employees indicated they were self-taught and relied on online videos to acquire the skills needed to do their job. They also have depended on one another and exchanged ideas to resolve issues in their department. Interviews indicated that the district has team meetings regularly to support communication. These meetings could be enhanced to provide additional opportunities for staff collaboration and sharing of knowledge and tools.

Training is also supported by procedural manuals. As part of this study, FCMAT requested procedural manuals and any documented processes; however, none were provided. Interviews indicated that the district lacks written manuals and standard operating procedures that include workflow diagrams and step-by-step instructions for all job duties. These would help ensure proper internal controls and provide a better understanding of duties and their timelines. Procedural manuals are needed to communicate responsibilities. The best practice is for the manuals to explain in detail the processes and procedures that are expected of employees to help them comply with rules and regulations, including board and district policies and procedures. These manuals would also allow routine procedures to be more easily shared when new employees join the department and when substitutes or additional help are needed; this is important for the district because of the high rate of turnover.

Manuals also do the following:

- Ensure consistent application of internal controls and designate the responsibilities that each position has for that process.
- Help eliminate gaps in training that can remain after employee turnover; this is especially helpful for new staff.
- Provide guidelines for training, including cross-training; help preserve institutional knowledge; and eliminate dependence on one person.
- Ensure staff members follow the latest and most efficient procedures and maintain segregation of duties.

After desk manuals and standard operating procedures are developed, the documents need to be reviewed and updated when material changes occur or at least annually.

Public education is a collaborative professional community. District staff have access to a free [help desk](#) and [email lists](#) offered by FCMAT to connect with peers in various disciplines. The district needs to network with other LEAs and solicit copies of existing desk reference manuals that could be used to help develop procedure manuals for the business office. Another option the district may consider is enlisting a third party to help complete procedure manuals. This would help ensure manuals are consistent in format across all sections of a department and allow them to be completed without taking staff time from regular duties.

Training is offered by several regional and statewide organizations, including the [LACOE](#), [California County Superintendents, Association of California School Administrators](#), [California Association of School Business Officials](#), and [School Services of California, Inc.](#) Increasing staff communication and building relationships with other school district professionals through these types of organizations would benefit both employees and the district.

