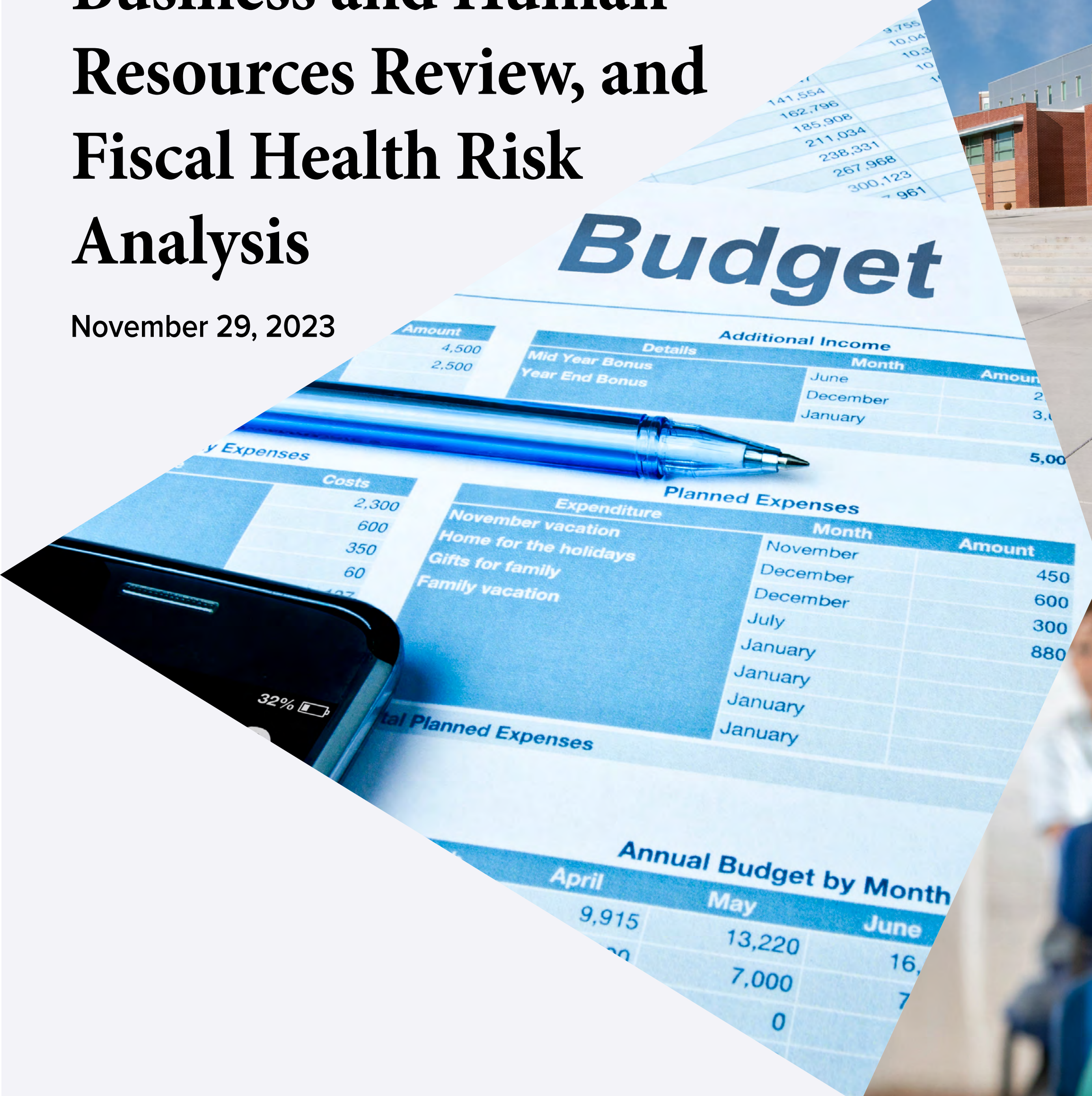
FCMAT

FISCAL CRISIS & MANAGEMENT
ASSISTANCE TEAM

Multiyear Financial Projection, Business and Human Resources Review, and Fiscal Health Risk Analysis

November 29, 2023



Burlingame Elementary School District

Michael H. Fine
Chief Executive Officer

November 29, 2023

Marla Silversmith, Ed.D., Superintendent
Burlingame Elementary School District
1825 Trousdale Drive
Burlingame, CA 94010

Dear Superintendent Silversmith:

In May 2023, the Burlingame Elementary School District and the Fiscal Crisis and Management Assistance Team (FCMAT) entered into an agreement for FCMAT to perform the following:

1. Review the district's 2023-24 adopted general fund budget and use it as a baseline to develop an independent multiyear financial projection (MYFP) for the current and two subsequent fiscal years. The MYFP will be a snapshot in time of the district's financial status. Make recommendations for expenditure reductions and/or revenue increases to help the district eliminate its structural budget deficit, if any.

2. 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
   - Payroll
   - Accounts payable
   - Accounts receivable

3. Review operational processes and procedures in the Human Resources Department and make recommendations for improved efficiency, if any.

4. Evaluate the current workflow and distribution of functions within and between the above departments and make recommendations for improved efficiencies, if any.

5. Prepare an analysis using the 20 factors in FCMAT's Fiscal Health Risk Analysis and identify the district's risk rating for fiscal insolvency.

This final report contains the study team's findings and recommendations. FCMAT appreciates the opportunity to serve the Burlingame Elementary 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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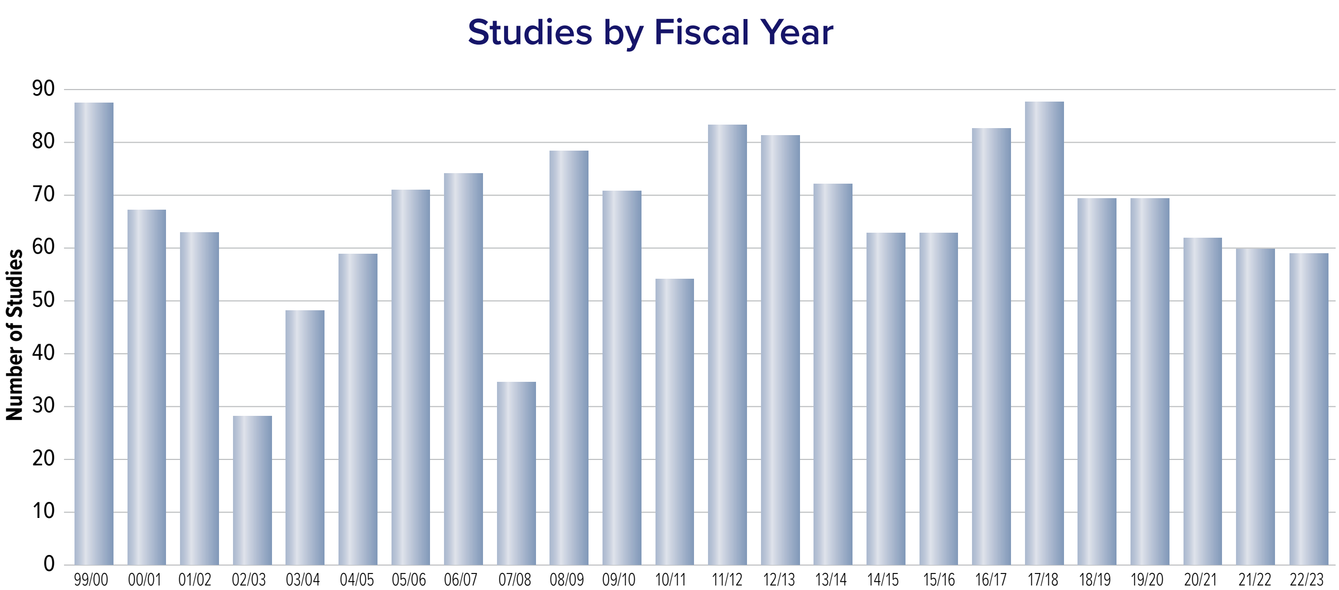
About FCMAT

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.



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

Located in San Mateo County, the Burlingame Elementary School District has a five-member governing board and serves students in preschool through eighth grade at six elementary schools and one intermediate school. According to data from the California Department of Education (CDE), the district's student enrollment increased steadily from 2006-07 to a peak of 3,534 in 2019-20 but has declined each year since, to 3,284 in 2022-23. The district's California Longitudinal Pupil Achievement Data System (CALPADS) records indicate that the district's 2022-23 unduplicated pupil count of students who qualify for free or reduced-price meals, and/or are foster youth, and/or are English learners, was 751, or 22.87% of enrollment.

Study and Report Guidelines

In May 2023, the Burlingame Elementary 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 and Human Resources departments.

FCMAT visited the district on July 31 and August 1, 2023 to conduct interviews with district and school staff, collect data, and review documents. Follow-up interviews were conducted via Zoom on August 3, 15, and 24, 2023. Documents were received from the district through September 12, 2023. Following fieldwork, FCMAT continued to 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:

Debbie Riedmiller, CFE
FCMAT Intervention Specialist

Marcus Wirowek, CFE
FCMAT Intervention Specialist

Alyssa Low
FCMAT Consultant

Colleen Patterson
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 Burlingame Elementary School district has experienced significant turnover in its Business Services and Human Resources departments over the last few years. At the time of FCMAT's fieldwork, the superintendent had been in her position for a month after having served as interim superintendent for six months. The former superintendent held the position for three years and was on leave for the last six months. The chief business official (CBO) had resigned just before FCMAT's on-site fieldwork, having served in the position for just over two years, and one fiscal analyst position was also vacant. The director of human resources had been in her position only seven months; and the rest of the business staff had been in their positions for only one to two years. Two other business office employees resigned in the two months after fieldwork.

One of FCMAT's main objectives in this study was to review the district's 2023-24 adopted general fund budget and develop an independent multiyear financial projection (MYFP). The team reviewed numerous documents and financial reports, including the district's annual independent audits, unaudited actuals, financial system reports, attendance reports and other historical financial information pertinent to the study.

Financial projections are based on certain assumptions and criteria, including enrollment and average daily attendance (ADA) trends, cost-of-living increases, economic conditions, and revenue and expenditure estimates. Therefore, when the underlying assumptions change, the results of the projection will change. The district's budget was based on the governor's May revision budget and other assumptions available when it was created. FCMAT's budget and MYFP was based on the final 2023-24 enacted state budget. In addition, FCMAT used its projections of enrollment and ADA in its MYFP.

The district's 2023-24 adopted budget and MYFP projects deficit spending of $826,881 in 2023-24, a surplus of $33,159 in 2024-25, and a surplus of $220,694 in 2025-26. The district's presentation to its governing board notes that the reserve requirement is met in all three years only with a transfer from Fund 17, Special Reserve Fund for Other than Capital Outlay Projects. The MYFP prepared by FCMAT shows an unrestricted general fund deficit of $2.9 million in 2023-24, $3.2 million in 2024-25, and $2.4 million in 2025-26, and negative unrestricted fund balances in all three years. The district has significant reserves set aside in Fund 17 and will likely need to draw on those reserves to meet the minimum reserve requirement. It is imperative that the district develop a detailed deficit reduction plan that includes a timeline for implementation, carry out the planned reductions, and continue to search for ongoing solutions to eliminate deficit spending.