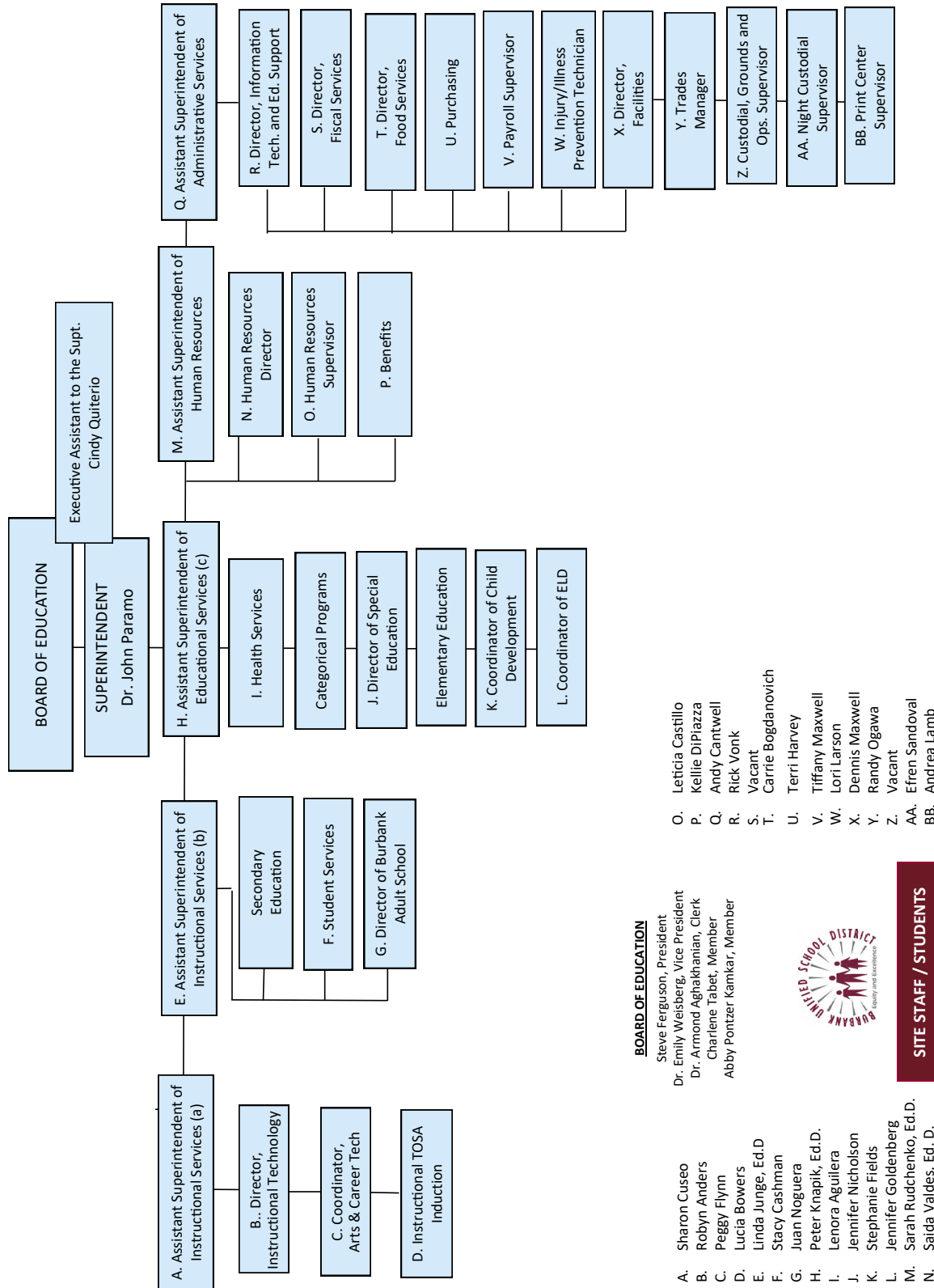
Recommendations

The district should:

1. Create and implement a training plan that outlines specific trainings, meetings, and workshops offered by professional experts for the different business functions in the business office.
2. Provide additional opportunities for staff collaboration and sharing of knowledge and tools.
3. Develop policies and procedures manuals for key functions of the Business Services Department; consider collaborating with other educational agencies or seeking third-party assistance to develop the procedural manuals.
4. Review and if needed revise all operational policies and procedures and desk manuals at least annually.
5. Seek networking opportunities with the educational community to learn and share practices and procedural manuals.

Appendix A

District Organizational Chart



BOARD OF EDUCATION

- Steve Ferguson, President
- Dr. Emily Weisberg, Vice President
- Dr. Armond Aghakhanian, Clerk
- Charlene Tabet, Member
- Abby Pontzer-Kamkar, Member



SITE STAFF / STUDENTS

- A. Sharon Cuseo
- B. Robyn Anders
- C. Peggy Flynn
- D. Lucia Bowers
- E. Linda Junge, Ed.D
- F. Stacy Cashman
- G. Juan Noguera
- H. Peter Knapik, Ed.D.
- I. Lenora Aguilera
- J. Jennifer Nicholson
- K. Stephanie Fields
- L. Jennifer Goldenberg
- M. Sarah Rudchenko, Ed.D.
- N. Saída Valdes, Ed. D.
- O. Leticia Castillo
- P. Kellie DiPiazza
- Q. Andy Cantwell
- R. Rick Vonk
- S. Vacant
- T. Carrie Bogdanovich
- U. Terri Harvey
- V. Tiffany Maxwell
- W. Lori Larson
- X. Dennis Maxwell
- Y. Randy Ogawa
- Z. Vacant
- AA. Efrén Sandoval
- BB. Andrea Lamb

As of September 28, 2023

Appendix B

Study Agreement



FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM STUDY AGREEMENT JULY 11, 2023

The Fiscal Crisis and Management Assistance Team (FCMAT), hereinafter referred to as the team, and the Burbank Unified School District, hereinafter referred to as the district, mutually agree as follows:

1. BASIS OF AGREEMENT

The team provides a variety of services to local educational agencies (LEAs). The district has requested that the team assign professionals to study specific aspects of the district's operations. These professionals may include staff of the team, county offices of education, the California Department of Education, school districts, or private contractors. All work shall be performed in accordance with the terms and conditions of this agreement.

In keeping with the provisions of Assembly Bill 1200, the county superintendent will be notified of this agreement between the district and FCMAT and will receive a copy of the final report. The final report will also be published on the FCMAT website.

2. SCOPE OF THE WORK

A. Scope and Objectives of the Study

Review the district's operational processes and procedures in the Business Services Department, and make recommendation for improved efficiency, if any.

The areas identified for review include the following:

- Budget development
- Budget monitoring
- Position control
- Accounts payable
- Accounts receivable

B. Services and Products to be Provided

1. Orientation Meeting – The team will conduct an orientation session at the district to brief district management and supervisory personnel on the team's procedures and the study's purpose and schedule.
2. On-site Review – The team will conduct an on-site review at the district office and at school sites if necessary.

3. Exit Meeting – The team will conduct an exit meeting at the conclusion of the on-site review to inform the district of significant findings and recommendations to that point.
4. Exit Letter – Approximately 10 days after the exit meeting, the team will issue an exit letter briefly memorializing the topics discussed in the exit meeting.
5. Draft Report – The draft report will be emailed to the district’s administration for review and comment.
6. Final Report – The final report will be emailed to the district’s administration and to the county superintendent following completion of the review. FCMAT will provide physical copies upon request.
7. Follow-Up Support – If requested by the district within six to 12 months after completion of the study, FCMAT will return to the district at no cost to assess the district’s progress in implementing the recommendations included in the report. Progress in implementing the recommendations will be documented to the district in a FCMAT management letter. FCMAT will work with the district on a mutually convenient time to return for follow-up support that is no sooner than eight months and no later than 18 months after completion of the study.