Multiyear Financial Projection Summary, General Fund, Unrestricted Resources Only

Description	Adjusted Base Year 2023-24	Year 2 2024-25	Year 3 2025-26
Total, Revenues	$39,099,294	$ 40,448,120	$ 42,378,485
Total, Expenditures	$ 36,066,561	$ 37,267,582	$ 38,271,932
Total, Other Financing Sources/Uses	$ (5,947,835)	$ (6,385,844)	$ (6,524,036)
E. Net Increase (Decrease) in Fund Balance	$ (2,915,102)	$ (3,205,307)	$ (2,417,482)
Adjusted Beginning Balance	$ 2,436,590	$ (478,512)	$ (3,683,819)
Ending Balance/Net Position, June 30	$ (478,512)	$ (3,683,819)	$ (6,101,301)
Components of Ending Fund Balance			

Nonspendable	$ 2,500	$ 2,500	$ 2,500
Reserve for Economic Uncertainties	$ 1,681,233	$ 1,652,308	$ 1,669,287
Unassigned/Unappropriated Amount	$ (2,162,245)	$ (5,338,627)	$ (7,773,088)

Rounding used in calculations.

The number shown as a negative in the unassigned/unappropriated fund balance is the amount by which budgeted expenditures must be reduced or revenues increased to meet the reserve requirements in accordance with Assembly Bill (AB) 1200. An entity that continues to spend more than it receives depletes its cash resources. The district should implement immediate expenditure reductions to avoid running out of cash and becoming insolvent. The consequences of becoming cash insolvent are severe, including county and state intervention and a loss of local governance and control; these should be avoided.

As part of the study, the district requested FCMAT to review operational processes and procedures in its Business Services and Human Resources (HR) departments. Because so many staff members in business and HR are new to the district or to their positions, the district has a unique opportunity to create and document processes and procedures and strengthen internal controls. In addition, relationships within and between business and HR staff and staff at other locations and departments have been strained over the past two years, and the district has an opportunity to build and restore those relationships.

FCMAT also conducted a Fiscal Health Risk Analysis (FHRA) of the district. The FHRA shows the district is at high risk of insolvency and identifies fiscal weaknesses and areas of concern that contribute to its fiscal distress. Significant risk factors include, but are not limited to, budget development and monitoring, cash management, analysis and disclosure of tentative collective bargaining agreements, deficit spending, internal controls and fraud prevention, and lack of position control.

Findings and Recommendations

Multiyear Financial Projection

Assembly Bill 1200 and AB 2756 require MYFPs, and they are a part of the budget adoption and interim reporting process. AB 2756 was signed into law in June 2004 and made substantive changes to the financial accountability and oversight processes used to monitor the fiscal status of school districts and county offices of education. Among other things, AB 2756 strengthened the roles of the superintendent of public instruction (SPI) and county offices of education and their ability to intervene during fiscal crises, including requesting assistance from FCMAT.

If at any time during the fiscal year a district cannot meet its financial obligations for the current or two subsequent fiscal years, or has a qualified or negative budget certification, the county superintendent of schools is required to notify the district's governing board and the SPI. The county office must follow Education Code (EC) 42127.6 when assisting a school district in fiscal distress. If a district does not maintain its required reserve for economic uncertainties, the MYFP is the primary tool used to help the county office and the district develop a plan to regain fiscal solvency and restore the required reserve.

Financial planning is crucial for every local educational agency (LEA), regardless of size or structure. MYFPs allow a governing board and district to make budget decisions that strategically allocate current and future resources in alignment with their goals, programs, and Local Control and Accountability Plan (LCAP). In addition, recognizing financial trends is essential to maintaining a district's fiscal health. Monitoring and analyzing year-to-year trends in key budget areas helps a district evaluate its budget direction and identify possible areas of concern so solutions can be implemented in a timely manner.

Multiyear financial projections allow a district to forecast the future fiscal effect of current decisions. Projections should be updated at least at each interim financial reporting period, when known economic forecasts change, and before any significant decisions are made that affect the budget, such as salary increases or other major financial commitments. When developing an MYFP, a district's main objectives are to achieve and sustain a balanced budget, improve academic achievement, and maintain fiscal solvency and thus avoid loss of local governance.

Any forecast of financial data has inherent limitations, because calculations are based on certain economic assumptions and criteria, including enrollment trends, cost-of-living adjustments, estimates of costs for utilities, supplies and equipment, and changing economic conditions at the state, federal, and local levels. Therefore, any projection should be viewed as a trend based on certain criteria and assumptions rather than a prediction of exact numbers.

Regular and frequent budget monitoring becomes even more important in times of fiscal uncertainty. Multiyear projections can become somewhat less reliable in a time of fiscal instability, especially in their projections for the subsequent fiscal years, because projected revenue information from the state and federal government, and related expenditures, may change frequently. Nonetheless, the district will need to ensure that multiyear financial and cash flow projections are kept up to date and that the information they contain is accurate and based on the most current budget assumptions available.

One-time funding, such as that provided by the state in prior years and federal and state COVID-19 relief funds, can temporarily mask an ongoing operational deficit. Maintaining fiscal solvency while maximizing services to students with available financial resources will be a continuing challenge for LEAs and their governing boards, which have a fiduciary duty to ensure solvency. Each district faces its own financial risk factors based on reserve levels, enrollment trends, employee compensation, degree of revenue volatility, and various other local and statewide factors. Districts must plan accordingly to meet ongoing academic and program objectives while maintaining fiscal solvency.

All LEAs should strive to maintain fiscal solvency and protect the integrity of educational programs by doing the following:

- Analyze enrollment trends and regularly update MYFPs.
- Maintain adequate reserves to allow for unanticipated circumstances (with the adequate level based on each LEA's unique circumstances).
- Maintain fiscal flexibility by, (a) limiting commitments to future increased expenditures based on projections of future revenue growth, and/or (b) establishing contingencies that allow expenditure plans to be changed as needed.
- Routinely prepare alternative MYFPs that show the fiscal impact of different budget assumptions through each year of the fiscal model.
- Develop an expenditure reduction plan that can be implemented in a timely manner if necessary.

California LEAs use many different methods and software products to prepare MYFPs. The projections for the district's general fund used in this report were prepared using FCMAT's Projection-Pro multiyear and cash flow projection software, a web-based forecasting tool that is available free to all California school districts, charter schools, and county offices of education. FCMAT reviewed the district's revenue and expenditure trends during recent years, used industry-standard variables provided by the Department of Finance (DOF) and the School Services of California (SSC) Financial Dartboard, and based its projection on the district's 2023-24 adopted budget for the current and two subsequent fiscal years.

Adjustment Analysis

The first step in FCMAT's process was to establish the current year revenues and expenditures. Accurately estimating these values is essential because they are used to determine the subsequent years' projections.

The following table shows the differences between the district's 2023-24 adopted budget report and FCMAT's analysis. The district used estimated 2022-23 revenues and expenditures to determine the adjusted beginning fund balance, nonspendable amounts, and restricted ending balance. FCMAT used the district's 2022-23 unaudited actuals report, which was completed in September 2023, to determine those amounts. The district's estimated 2023-24 general fund beginning balance was $2.4 million less than its actual 2023-24 general fund beginning balance. Differences in projected revenues and expenditures are explained in the "Multiyear Financial Projection Assumptions" section.

Multiyear Financial Projection Comparison Summary, General Fund Unrestricted and Restricted Resources

Description	Object Code	District 2023-24 Adopted Budget*	Adjustment to Base Year	FCMAT's 2023-24 Budget
A. Revenues				
LCFF Sources	8010-8099	39,093,926	(512,757)	38,581,169
Federal Revenue	8100-8299	793,983	420,462	1,214,444
Other State Revenues	8300-8599	5,141,498	510,753	5,652,251

Other Local Revenues	8600-8799	5,411,806	(1,059)	5,410,748
Total, Revenue		50,441,213	417,399	50,858,612
B. Expenditures				
Certificated Salaries	1000-1999	23,068,070	823,314	23,891,384
Classified Salaries	2000-2999	6,594,433	(165,944)	6,428,489
Employee Benefits	3000-3999	13,295,311	(441,088)	12,854,223
Books and Supplies	4000-4999	2,664,141	3,001,151	5,665,292
Services and Other Operating Expenditures	5000-5999	5,196,011	1,860,779	7,056,790
Capital Outlay/Depreciation	6000-6999	-	-	-
Other Outgo (excluding Transfers of Indirect Costs)	7100-7299, 7400-7499	-	144,924	144,924
Other Outgo - Transfers of Indirect Costs	7300-7399	-	-	-
Total, Expenditures		50,817,967	5,223,135	56,041,102
C. Excess (Deficiency) of Revenues over Expenditures before Other Financing Sources and Uses		(376,754)	(4,805,737)	(5,182,490)
D. Other Financing Sources/Uses				
Interfund Transfers				
Transfers In	8900-8929	-	-	-
Transfers Out	7600-7629	-	-	-
Other Sources/Uses				
Sources	8930-8979	-	-	-
Uses	7630-7699	-	-	-
Contributions	8980-8999	-	-	-
Total, Other Financing Sources/Uses		-	-	-
E. Net Increase (Decrease) in Fund Balance		(376,754)	(4,805,737)	(5,182,490)
F. Fund Balance, Reserves				
Beginning Fund Balance				
As of July 1 - Unaudited	9791	5,312,177	2,447,995	7,760,173
Audit Adjustments	9793	-	-	-
As of July 1 - Audited		5,312,177	2,447,995	7,760,173
Other Restatements	9795	-	-	-
Adjusted Beginning Balance		5,312,177	2,447,995	7,760,173
Ending Balance, June 30		4,935,423	2,447,995	2,577,682
Components of Ending Fund Balance				
Nonspendable	9710-9719	0	2,500	2,500
Restricted	9740	3,694,636	(638,441)	3,056,194
Committed				
Stabilization Arrangements	9750	-	-	-
Other Commitments	9760	-	-	-
Assigned				

Other Assignments	9780	-	-	-
Unassigned/Unappropriated				
Reserve for Economic Uncertainties	9789	0	1,681,233	1,681,233
Unassigned/Unappropriated Amount	9790	1,240,788	(3,403,033)	(2,162,245)
Special Reserve Fund – Noncapital Outlay (Fund 17)	9750	300,000	3,214,136	3,514,136
Total Available Reserves		1,540,788	1,492,336	3,033,124

*Sources: District's 2023-24 adopted budget and 2022-23 unaudited actuals.

Rounding used in calculations.

Enrollment, Unduplicated Pupil Count, and Average Daily Attendance

Accurate enrollment and ADA projections are essential elements of any MYFP. Most of a district's revenue is based on the Local Control Funding Formula (LCFF). Student enrollment, unduplicated pupil count (UPC) (that is, the number and percentage of students who are English learners, and/or foster youth, and/or qualify for free or reduced-price meals), and ADA by grade level are all core components of the LCFF calculation. Enrollment projections are vital to help identify changes that may significantly affect an LEA's estimated revenue in the current and subsequent years of a projection. Failure to identify potential reductions in revenue based on declines in ADA and to plan for necessary staffing and other reductions in a timely manner can be a significant detriment to a district's financial position. FCMAT found no evidence that the district analyzes historical enrollment and ADA and uses that information to develop enrollment projections and adjust staffing.

Accurate projections provide information essential for determining instructional priorities, staffing ratios, grade level configurations, and/or potential boundary changes. Enrollment projections should be prepared frequently and with enough detail to monitor and project class sizes in subsequent years. To maintain the most accurate and meaningful data, districts need to prepare and update enrollment projections regularly and compare them to actual enrollment. Historical enrollment and attendance patterns can help identify potential changes in future enrollment. Projections prepared in a timely manner enable a district to identify a potential enrollment decline or increase, allowing a district to adjust staffing and expenditure budgets accordingly. Regularly monitoring attendance data also allows districts to forecast whether layoff notices may be necessary; this helps ensure that management has adequate time to prepare them.

Enrollment and ADA projections have inherent limitations because they are based on certain criteria and assumptions rather than exact calculations. Limitations include issues such as the unpredictable timing of housing trends, unforeseen factors that affect enrollment, changes in local and regional demographics, and changing local, state, and federal economic conditions. Therefore, the forecast model should be viewed as a trend rather than a prediction of exact numbers.

Enrollment variables include the following:

- Birth rates and trends.
- Historical ratio of enrollment progression between grade levels.
- Changes in educational programs.
- Incoming and outgoing interdistrict transfers.

- Migration in and out of schools, including movement in and out of charter schools.
- Changes in local and regional demographics.
- Industry changes, such as new industry moving to, or existing industry moving from, an area.
- Residential housing starts and the correlation of housing starts with local, state, or national economics.

In developing the MYFP, FCMAT reviewed the district's enrollment, ADA, and UPC trends from 2013-14 through 2022-23 for all grades. Enrollment in the district increased an average of 1.49% per year from 2013-14 through 2019-20, but in the last three years has declined an average of 2.41% per year. FCMAT used its Projection-Pro software to prepare enrollment, ADA and UPC[1] projections for the current and two subsequent years and used these projections to complete an independent LCFF calculation. FCMAT's method resulted in enrollment, ADA and UPC projections that differ from the district's.

Enrollment

The enrollment projection the district provided to FCMAT did not match the enrollment projection used for the district's 2023-24 budget development. The district's projection was provided in Adobe PDF format, and FCMAT was unable to determine what method was used to project enrollment. Districts need to use reasonable projection methodologies to produce the most reliable enrollment projections. This is important because most of the district's unrestricted general fund revenues are based on enrollment and ADA. The district's 2023-24 adopted budget and MYFP was based on an enrollment increase of 0.97% in 2023-24, a decrease of 2.47% in 2024-25, and an increase of 1.14% in 2025-26.

The cohort survival method is commonly used to project enrollment for grades one through 12. This technique groups students by grade level on entry and tracks them through each year they stay in school. The method evaluates the longitudinal relationship of the number of students who pass from one grade to the next in the subsequent year. In doing so, the method more closely accounts for retention and new and departing students by grade.

Cohort survival percentages are calculated from historical enrollment data certified on the Fall 1 census data for the California Longitudinal Pupil Achievement Data System (CALPADS), which is always the first Wednesday in October. This data is used to determine a percentage of increase or decrease in enrollment between any two grades. For example, if 100 students were certified as enrolled in first grade in 2021-22 and that number increased to 104 in second grade in 2022-23, the cohort survival would be 104%, or a ratio of 1.04. Such ratios are calculated between each pair of grades over several recent years. These ratios are key factors that contribute to the reliability of the projections, which depend on the validity of the data at the starting point. Each ratio encompasses collectively the variables that could account for an increase or decrease in the size of a grade cohort as it progresses over time.

FCMAT's Projection-Pro software uses the cohort survival method to project enrollment. However, the anomalies of 2020-21 and 2021-22 caused by the COVID-19 pandemic made using a five-year cohort survival method unreliable. For example, the district experienced an enrollment decline of 4.16% in 2020-21 and a decline of 2.21% in 2021-22. To assume that this rate of decline will continue would likely result in an enrollment projection that is unrealistic. To compensate for this anomaly, FCMAT used a three-year historical average to project grades one through eight. For 2023-24 enrollment, FCMAT used actual enrollment by grade level as of September 12, 2023, provided by the district.

1. This is the count of pupils who are one or more of the following: English learners, foster youth, or qualify for free or reduced-price meals. The count is called unduplicated because each student is counted only once, even if they meet more than one of these three criteria.

Projecting kindergarten enrollment differs from other grades because little data is available on the presence of four- and five-year-old children who may enroll in the district the following year. One method used to project kindergarten enrollment is to identify the number of children who enroll in kindergarten and express this as a percentage of countywide live births five years earlier. Alternatively, a five-year historical average of the number of kindergarten students is usually a simpler approach. FCMAT used a three-year historical average to project kindergarten enrollment for the district. In addition, FCMAT's projection includes an adjustment for the expansion of the universal transitional kindergarten (TK) program, which gradually expands TK eligibility for four-year-old children.

Unduplicated Pupil Percentage

The district's unduplicated pupil percentage (UPP) is used to determine a portion of its LCFF funding (specifically, supplemental and concentration grant funding). This is the percentage of the district's students who are eligible for free or reduced priced meals, and/or are identified as English learners, and/or are foster youth; each eligible student is counted only once, even if they meet more than one of these criteria. The UPP is determined by calculating a three-year rolling average of the ratio of unduplicated students enrolled to total enrollment.

The district projected the number of unduplicated students to increase in 2023-24 and 2024-25, then remain flat for the next two projected years, resulting in an increase in the UPP for the three years of the projection compared to the actual UPP in 2022-23. Based on a five-year historical ratio of unduplicated students enrolled to total enrollment, FCMAT determined a weighted average ratio and used it to calculate the UPP for the projection years. FCMAT's UPP projection was slightly lower than the district's.

Average Daily Attendance

The total number of student attendance days in a school year is divided by the total number of days of instruction to calculate the district's ADA. Traditionally, school district LCFF apportionments were based on the greater of current year or prior year second reporting period (P-2) ADA report. P-2 ADA is calculated using student attendance from the first day of school through the last school month ending on or before April 15.

Because of the COVID-19 pandemic, several changes were made to how ADA is reported and funded. The second and annual attendance reporting periods were changed for 2019-20 to include full school months from July 1, 2019 through the last month ending on or before February 29, 2020, inclusive. For 2020-21 funding purposes, the state provided a one-time hold harmless provision on ADA, which allowed LEAs to use 2019-20 ADA as a proxy for 2020-21. LCFF funding for 2021-22 was based on the greater of 2021-22 ADA or the 2019-20 attendance-to-enrollment ratio, applied to 2021-22 enrollment for all classroom-based LEAs that met specified independent study requirements. The 2022-23 state budget added a provision that allows LEAs to use the greater of current year, prior year, or the average of the three most recent prior years' ADA for LCFF funding purposes.

The district's historical attendance rates vary from 95% to 97%; the district used a 97% attendance ratio for its ADA projections in its 2023-24 budget. FCMAT reviewed the district's enrollment and ADA trends for 2018-19 through 2022-23. The review compared the October CALPADS student enrollment counts to the P-2 ADA to determine the average ADA-to-enrollment ratios by grade span. FCMAT adjusted the 2020-21 attendance ratio to compensate for the use of 2019-20 ADA in 2020-21. Based on these historical ratios, a weighted average ratio was determined and used to calculate ADA for the projection years.

The table below shows FCMAT's projections of enrollment, UPC, and ADA.

FCMAT Projections of Enrollment, UPC, and ADA

Enrollment by Grade	Actual 2018-19	Actual 2019-20	Actual 2020-21	Actual 2021-22	Actual 2022-23	Projected 2023-24	Projected 2024-25	Projected 2025-26
TK-K	473	450	397	417	387	442	468	493
1	437	406	379	345	372	308	391	414
2	373	437	399	364	354	381	309	393
3	367	377	418	395	368	352	383	310
Subtotal TK-3	**1,650**	**1,670**	**1,593**	**1,521**	**1,481**	**1,483**	**1,551**	**1,610**
4	379	373	365	400	399	385	349	380
5	397	375	360	362	391	406	378	343
6	356	395	357	344	336	386	381	354
Subtotal 4-6	**1,132**	**1,143**	**1,082**	**1,106**	**1,126**	**1,177**	**1,108**	**1,077**
7	369	360	367	337	334	339	371	367
8	359	361	345	348	343	343	337	369
Subtotal 7-8	**728**	**721**	**712**	**685**	**677**	**682**	**708**	**736**
Total TK-12 Enrollment	**3,510**	**3,534**	**3,387**	**3,312**	**3,284**	**3,342**	**3,367**	**3,423**
Enrollment increase (decrease)		24	(147)	(75)	(28)	58	25	56
Unduplicated Pupil Count	**Actual 2018-19**	**Actual 2019-20**	**Actual 2020-21**	**Actual 2021-22**	**Actual 2022-23**	**Projected 2023-24**	**Projected 2024-25**	**Projected 2025-26**
UPC	797	730	655	758	751	731	736	748
Ratio	22.71%	20.66%	19.34%	22.89%	22.87%	21.86%	21.86%	21.86%
Average Daily Attendance (ADA)	**Actual 2018-19**	**Actual 2019-20**	**Reported 2020-21***	**Actual 2021-22**	**Actual 2022-23**	**Projected 2023-24**	**Projected 2024-25**	**Projected 2025-26**
Grades TK-3								
Enrollment	1,650	1,670	1,593	1,521	1,481	1,483	1,551	1,610
Ratio	96.80%	96.32%	100.97%	96.41%	94.77%	95.91%	95.91%	95.91%
ADA	1,597.15	1,608.47	1,608.47	1,466.41	1,403.61	1,422.31	1,487.53	1,544.11
Grades 4-6								
Enrollment	1,132	1,143	1,082	1,106	1,126	1,177	1,108	1,077
Ratio	96.81%	96.93%	102.40%	94.13%	95.08%	95.55%	95.55%	95.55%
ADA	1,095.88	1,107.95	1,107.95	1,041.06	1,070.60	1,124.59	1,058.66	1,029.04
Grades 7-8								
Enrollment	728	721	712	685	677	682	708	736
Ratio	95.75%	95.97%	97.19%	95.99%	95.30%	95.72%	95.72%	95.72%
ADA	697.07	691.97	691.97	657.56	645.16	652.79	677.67	704.47
Grades TK-12								

Enrollment	3,510	3,534	3,387	3,312	3,284	3,342	3,367	3,423
Ratio	96.58%	96.45%	100.63%	95.56%	94.99%	95.74%	95.75%	95.75%
ADA	3,390.10	3,408.39	3,408.39	3,165.03	3,119.37	3,199.69	3,223.86	3,277.62

*In 2020-21, districts used 2019-20 ADA and did not report actual ADA.