3. PROJECT PERSONNEL

The FCMAT study team may include:

To be determined

FCMAT Staff

To be determined

FCMAT Consultant

4. PROJECT COSTS

The cost for studies requested pursuant to Education Code (EC) 42127.8(d)(1) shall be as follows:

- A. \$1,100 per day for each staff member while on-site, conducting fieldwork at other locations, preparing or presenting reports, or participating in meetings. The cost of independent FCMAT consultants will be billed at their actual daily rate for all work performed.
- B. All out-of-pocket expenses, including travel, meals and lodging.
- C. The district will be invoiced at actual costs, with 50% of the estimated cost due following the completion of the on-site review and the remaining amount due upon the district’s acceptance of the final report.

Based on the elements noted in section 2A, the total not-to-exceed cost of the study will be \$19,700.

- D. Any change to the scope will affect the estimate of total cost.

Payments for FCMAT's services are payable to Kern County Superintendent of Schools - Administrative Agent, 1300 17th Street, City Centre, Bakersfield, CA 93301.

5. RESPONSIBILITIES OF THE DISTRICT

- A. The district will provide office and conference room space during on-site reviews.
- B. The district will provide the following if requested:
1. Policies, regulations and prior reports that address the study scope.
 2. Current or proposed organizational charts.
 3. Current and two prior years' audit reports.
 4. Any documents requested on a supplemental list. Documents requested on the supplemental list should be provided to FCMAT only in electronic format; if only hard copies are available, they should be scanned by the district and sent to FCMAT in an electronic format.
 5. Documents should be provided in advance of fieldwork; any delay in the receipt of the requested documents may affect the start and/or completion date(s) of the project. Upon approval of the signed study agreement, FCMAT will provide access to its online SharePoint document repository, where the district will upload all requested documents.
- C. The district's administration will review a draft copy of the report resulting from the study. Any comments regarding the accuracy of the data presented in the report or the practicability of the recommendations will be reviewed with the team prior to completion of the final report.

Pursuant to EC 45125.1(c), representatives of FCMAT will have limited contact with pupils. The district shall take appropriate steps to comply with EC 45125.1(c).

6. PROJECT SCHEDULE

The following schedule outlines the planned completion dates for different phases of the study and will be established upon receipt of the signed study agreement:

Orientation:	to be determined
Staff Interviews:	to be determined
Exit Meeting:	to be determined
Draft Report Submitted:	to be determined
Final Report Submitted:	to be determined
Board Presentation:	to be determined, if requested
Follow-Up Support:	if requested

7. COMMENCEMENT, TERMINATION AND COMPLETION OF WORK

FCMAT will begin work as soon as it has assembled an available and appropriate study team consisting of FCMAT staff and independent consultants, taking into consideration other jobs FCMAT has previously undertaken and assignments from the state. The team will work expeditiously to complete its work and deliver its report, subject to the cooperation of the district and any other parties from which, in the team's judgment, it must obtain information. Once the team has completed its fieldwork, it will proceed to prepare a draft report and a final report. Prior to completion of fieldwork, the district may terminate its request for service and will be responsible for all costs incurred by FCMAT to the date of termination under Section 4 (Project Costs). If the district does not provide written notice of termination prior to the completion of fieldwork, the team will complete its work and deliver its report and the district will be responsible for the full costs. The district understands and agrees that FCMAT is a state agency and all FCMAT reports are published on the FCMAT website and made available to interested parties in state government. In the absence of extraordinary circumstances, FCMAT will not withhold preparation, publication and distribution of a report once fieldwork has been completed, and the district shall not request that it do so.

8. INDEPENDENT CONTRACTOR

FCMAT is an independent contractor and is not an employee or engaged in any manner with the district. The manner in which FCMAT's services are rendered shall be within its sole control and at its discretion. FCMAT representatives are not authorized to speak for, represent, or obligate the district in any manner without prior express written authorization from an officer of the district.

9. INSURANCE

During the term of this agreement, FCMAT shall maintain liability insurance of not less than \$1 million unless otherwise agreed upon in writing by the district, automobile liability insurance in the amount required under California state law, and workers' compensation as required under California state law. Upon the request of the district and the receipt of the signed study agreement, FCMAT shall provide certificates of insurance, with Burbank Unified School District named as additional insured, indicating applicable insurance coverages.

10. HOLD HARMLESS

FCMAT shall hold the district, its board, officers, agents, and employees harmless from all suits, claims and liabilities resulting from negligent acts or omissions of FCMAT's board, officers, agents and employees undertaken under this agreement. Conversely, the district shall hold FCMAT, its board, officers, agents, and employees harmless from all suits, claims and liabilities resulting solely from negligent acts or omissions of the district's board, officers, agents and employees undertaken under this agreement.