FCMAT's projection of enrollment was higher than the district's by 26 in 2023-24, by 133 in 2024-25, and by 152 in 2025-26. FCMAT's projection of ADA was lower than the district's by 21.28 in 2023-24, higher by 82.89 in 2024-25, and higher by 101.65 in 2025-26. FCMAT's projection of UPC was lower than the district's by 40 in 2023-24, lower by 46 in 2024-25, and lower by 34 in 2025-26. Overestimating ADA can result in an overstatement of revenue and unrestricted fund balance. It would benefit the district to analyze enrollment and ADA projections regularly and adjust budget and staffing as appropriate.

Multiyear Financial Projection Assumptions

The MYFP prepared by FCMAT used the district's 2023-24 adopted budget report as the baseline and included the impact of the state's 2023-24 enacted budget. The study team reviewed the district's records, interviewed staff members, and examined a variety of financial documents to gather the information needed for the MYFP. Assumptions include conservative economic factors and estimates, described by major object code.

The key planning factors and budget assumptions FCMAT used to prepare the MYFP are based on the latest information available at the time the projection was completed, as shown in the table below, and are further described in the paragraphs below.

The district's 2023-24 adopted budget MYFP used some of the same projection factors; however, CPI was not applied to supplies and services expenses. It is best practice to include the most recent assumptions available to produce the most reasonable projection.

FCMAT MYFP Budget Assumptions

Description	2023-24	2024-25	2025-26
Statutory COLA (DOF)	8.22%	3.94%	3.29%
LCFF Cost-of-Living Adjustment (COLA)	8.22%	3.94%	3.29%
State Categorical COLA	8.22%	3.94%	3.29%
California Consumer Price Index	3.55%	3.03%	2.64%
California Lottery, Unrestricted per ADA	$177.00	$177.00	$177.00
California Lottery, Restricted per ADA (Proposition 20)	$72.00	$72.00	$72.00
Mandate Block Grant, District (K-8), per ADA	$37.81	$39.30	$40.59
Interest Rate Trend for 10-Year Treasuries	3.60%	2.98%	2.90%
California State Teachers' Retirement System (CalSTRS) Employer Rate	19.10%	19.10%	19.10%
California Public Employees Retirement System (CalPERS) Employer Rate	26.68%	27.70%	28.30%
Certificated Staff Step and Column	1.95%	1.95%	1.95%
Classified Staff Step	2.00%	2.00%	2.00%
Certificated Health and Welfare Percent Change	6.15%	6.15%	6.15%
Classified Health and Welfare Percent Change	6.15%	6.15%	6.15%
State Unemployment Insurance Rate	0.05%	0.05%	0.05%
Workers Compensation Insurance Rate	1.54%	1.54%	1.54%
Indirect Cost Rate	5.56%	5.43%	5.43%

Revenues

Projected revenue was based on validation of funding from the California Department of Education (CDE), the DOF, the School Services of California (SSC) Dartboard, grant letters, and analysis of district estimates for any sources that could not be independently verified. Adjustments were made for any one-time funds or carryover[2] from previous years.

Local Control Funding Formula Sources

The LCFF is the funding model for school districts. It was implemented beginning with the 2013-14 fiscal year and replaced the former revenue limit calculation and distribution methodology. The LCFF funding model eliminated many former state categorical programs and redirected their funding under the LCFF model. The LCFF provides the following:

- A base per-pupil grant that varies by grade level.
- Supplemental funding that provides an additional 20% of the base grant multiplied by the district's percentage of disadvantaged pupils (the unduplicated count of low-income students, English learners, and foster youth).
- A concentration grant that provides an additional 65% (formerly 50%) of the base grant, multiplied by the district's percentage of disadvantaged pupils that exceeds 55% of total enrollment. The district's unduplicated pupil count is below 55%, so it does not receive concentration grant funding.

Districts must increase or improve services to unduplicated pupils by the proportion of supplemental and concentration funds to base funds that they receive. This is known as the minimum proportionality percentage (MPP). The 2021-22 enacted state budget increased the concentration grant from 50% to 65%. For districts that qualify to receive the concentration grant dollars, the additional 15% is to be used to increase the number of credentialed and/or classified staff who provide direct services to students. Beginning in 2021-22, if the quantitative and qualitative increases and improvements in services are insufficient to meet the prior-year MPP, any unused portion of supplemental and concentration grant funds must be designated in the subsequent year's LCAP and used to provide increased or improved services to unduplicated pupils.

For most districts, the LCFF entitlement is funded through a combination of local property taxes and state aid. A district's property tax will be applied first toward the total LCFF entitlement, and the balance is funded through state aid. When a district's local property taxes meet or exceed the LCFF entitlement, the district is considered a basic aid or community-funded district. The district was basic aid in 2020-21 but was state-aid funded in 2021-22 and 2022-23 and is projected to be state-aid funded in 2023-24 and subsequent years.

Proposition 30, passed in 2012, temporarily added a quarter-cent sales tax and increased state income tax rates on high-income taxpayers. The sales tax increase expired in 2016; the income tax increase was initially set to expire in 2018, but Proposition 55 extended it through 2030. These revenues are deposited into the state's Education Protection Account (EPA) and are a component of state aid for the LCFF entitlement. EPA revenues are the portion of state aid that is funded by the income tax increase and are received by all LEAs.

Districts and charter schools are encouraged to use the FCMAT LCFF Calculator to estimate their LCFF funding. FCMAT prepared an independent LCFF calculation for the district using the adopted budget ver-

2. Carryover is unspent funds from one year that are not spent and are thus retained to be spent in the next year. Typically these are grant funds that are allowed to be carried over.

sion of the FCMAT LCFF Calculator (updated August 10, 2023). Although the district also used the FCMAT LCFF calculator, it used an older version available at the time the district adopted its budget. Because FCMAT used a different version of the LCFF Calculator and FCMAT's projections of enrollment, ADA, and UPP were different than the district's, FCMAT's projections of LCFF revenues were different. FCMAT's projections of unrestricted LCFF revenues are approximately $420,955 lower in 2023-24, $374,224 lower in 2024-25 and $716,778 higher in 2025-26, than the district's respective projections for these years.

FCMAT Projections Compared to District Projections

	2023-24		2024-25		2025-26	
	District	**FCMAT**	**District**	**FCMAT**	**District**	**FCMAT**
Enrollment	3,316	3,342	3,234	3,367	3,271	3,423
ADA	3,220.97	3,199.69	3,140.97	3,223.86	3,175.97	3,277.62
Funded ADA	3,241.40	3,228.83	3,220.97	3,223.86	3,276.30	3,277.62
UPC	771	731	782	736	782	748
UPP (three-year percentage)	23.02%	22.54%	23.45%	22.20%	23.78%	21.86%
LCFF Revenues	$36,148,639	$35,727,684	$37,484,260	$37,110,036	$38,314,834	$39,031,612

Federal Revenue

FCMAT reviewed federal funding amounts, verified them when possible, and adjusted them as appropriate in the base year. According to information provided by the district and verified through the multiyear projection, the only one-time federal revenues included in the budget are COVID-19-related relief funds. Special education funds were adjusted based on projections provided to the district by the San Mateo County Special Education Local Plan Area (SELPA). For all other revenues, FCMAT included prior-year carryover amounts from the data included in the 2022-23 unaudited actuals report, removed prior-year carryover amounts in the subsequent years, and assumed unchanged funding levels for federal programs, with no COLA in 2024-25 and 2025-26. FCMAT increased federal revenues by a total of $420,462 in 2023-24 as described below.

An increase of $147,119 was made to 2023-24 for federal special education programs based on funding estimates. An increase of $45,245 was made to Title IV, Part A and Title III, English Learner Program, and an increase of $226,960 was added to the various federal Elementary and Secondary School Emergency Relief (ESSER) funds to account for carryover or unearned revenues[3] from the prior year. Carryover and unearned revenues included in the 2023-24 budget were eliminated from FCMAT's projection in the subsequent years.

Caution should be exercised when budgeting federal revenues, because some members of congress have proposed to reduce Title I funding by 81% in the 2024-25 fiscal year, and the district has allocated most of this funding to salaries and benefits. A preferred practice is to update the budget as revenue estimates become known and to ensure that budgeted revenues agree with funding allocation schedules. Carryover or unearned revenues from prior years should not be included in the current year budget until the unaudited actuals are completed, and should be eliminated from the subsequent years of the MYFP. Including estimates of carryover or unearned revenues before those amounts are known may result in overbudgeting and overspending.

3. Unearned revenues are revenues that are not allowed to be recognized as revenue until spent. Typically this occurs with grant funds.

Other State Revenue

FCMAT confirmed state grant award amounts for 2023-24 when possible and carried these forward to 2024-25 and 2025-26, with COLA applied to select revenues.

FCMAT increased state revenues in 2023-24 by a net $510,753 to match budget amounts to award notifications, add carryover and unearned revenues from the prior year, and add revenues for the new Proposition 28 Arts and Music in Schools grant. Reductions were also made for one-time revenues received in full in the prior year but included in the district's 2023-24 budget. Included were adjustments to one-time revenues for the Arts, Music and Instructional Materials Discretionary Block Grant and the Learning Recovery Emergency Block Grant. The 2023-24 state budget reduced the amount of funding appropriated for the two block grants as follows: funding for the Arts, Music, and Instructional Materials Discretionary Block Grant was reduced to 94.4% of the original allocation; and the Learning Recovery Emergency Block Grant was overappropriated by the state by 14.4% and so was reduced to eliminate the overappropriation. FCMAT considered these updated adjustments to the two block grants and adjusted 2023-24 revenue accordingly. Failure to accurately budget for revenues and update budgets throughout the year as award amounts become known may result in expenditures that exceed revenues.

The district's 2022-23 unaudited actuals report shows ending balances in several resources for unspent grant funds, with either unchanged or increasing ending balances. Listed below are these programs and their balances as of June 30, 2023. Restricted grant funds that are not spent in a timely manner may be required to be returned to the granting agency. In addition, it is best practice to spend restricted funds before unrestricted funds when appropriate.

Ending Balances, Unspent Grant Funds

Resource	Description	Balance
2600	Expanded Learning Opportunities Program (ELOP)	$ 1,251,215
6266	Educator Effectiveness	$ 680,127
6546	Mental Health-Related Services	$ 251,258
6547	Special Education Early Intervention Preschool Grant	$ 222,325
6762	Arts, Music, and Instructional Materials Discretionary Block Grant	$ 1,054,099
7032	Child Nutrition – Kitchen Infrastructure and Training Funds	$ 262,652
7453	Learning Recovery Emergency Block Grant	$ 1,349,844
9010	Other Restricted Local	$ 274,653
	Total	**$ 5,346,173**

Mandate Funding

Projections for the ongoing Mandate Block Grant are based on FCMAT's projection of ADA for 2023-24 and subsequent years. Funding is calculated on a per-ADA amount from the SSC Dartboard[4], with COLA applied in the subsequent years. Receipt of Mandate Block Grant funds depends on the district filing a funding application each year with the CDE.

4. The dartboard contains planning factors for the current and 3 subsequent fiscal years. Factors included are COLA, CPI, Lottery (unrestricted and restricted), Mandate Block Grant (district and charter) Interest Rate for ten-year treasuries, CalSTRS employer rate, CalPERS employer rate, Unemployment Insurance rate, minimum wage, state minimum reserve requirements for the current year for school districts.

Lottery

FCMAT projected lottery revenues for 2023-24 and subsequent years based on projected annual ADA, multiplied by $177 for unrestricted and $72 for restricted lottery instructional materials, per the SSC Dartboard. Lottery funding is initially allocated using the prior year's annual ADA and is adjusted in the subsequent fiscal year based on current year annual ADA.

Other Local Revenue

The district receives local revenues from parcel taxes, leases and rentals, interest earnings, donations, and other miscellaneous sources. Because these revenues cannot be guaranteed from year to year, budgets and MYFPs for these items should be conservative, consider historical trend data, and identify one-time revenues. These budget items should also be monitored and updated throughout the year based on amounts received to date. FCMAT reviewed the district's budgeted amounts for reasonableness using the prior two years' actual revenues; FCMAT found that the district had budgeted these revenues conservatively, but made some adjustments as described below.

Parcel tax revenue was adjusted upward slightly based on a review of three prior years' actual revenues received. This revenue is considered ongoing because voters approved the tax, which expires in 2030.

The district received local revenues of $2.7 million in 2022-23 from the Burlingame Community for Education Foundation. Of this amount, 83% is to be used expressly to fund teaching positions with employment rights. The foundation specifically indicates that it does not guarantee full funding of this amount in future years. This mismatch of ongoing salaries with non-guaranteed income puts the district at some fiscal risk. The district has mitigated some of the risk by setting aside reserves in Fund 17, Special Reserve Fund for Other than Capital Outlay Projects, to cover salaries and benefits for one year in case the foundation revenues end. FCMAT treated it as ongoing because the revenues were received consistently in the last several years and because of the set-aside in Fund 17.

FCMAT reviewed the three prior years' actual revenues received for leases and rentals and made no adjustment to the district's budget. The revenues are considered ongoing in the subsequent years of the projection.

Donation and miscellaneous revenues were reduced because of the uncertainty of the funding source and were held flat in the subsequent years of the projection.

The amount attributed to interest was based on the amount received in the prior year, reduced by the amount of one-time revenue received. These revenues are considered ongoing in the subsequent years of the projection, adjusted by the rate of increase in the interest rate for 10-year treasuries, per the SSC Dartboard.

Expenditures

FCMAT's MYFP assumes that the district's ongoing costs expensed or transferred in its 2022-23 unaudited actuals will continue unless adjusted as noted below.

Salaries

Position control reports and vacancy reports provided by the district did not include standardized account code structure (SACS) coding and/or employee names, so FCMAT was unable to reconcile the position control data with payroll or budget. FCMAT found that the actual salary and benefit expenses did not match amounts in the position control report or the budget, and concluded that the position control system did not include all board-approved positions and benefits. Failure to include all board-approved positions and the benefits associated with them results in inaccurate budgeting for salaries and benefits.

FCMAT used the 2022-23 expenses posted to the general ledger rather than the position control report to project salary and benefit expenses for its MYFP. FCMAT evaluated the reasonableness of the district's budgeted 2023-24 salary and benefit information at budget adoption by comparing the 2022-23 actual salary data and historical data for the last three years to the adopted budget. To estimate the number of new and vacant positions, FCMAT used interview information, reviewed board agendas and the business department's budget list, and checked the Human Resources Department's "New Positions" list and the EDJOIN.org[5] website to see which positions had been recently recruited for. If two or more supporting documents did not support the addition of a new position, FCMAT did not add the position to the 2023-24 budget. All salaries paid in 2022-23 were considered ongoing unless FCMAT was able to determine through documents or interviews that the salaries paid were one-time expenditures.

Ongoing salaries and benefits paid from expired restricted resources were moved to the unrestricted general fund. Using one-time resources to pay for ongoing costs can mask a structural budget deficit and will result in an erosion of the fund balance. A district that plans to temporarily fund ongoing costs with one-time resources needs to either develop a board-approved plan to fund the costs when the funding source expires or eliminate the costs.

The actual salaries paid in 2022-23 were adjusted to account for one-time payments, step-and-column movement, vacancies, new positions, and salary schedule increases approved by the board in March and June 2023.

The disclosure of collective bargaining agreement documents for the salary schedule increases for certificated, classified, and unrepresented staff state that the salary increases will increase deficit spending and that they will be paid for with reserves, which is a one-time source of funds. As previously discussed, paying for ongoing costs with one-time sources of funds should be avoided and will result in an erosion of unrestricted ending fund balances. FCMAT adjusted the district's 2023-24 budget as noted below.

Certificated Salaries

Adjustments were made to increase certificated salaries by $823,314 in the 2023-24 budget year, based on 2022-23 actual salaries, first reduced by a one-time COVID-19 bonus paid in 2022-23, then increased by the 7% salary settlement approved for 2023-24 by the district's governing board on June 13, 2023 for unit members and managers. Vacancies were included only if they were budgeted for and/or being filled according to the EDJOIN.org website. Certificated salaries were also increased by 1.95%, based on FCMAT's analysis of certificated employee step-and-column data provided by the district, and in each subsequent year of the projection by the estimated cost of salary schedule step movement. This was a slight reduction from the 2.0% used in the district's budget.

Classified Salaries

FCMAT decreased classified salaries by $165,944 in 2023-24, based on 2022-23 actual salaries, first reduced by a one-time COVID-19 bonus paid in 2022-23, then increased by a 6.5% salary settlement approved for 2023-24 by the district's governing board on March 14, 2023 for unit members, and a 7% salary schedule increase for managers and confidential employees. Vacancies were included only if they were budgeted and/or being filled according to the EDJOIN.org website. Classified salaries were increased

5. EDJOIN is a website that most LEAs in California use for recruitment.

by 2.00% in 2023-24 and in each subsequent year of the projection by the estimated cost of salary step movement, consistent with the district budget.

Employee Benefits

FCMAT reduced the budget for employee benefits by $441,088 in 2023-24. Interviews indicated that when vacancies occur, the budget for statutory benefits is not routinely reduced, so 2022-23 estimated actual expenses were greatly overstated. FCMAT calculated statutory benefits in proportion to the adjusted salaries budgeted.

The state unemployment insurance rate decreased from 0.50% in 2022-23 to 0.05% in 2023-24.

Statutory benefits were increased in the subsequent years in proportion to increases or decreases in adjusted certificated and classified salaries. Employer contributions for California State Teachers' Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS) were adjusted in the subsequent years of the projection based on changes in salaries and the projected changes to the rates. Budgeted health and welfare benefits were reduced by $621,648 in 2023-24 based on the actual 2022-23 expenses plus the three-year average historical annual rate increase of 6.15%. An increase was also added because of a negotiated increase to full-time employee benefits effective July 1, 2023 for classified bargaining unit members who work from 0.75 to 0.9375 of a full-time equivalent position (FTE). The district maintains a soft cap[6], and any further increase to the employer's share of cost is subject to collective bargaining. FCMAT also used the historical average rate increase of 6.15% for the subsequent years of the MYFP.

Retiree health and welfare benefits were reduced by $10,529 in 2023-24 based on the other post-employment benefits (OPEB) actuarial report dated May 2022. The district's 2023-24 adopted budget and MYFP did not include any transfers out to the OPEB trust to cover future costs for retiree benefits.

Books and Supplies

FCMAT reviewed the 2023-24 books and supplies budget for reasonableness and compared it to the 2022-23 expenses and the three prior years' actual expenditures. Expenditures were increased by $3.0 million, mainly because of additional expenditures related to the following restricted programs: Expanded Learning Opportunities Program ($1.4 million), which must be spent or committed by June 30, 2024; the Arts, Music and Instructional Materials Discretionary Block Grant ($750,000); the Learning Recovery Emergency Block Grant ($493,746); and other smaller adjustments. The 2023-24 budget for textbook purchases was increased by $79,090, which was a reduction of $722,586 compared to 2022-23, because of a textbook adoption in 2022-23. The district's 2023-24 adopted budget did not include the CPI inflation factor, which FCMAT included in 2023-24 and subsequent years. Expenditures were reduced in restricted programs in each of the subsequent years of the projection whenever restricted resource expenditure budgets exceeded projected revenue.

Services and Other Operating Expenditures

FCMAT reviewed the services and other operating expenditures budget for reasonableness and compared it to the actual 2022-23 expenses and the prior three years' actual expenditures. FCMAT increased the district's budgeted 2023-24 unrestricted expenses by $765,393, which included underbudgeted utility cost increases in 2022-23 of $287,856 and consulting and communication costs of $545,721. The adjusted total

6. A soft cap means that the district pays for certain benefits but employees must pay to buy up to a more expensive plan. In addition, if the employer-paid plan increases in cost in the subsequent year, the employer's cap on the amount they will pay increases with it.

was then increased by $100,000 for legal and settlement costs. Expenditures of $96,595 for a lease/purchase contract for technology equipment were reduced from the lease expenses and reclassified to debt service.

The district's budgeted 2023-24 restricted expenses were increased by $1.1 million, which included the adjustments described below. Restricted expenditures were increased for special education by $349,584, routine restricted maintenance account (RRMA) by $450,921, and educator effectiveness by $176,300, based on 2022-23 actual expenditures and the prior three years' actual expenditures. These adjustments, plus annual increases based on the CPI inflation factor, which were not in the original budget, form the basis of the second and third years of the projection.

Capital Outlay

FCMAT reviewed capital outlay budgets for reasonableness using 2022-23 actual expenditures and the prior two years' actual expenditures. No capital outlay expenditures were incurred in 2022-23, and none were budgeted in 2023-24. FCMAT assumes no capital outlay expenditures for the current and subsequent years of its projection. Interviews indicate that the district has no formal capital outlay plan.

Other Outgo/Indirect Costs

FCMAT applied charges for indirect costs at the maximum allowable rate for each restricted program, except resource 6500, in the base year and subsequent years to ensure proper program cost accounting, even when this resulted in a contribution to a program's resource from the unrestricted general fund. Indirect costs were based on the CDE's approved rate for the district for 2023-24, which is 5.56%, and which, based on the 2022-23 unaudited actuals Form ICR, is projected to decrease slightly to 5.43% in 2024-25. Indirect costs were increased by $367,000 in the current budget year.

Debt Service

On June 11, 2021, the district entered into a four-year lease-purchase agreement with Apple Computer, Inc. for personal computers, electronic devices, servers, and networking equipment. The first two years of lease payments were charged incorrectly as services and operating expenses. Expenditures of $98,033 for this contract were added to the budget for debt service and reduced from the budget for services and other operating expenditures. This liability terminates upon the final payment in 2024-25. Incorrectly coded expenditures distort the district's financial statements.

Interfund Transfers

Transfers In

In 2022-23, the district incurred costs of $1.5 million for textbook purchases, which contributed to a significant decrease in the unrestricted general fund balance. Although the district has reserves set aside in Fund 17 that are assigned for curriculum adoption, no funds were transferred from Fund 17 to the general fund for these expenditures.

The district made no transfers from other funds to the general fund in 2022-23, nor does the district's adopted budget report include any transfers from other funds in 2023-24. FCMAT's projection does not include any transfers to the general fund from other funds for the 2023-24 or subsequent years.

Transfers Out

At the time of 2023-24 budget adoption, the district estimated a $1.4 million transfer to Fund 17 in 2022-23 and an ending balance in Fund 17 of $9.1 million. The components of ending fund balance in Fund 17 included assignments of $3.6 million for the 7% stabilization reserve, $2.7 million for strategic foundation support, $350,000 for technology replacement, and $2.4 million for curriculum adoption.

In the 2022-23 fiscal year, the district transferred $950,000 from the unrestricted general fund to Fund 17 in accordance with its reserve policy. The district's 2023-24 adopted budget did not include any transfers from the general fund to other funds in 2023-24 or subsequent years. FCMAT's projection does not include any transfers from the general fund to other funds in 2023-24 or subsequent years.

Contributions

When revenues in restricted programs are insufficient to support program expenditures, a contribution from the unrestricted general fund is required. Restricted programs should be self-supporting, except for special education (state and federal funding for which is typically insufficient), ongoing and major maintenance account, and any restricted program the district has made a deliberate decision to support with unrestricted general funds. The district is required to make a 3% contribution to the ongoing major maintenance account (resource 8150).

The district's 2023-24 budget projects a contribution of $3.7 million to special education programs. FCMAT increased projected expenditures in 2023-24 to align with 2022-23 actual expenditures and increased the projected contribution to $4.1 million. The contribution is projected to increase to $4.3 million in 2024-25 and to $4.4 million in 2025-26 because of increasing costs.

The district's 2023-24 budget projects a contribution of $1.7 million to resource 8150. FCMAT increased projected expenditures in 2023-24 to align with actual 2022-23 expenditures, added expenditures for indirect costs, and increased the projected contribution to $1.8 million in 2023-24, $1.9 million in 2024-25, and $1.8 million 2025-26.

In other restricted resources, when expenditure budgets exceed projected revenue in the subsequent years of the MYFP, FCMAT reduced expenditures in the 4000 (books and supplies), 5000 (services and other operating), and 6000 (capital outlay) object codes where possible to remain within the projected revenue estimates. No reductions were made in salary and benefit budgets. A contribution was made from the unrestricted general fund to balance any restricted resource for which expenditures still exceeded revenue after these adjustments. Because of increasing costs year over year, the district may need to reduce expenditures in several restricted resources in 2023-24 and 2024-25 to remain within the projected revenue estimates. All programs that require a contribution from the unrestricted general fund need to be reviewed to determine whether they can be made self-sustaining. FCMAT found no evidence that the district monitors contributions to restricted programs to determine if expenditures can be reduced to eliminate contributions from the unrestricted general fund.

The table below shows contributions from the district's unrestricted general fund to its restricted resources as projected in FCMAT's MYFP.

FCMAT MYFP — Contributions

	Resource Code	Base Year 2023-24	Year 1 2024-25	Year 2 2025-26
Unrestricted Resources				
Unrestricted	0000	(5,947,834)	(6,385,844)	(6,524,036)
Total Unrestricted		(5,947,834)	(6,385,844)	(6,524,036)
Restricted Resources				
Title I, Part A	3010	-	2,643	5,715
ESSER III	3213	-	-	4,460
Expanded Learning Opportunities (ELO) - ESSER II - State Reserve	3216	-	61,749	63,260
ELO - Governer's Emergency Education Relief II	3217	-	-	12,299
ELO - ESSER III State Reserve Emergency	3218	-	24,006	32,457
ELO - ESSER III - State Reserve Learning Loss	3219	-	127,247	129,728
Special Education	Various	4,106,413	4,275,806	4,441,476
Ongoing and Major Maintenance Account	8150	1,841,421	1,894,393	1,834,641
Total Restricted		5,947,834	6,385,844	6,524,036
Balance		-	-	-

Rounding used in calculations.

Multiyear Financial Projection Analysis

The primary purpose of an MYFP is to evaluate a district's long-term financial sustainability. The MYFP uses current budget assumptions and projects revenues and expenditures over several fiscal years to determine whether the district can achieve and sustain a balanced budget and maintain its state-required reserve for economic uncertainties for the current and two subsequent fiscal years.

FCMAT analyzed all general fund sources and expenditure categories by resource. The unrestricted general fund summary below indicates that, based on current assumptions, without revenue increases and/or expenditure reductions, the district will deficit spend $2.9 million in 2023-24, $3.2 million in 2024-25, and $2.4 million in 2025-26, and will not meet its required reserve for economic uncertainties in any of the three years of the projection.

Unrestricted General Fund

The district's general fund budget is a combination of unrestricted general purpose dollars and restricted grants and categorical funding. However, when analyzing the district's budget, much attention is focused on the unrestricted budget, in particular deficit spending and the unappropriated ending fund balance. The unrestricted general fund summary below shows FCMAT's analysis of the district's unrestricted resources.

Unrestricted General Fund Summary

Description	Object Code	Adjusted Base Year 2023-24	Year 2 2024-25	Year 3 2025-26
A. Revenues				
LCFF Sources	8010-8099	35,727,684	37,110,036	39,031,612
Federal Revenue	8100-8299	-	-	-
Other State Revenues	8300-8599	769,590	781,703	796,381
Other Local Revenues	8600-8799	2,602,020	2,556,381	2,550,492
Total, Revenue		39,099,294	40,448,120	42,378,485
B. Expenditures				
Certificated Salaries	1000-1999	18,780,700	19,146,924	19,520,289
Classified Salaries	2000-2999	4,204,003	4,288,083	4,373,845
Employee Benefits	3000-3999	8,222,755	8,539,549	8,855,543
Books and Supplies	4000-4999	1,325,600	1,365,766	1,401,822
Services and Other Operating Expenditures	5000-5999	3,839,290	4,089,271	4,352,179
Capital Outlay	6000-6999	-	-	-
Other Outgo (excluding Transfers of Indirect Costs)	7100-7299, 7400-7499	98,033	98,033	-
Other Outgo - Transfers of Indirect Costs	7300-7399	(403,819)	(260,043)	(231,745)
Total, Expenditures		36,066,561	37,267,582	38,271,932
C. Excess (Deficiency) of Revenues over Expenditures before Other Financing Sources and Uses		3,032,733	3,180,538	4,106,553
D. Other Financing Sources/Uses				
Interfund Transfers				
Transfers In	8900-8929	-	-	-
Transfers Out	7600-7629	-	-	-
Other Sources/Uses				
Sources	8930-8979	-	-	-
Uses	7630-7699	-	-	-
Contributions	8980-8999	(5,947,835)	(6,385,844)	(6,524,036)
Total, Other Financing Sources/Uses		(5,947,835)	(6,385,844)	(6,524,036)
E. Net Increase (Decrease) in Fund Balance		(2,915,102)	(3,205,307)	(2,417,482)
F. Fund Balance, Reserves				
Beginning Fund Balance				
As of July 1 - Unaudited	9791	2,436,590	(478,512)	(3,683,819)
Audit Adjustments	9793	-	-	-
As of July 1 - Audited		2,436,590	(478,512)	(3,683,819)
Other Restatements	9795	-	-	-
Adjusted Beginning Balance		2,436,590	(478,512)	(3,683,819)
Ending Balance/Net Position, June 30		(478,512)	(3,683,819)	(6,101,301)

Description	Object Code	Adjusted Base Year 2023-24	Year 2 2024-25	Year 3 2025-26
Components of Ending Fund Balance				
Nonspendable	9710-9719	2,500	2,500	2,500
Restricted	9740	-	-	-
Committed				
Stabilization Arrangements	9750	-	-	-
Other Commitments	9760	-	-	-
Assigned				
Other Assignments	9780	-	-	-
Unassigned/Unappropriated				
Reserve for Economic Uncertainties	9789	1,681,233	1,652,308	1,669,287
Unassigned/Unappropriated Amount	9790	(2,162,245)	(5,338,627)	(7,773,088)

Rounding used in calculations.

Restricted General Fund

Income for new federal and state COVID-19 relief funds is included in the restricted MYFP. The district did not provide spending plans for the majority of the funds, so FCMAT assumed the funds would be spent on miscellaneous salaries as well as books and supplies and equipment before the funding expired. In the case of educator effectiveness funds, the district's current budget estimated $334,727 in one-time salaries and benefits. FCMAT reduced the budget for salaries and benefits and increased services and other operating expenditures in accordance with the spending plan adopted by the district's board in December 2021. The Arts, Music and Instructional Materials Discretionary Block Grant was projected to be spent evenly over the three-year period in the MYFP, because all expenditures must be committed by June 30, 2026. FCMAT did not eliminate expenditures in expiring resources unless it could determine through documents or interviews that the expenditures were one-time and contributions were made to those programs as needed.

The following table summarizes FCMAT's projections for the district's restricted resources.

Restricted General Fund Summary

Description	Object Code	Adjusted Base Year 2023-24	Year 2 2024-25	Year 3 2025-26
A. Revenues				
LCFF Sources	8010-8099	2,853,485	2,987,467	3,135,573
Federal Revenue	8100-8299	1,214,445	910,530	910,530
Other State Revenues	8300-8599	4,882,661	3,851,133	3,868,759
Other Local Revenues	8600-8799	2,808,728	2,808,728	2,808,728
Total, Revenue		11,759,318	10,557,857	10,723,589
B. Expenditures				
Certificated Salaries	1000-1999	5,110,684	5,240,927	5,373,710
Classified Salaries	2000-2999	2,224,486	2,268,976	2,314,356

Description	Object Code	Adjusted Base Year 2023-24	Year 2 2024-25	Year 3 2025-26
Employee Benefits	3000-3999	4,631,469	4,748,602	4,860,841
Books and Supplies	4000-4999	4,339,692	1,834,222	1,131,499
Services and Other Operating Expenditures	5000-5999	3,217,500	3,409,690	3,411,933
Capital Outlay	6000-6999	-	-	-
Other Outgo (excluding Transfers of Indirect Costs)	7100-7299, 7400-7499	46,891	46,891	46,891
Other Outgo - Transfers of Indirect Costs	7300-7399	403,819	260,043	231,745
Total, Expenditures		19,974,541	17,809,352	17,370,975
C. Excess (Deficiency) of Revenues over Expenditures before Other Financing Sources and Uses		(8,215,223)	(7,251,494)	(6,647,387)
D. Other Financing Sources/Uses				
Interfund Transfers				
Transfers In	8900-8929	-	-	-
Transfers Out	7600-7629	-	-	-
Other Sources/Uses				
Sources	8930-8979	-	-	-
Uses	7630-7699	-	-	-
Contributions	8980-8999	5,947,835	6,385,844	6,524,036
Total, Other Financing Sources/Uses		5,947,835	6,385,844	6,524,036
E. Net Increase (Decrease) in Fund Balance		(2,267,388)	(865,650)	(123,351)
F. Fund Balance, Reserves				
Beginning Fund Balance				
As of July 1 - Unaudited	9791	5,323,582	3,056,194	2,190,545
Audit Adjustments	9793	-	-	-
As of July 1 - Audited		5,323,582	3,056,194	2,190,545
Other Restatements	9795	-	-	-
Adjusted Beginning Balance		5,323,582	3,056,194	2,190,545
Ending Balance/Net Position, June 30		3,056,194	2,190,545	2,067,194
Components of Ending Fund Balance				
Nonspendable	9710-9719	-	-	-
Restricted	9740	3,056,194	2,190,545	2,067,194
Committed				
Stabilization Arrangements	9750	-	-	-
Other Commitments	9760	-	-	-
Assigned				
Other Assignments	9780	-	-	-
Unassigned/Unappropriated				
Reserve for Economic Uncertainties	9789	-	-	-

Description	Object Code	Adjusted Base Year 2023-24	Year 2 2024-25	Year 3 2025-26
Unassigned/Unappropriated Amount	9790	-	-	-

Rounding used in calculations.

Combined General Fund

The combined general fund summary below shows FCMAT's analysis of all the district's unrestricted and restricted general fund sources. The district will meet its reserve for economic uncertainties requirement in the base year only by using reserves from Fund 17. FCMAT projects that the district will neither be able to meet the minimum reserve requirement nor maintain a positive unrestricted ending fund balance in the subsequent years of the projection.

Combined General Fund Summary

Description	Object Code	Adjusted Base Year 2023-24	Year 2 2024-25	Year 3 2025-26
A. Revenues				
LCFF Sources	8010-8099	38,581,169	40,097,503	42,167,185
Federal Revenue	8100-8299	1,214,445	910,530	910,530
Other State Revenues	8300-8599	5,652,251	4,632,836	4,665,140
Other Local Revenues	8600-8799	5,410,748	5,365,109	5,359,220
Total, Revenue		50,858,612	51,005,977	53,102,074
B. Expenditures				
Certificated Salaries	1000-1999	23,891,384	24,387,851	24,893,999
Classified Salaries	2000-2999	6,428,489	6,557,059	6,688,200
Employee Benefits	3000-3999	12,854,223	13,288,151	13,716,384
Books and Supplies	4000-4999	5,665,292	3,199,988	2,533,321
Services and Other Operating Expenditures	5000-5999	7,056,790	7,498,961	7,764,112
Capital Outlay	6000-6999	-	-	-
Other Outgo (excluding Transfers of Indirect Costs)	7100-7299, 7400-7499	144,924	144,924	46,891
Other Outgo - Transfers of Indirect Costs	7300-7399	-	-	-
Total, Expenditures		56,041,102	55,076,933	55,642,907
C. Excess (Deficiency) of Revenues over Expenditures before Other Financing Sources and Uses		(5,182,490)	(4,070,956)	(2,540,833)
D. Other Financing Sources/Uses				
Interfund Transfers				
Transfers In	8900-8929	-	-	-
Transfers Out	7600-7629	-	-	-
Other Sources/Uses				

Description	Object Code	Adjusted Base Year 2023-24	Year 2 2024-25	Year 3 2025-26
Sources	8930-8979	-	-	-
Uses	7630-7699	-	-	-
Contributions	8980-8999	-	-	-
Total, Other Financing Sources/Uses		-	-	-
E. Net Increase (Decrease) in Fund Balance		(5,182,490)	(4,070,956)	(2,540,833)
F. Fund Balance, Reserves				
Beginning Fund Balance				
As of July 1 - Unaudited	9791	7,760,173	2,577,682	(1,493,274)
Audit Adjustments	9793	-	-	-
As of July 1 - Audited		7,760,173	2,577,682	(1,493,274)
Other Restatements	9795	-	-	-
Adjusted Beginning Balance		7,760,173	2,577,682	(1,493,274)
Ending Balance/Net Position, June 30		2,577,682	(1,493,274)	(4,034,107)
Components of Ending Fund Balance				
Nonspendable	9710-9719	2,500	2,500	2,500
Restricted	9740	3,056,194	2,190,545	2,067,194
Committed				
Stabilization Arrangements	9750	-	-	-
Other Commitments	9760	-	-	-
Assigned				
Other Assignments	9780	-	-	-
Unassigned/Unappropriated				
Reserve for Economic Uncertainties	9789	1,681,233	1,652,308	1,669,287
Unassigned/Unappropriated Amount	9790	(2,162,245)	(5,338,627)	(7,773,088)
Special Reserve Fund – Fund 17				
Stabilization Arrangements	9750	3,514,136	0	0
Total Available Reserves		3,033,124	(3,686,319)	(6,103,801)

Rounding used in calculations.

Other Concerns

Expenditure Coding

The district coded significant expenditures to resources in 2022-23 with no current year revenues, or with insufficient revenue to cover the expenditures. In one example, the district charged more than $958,598 in one-time COVID-19 bonuses to the In-Person Instruction Grant, but all the grant revenues had been received and spent in the prior year. In another case, large textbook purchases in 2022-23 were charged to multiple resources: $582,710 in expenses was charged to the Lottery Instructional Materials Grant even though available income was only $345,880; and $918,510 was charged to unrestricted lottery even though the available balance was only $690,831. This caused major misstatements in the 2022-23 estimated actuals, which formed the basis of the 2023-24 budget. During the closing process, the district's staff and consultants had to reconcile and transfer the expenditures to another funding source. Incorrectly coding expenditures to resources with insufficient revenues misrepresents the district's financial position, and mis-coded expenditures that must be transferred to the unrestricted resource reduce the unrestricted ending balance.

Cash Management

Board Policy 3105.1 requires the district to maintain a reserve balance of 10% of general fund expenses and transfers out, and requires that funds in excess of the 3% statutorily required reserve for economic uncertainties be transferred from the general fund to Fund 17. During FCMAT's interviews, district staff reported that the district's practice is to transfer to Fund 17 any unrestricted general fund balances over the 3% required reserve. This practice has a detrimental effect on the cash flow in the general fund. The district needs to maintain adequate cash balances in the general fund to cover monthly operating expenses.

The county office's oversight letters for the 2022-23 adopted budget, the 2022-23 first interim, and the 2022-23 second interim stated that the cash flow projections received from the district with its financial reports contained errors and showed negative cash balances in multiple months. In addition, actual beginning cash balances and actual receipts and disbursements did not align with amounts in the financial system.

The purpose of a cash flow projection is to project the timing of receipts and expenses so that an organization can understand its cash flow needs. The cash flow projection shows the district's liquidity and ability to meet its current payroll and other financial obligations. It is imperative for the district to monitor its cash regularly and complete monthly cash flow projections for the budget year and, at a minimum, one subsequent fiscal year, to ensure that it can meet its financial obligations. Cash is critical for operations; without sufficient cash, the district is effectively bankrupt and may require intervention from the state.

Other Funds

FCMAT performed a basic review of other district funds to assess their financial impact on the district's unrestricted general fund. Observations and recommendations regarding these are provided below, in conjunction with the review of the district's general fund.

Cafeteria Fund (Fund 13)

The cafeteria fund is a restricted fund used to account for the food service program. The district had a surplus of $670,169 in 2022-23 and budgeted a surplus of $80,851 in 2023-24. The fund does not require support from the district's unrestricted general fund. Districts may charge the cafeteria fund the lesser of the district's CDE-approved indirect cost rate or the statewide average rate. The 2022-23 unaudited actuals report shows that the district did not charge indirect costs to the fund.

Special Reserve Fund for Other than Capital Outlay Projects (Fund 17)

This fund is used primarily to accumulate general fund moneys for general operating purposes other than for capital outlay. For presentation in the audited financial statements, this fund is typically combined with the general fund. Board Policy 3105.1, Reserve Policy, states that the district will maintain the minimum required reserve for economic uncertainties in the general fund and will transfer to Fund 17 an additional amount to bring the reserve balance to a minimum of 10%. The district transferred $950,000 to Fund 17 in fiscal year 2022-23 but did not budget a transfer for 2023-24. The fund balance at the end of 2022-23 was $8.6 million. The amount of the fund committed for stabilization arrangements[7] is $3.5 million. The remainder of the fund balance is assigned for strategic foundation support ($2.7 million), curriculum adoption ($350,000), and technology replacement ($2.0 million). The district receives approximately $2.7 million each year from the Burlingame Community for Education Foundation for teacher salaries and professional development. Part of the assigned fund balance is the amount of the donation received from the foundation to bridge any reduction in revenue that may be received from the foundation.

Building Fund (Fund 21)

The building fund is used to account separately for proceeds from the sale of bonds, which may not be used for any purposes other than those for which the bonds were issued. Interviews and documents indicated that the building fund has sufficient resources to finish the projects in progress at the time of FCMAT's fieldwork.

Recommendations

The district should:

1. Develop a complete and detailed fiscal recovery plan as soon as possible, including a timeline for implementation, to eliminate the structural deficit in the general fund.
2. Develop and adopt a budget and MYFP that eliminate deficit spending and meet reserve requirements in the budget and projection years to prevent fiscal insolvency.
3. Monitor and project enrollment (based on known projection methodologies), ADA and UPP based on trends and adjusted for local factors at each financial reporting period to ensure the most recent data is included in its budget assumptions.
4. Analyze enrollment and ADA projections regularly, compare them to actual enrollment, and adjust budget and staffing as appropriate.
5. Continue to use the most current LCFF calculator, enrollment, ADA and UPC estimates when preparing and revising revenue projections.
6. Use the most current information available and assumptions that align with industry standards to develop budgets and MYFPs.
7. Track and monitor one-time revenues and expenditures to ensure they are removed from budgets and projections.
8. Cease using one-time funds for ongoing costs, or ensure it has a board-approved plan to fund such ongoing costs or eliminate them when one-time funds are no longer available.
9. Cease using one-time funds to provide ongoing increases in salaries or benefits.
10. Update revenue budgets throughout the year as award amounts become known, ensuring budgets match information provided by the CDE and award letters.

7. A stabilization arrangement is a portion of the fund balance that is set aside through formal action of the board that is more formal than the state required reserve for economic uncertainties. The use of the funds is constrained by the LEA and can only be modified or removed by board action.

11. Continue to recognize carryover (unearned revenues) in the current year budget when the unaudited actuals are completed, and ensure that unearned revenue is not included in the subsequent two years of the MYFP.
12. Continue to budget local revenues conservatively, updating the budget throughout the year as needed to account for year-to-date receipts.
13. Develop and implement plans to fully expend grant monies in the fiscal year received.
14. Ensure that its position control system includes all board-authorized positions and the benefits associated with them. Ensure the correct account code is attached to the positions.
15. Properly code and post expenditures, particularly between restricted and unrestricted funds.
16. Review available account balances before charging expenses, and do not charge expenses in excess of budget.
17. Ensure correct account coding for capital leases.
18. Use the MYFP to identify programs that may require a contribution from the unrestricted general fund in subsequent years, and act as needed to ensure programs are self-sustaining.
19. Continue to monitor and project revenues and expenditures for all other funds throughout the year. Ensure that the financial impact on the unrestricted general fund in the current and two subsequent years is included in all MYFPs.
20. Monitor current year and subsequent year cash flow at least monthly, and prepare accurate cash flow projections that extend at least 18 months into the future.
21. Consider discontinuing the practice of transferring any fund balance over the 3% required minimum reserve to Fund 17 to ensure that the general fund has sufficient cash balances to meet obligations.
22. Continue to commit funds in the general fund or Fund 17 in an amount equal to the annual donation from the foundation.

Revenue Increases and Expenditure Reductions

Revenue Increases

Enrollment, Average Daily Attendance, and Unduplicated Pupil Percentage

Much of a school district's revenue is based on enrollment, ADA, and UPP. By increasing enrollment, attendance and the percentage of students properly identified as unduplicated pupils, a district may increase revenues.

As previously mentioned, enrollment in the district has declined since 2019-20. Interviews indicated that the district has lost some students to private schools in the area. An increase in enrollment will likely result in an increase in ADA and possibly UPC. Districts may increase enrollment by advertising innovative programs, low class sizes, and other educational strengths.

Various methods can also be used to increase student attendance, including incentives, parent education, and a system to notify parents immediately when students are absent. Increasing the attendance rate would provide additional revenue and additional time for student learning. The district may set an attendance goal at each grade span or at each school that is higher than the statewide average attendance rate or higher than each school's current rate. The district can display attendance graphs in prominent locations to show current attendance goals and comparisons between past and present school year attendance. The CDE website (https://www.cde.ca.gov/ls/ai/cw/attendstrategy.asp) identifies several strategies for improving attendance.

When developing its annual school calendar, the district needs to consider the effects of midweek holidays, religious and cultural holidays, staff development days, and other days students commonly miss school. Analysis of historical attendance trends can show times during the school year when attendance is below average. For students going on a planned leave of more than five days, it can be an effective practice to offer short-term independent study.

The district would benefit from ensuring it properly identifies all students who are eligible for free or reduced-price meals. The direct certification process can help, particularly when direct certification matches are performed at least monthly. Direct certification uses student information from LEAs that use a local data match with their county's department of social or welfare services to identify children who are eligible for free meals without completing an application. For students who are not directly certified, the district can offer meal applications online, help parents who need assistance completing the application, and offer incentives to parents or students to submit applications. The district needs to retain documents to support any eligibility determinations and establish practices to audit samples of documents received.

In 2022-23 the state implemented the Universal Meals Program for schoolchildren, which requires districts to provide two meals a day to any student who requests a meal, regardless of income eligibility status. As a result, families have no incentive to complete the application for free or reduced-price meals. The best practice is to encourage these families to complete an alternate household income data collection form. The alternative form is simpler to complete, and the CDE has developed several sample forms to collect income eligibility information. The district will need to communicate with parents about how the collection of this data may increase revenue to the district and how the district may use the increased funding to provide improved or increased services to high-needs pupils.

Accurately identifying and reporting students who are eligible for free or reduced-price meals and/or are foster youth, and/or are English learners (unduplicated pupils) can increase the district's supplemental LCFF funding. Districts can help ensure that the data reported through CALPADS for these unduplicated pupils is accurate by having the appropriate departments review and correct CALPADS data before submission.

Indirect Costs and Administrative Costs

All programs have general management costs, commonly known as indirect costs; these typically include administrative activities such as accounting, budgeting, payroll preparation, personnel services, purchasing, and central data processing. An indirect cost rate gives LEAs an efficient and standard way to recover some general management costs from individual programs. The rates that can be charged to each program are established by the CDE for all LEAs in California. An LEA may claim up to its approved indirect cost rate unless a specific authority limits the rate (e.g., legislation or regulation). Charging each program and fund the maximum allowable rate allows an LEA to provide equitable indirect cost charges across the organization, ensures all general management costs are adequately supported by the various programs, and allows the district to understand the true cost of each program.

Historically, the district does not charge indirect costs to most programs for which the district office provides support services. In 2022-23 the district charged indirect costs to only three out of 14 restricted programs. This causes a significant reduction in reimbursed expenses on behalf of the district, and it understates the operating costs of the restricted programs. The district could have collected approximately $624,000 in indirect costs for the unrestricted general fund (some of this amount would have been offset by additional contributions to restricted programs).

In addition, EC 17620(a)(5) allows the district to use up to 3% of the developer fees collected in a fiscal year to reimburse itself for the administrative costs it incurred in collecting those fees, and to transfer those funds to its general fund. The district does not reimburse the unrestricted general fund for administrative costs related to developer fees. Failure to reimburse the unrestricted general fund for the costs associated with the collection of the fees makes the unrestricted general fund bear these costs rather than the developer fee fund.

Expenditure Reductions

Staffing Formulas

The district has not established staffing formulas for administrative or classified positions, and, although some maximum class size limits are included in the district's collective bargaining agreement with certificated employees, interviews indicate that the formulas are not followed consistently. It would benefit the district to adhere to existing staffing plans and to develop staffing ratios for administrative and classified positions. This would help align staffing with enrollment, allow managers to anticipate the addition when new positions will be added and when an existing position will not be replaced, and facilitate employee training and delegation of job tasks so they are done in a thoughtful manner.

Spending Controls

The district must make expenditure reductions to maintain fiscal solvency. The district has no processes or procedures to control spending, and expenditures often exceed budgets. Expenditure budgets need to be reduced, and spending controls must be implemented. The district needs to examine all discretionary expenditures in the budget including allocations to schools and departments and eliminate all one-time and nonessential expenditures. Contracts should be authorized only by a member of the superintendent's cabinet. Spending controls must be implemented to avoid overspending. To control expenditures and ensure that they do not exceed the board-authorized budget, proper purchasing procedures need to be enforced. Schools and departments must not be allowed to make purchases without an approved purchase order, and credit card use policies must be developed and enforced. Implementing a hard stop feature in the financial system (that prevents spending if the budget code is invalid or the budget is insufficient) would prevent purchases that exceed the budget and help maintain control of spending. It would benefit the district to require a purchase order for all expenditures, prohibit the processing of a purchase order when the budget is insufficient to support the expenditure, and enforce limited use of credit cards.

Purchase order cutoff dates can help reduce spending and make it easier to estimate the ending fund balances and reserves. The purchase order cutoff date needs to include all expenditures from all funding sources and needs to be early enough in the year (normally in March and April) that a thorough review of each resource can be made to ensure all restricted resource expenditure deadlines are met.

Restricted Funds

The district has carryover balances in many restricted programs, including Title IV Part A, Title III, English Learner Student Program, Expanded Learning Opportunities Program, Educator Effectiveness Program, the Arts, Music and Instructional Materials Discretionary Block Grant, and the Learning Recovery Emergency Block Grant. The district needs to ensure that all restricted funds are allocated properly to all qualifying expenditures before it expends unrestricted dollars. Title I is currently overcommitted to ongoing salaries and benefits, and thus requires a contribution from the unrestricted general fund. Restricted funds should always be spent in accordance with their respective program or funding guidelines. Ensuring that all qualifying expenditures are coded to the correct restricted programs can make available unrestricted dollars that might otherwise have been used for a restricted purpose. This helps ensure maximum flexibility and availability of unrestricted funding, which can typically be used for any educational purpose.

Ongoing and Major Maintenance Account

Districts that participate in the state's school facility program are required to contribute 3% of their total general fund expenditures and other financing uses (less certain resources) to the ongoing and major maintenance account (resource 8150). The district's 2023-24 adopted budget shows a required minimum contribution of $1.5 million to resource 8150 but includes a contribution of $1.7 million. The district needs to consider reducing expenditures in resource 8150 and reducing its contribution to the minimum required amount.

Health and Welfare Benefit Audit

The best practice is to conduct a verification and determination of eligibility for benefits for all active and retired employees every five years. FCMAT could not determine from interviews or documents whether the district has done this. Interviews indicated that in some cases employees' benefits were not terminated upon separation from employment. Although a determination of eligibility requires staff time to complete, districts often find that they are paying for benefits for individuals who no longer qualify for them.

Retiree Benefits

Governmental Accounting Standards Board (GASB) Statement 75, released in June 2015, established standards for employers to measure and report their costs and obligations related to OPEB, which include the costs for any post-employment medical, dental, vision, and prescription benefits. The district has made one payment to an OPEB trust, and it funds its OPEB expenditures on a pay-as-you-go basis. It may, per Procedure 785 of the California School Accounting Manual (CSAM), “allocate to all activities in proportion to total salaries or full-time equivalent positions (FTEs) in all activities” the current year benefit costs for retirees. The district currently charges its entire OPEB expense to the unrestricted general fund, even though it could charge a portion to the restricted resources and to other funds in proportion to the salaries paid from those resources in the fiscal year.

In addition, the Total Compensation Systems, Inc. OPEB actuarial report dated May 2022 recommends that the district isolate all costs of retiree health benefits. This would include CalPERS service fees, employee premiums, expenses, and claims. The report recommends that the district arrange for the rates or prices of all retiree benefits to be set on what is expected to be a self-sustaining basis. This is important because CalPERS service fees for administering the health benefit program for retirees continue to escalate. The district charges retired employees over age 65 the amount of the health benefit premium but does not include additional district costs such as service fees.

Special Education

The district’s contribution to special education programs for 2023-24 is projected to be $4.1 million, or 50.93% of special education expenditures. This is well below the last published statewide average contribution rate of 64.3% in 2021-22, as calculated by School Services of California. The district’s special education costs in 2022-23 include significant costs related to settlements, negotiated placements in private schools, and legal fees. The district needs to review these one-time expenditures to determine if they should be included in the ongoing maintenance of effort for special education.

Monitoring Maintenance of Effort

Federal law requires districts to spend at least the same amount of state and local funds on special education services in each successive year. This requirement is commonly referred to as the maintenance of effort (MOE). There are limited exceptions to this requirement, and if a district is considering reductions to its total general fund contribution to special education, it is required to follow the guidelines in the Code of Federal Regulations (34 CFR 300.204). The CDE lists the following circumstances under which a district is allowed to reduce the amount of state and local funds spent on special education:

i. Voluntary departure, by retirement or otherwise, or departure for just cause, of special education or related services personnel;

ii. A decrease in the enrollment of children with disabilities;

iii. The termination of the obligation of the agency to provide a program of special education to a particular child with a disability that is an exceptionally costly program, as determined by the state educational agency, because the child:

    I. Has left the jurisdiction of the agency;

    II. Has reached the age at which the obligation of the agency to provide free and appropriate public education (FAPE) to the child has terminated; or

III. No longer needs the program of special education; or

IV. The termination of costly expenditures for long-term purchases, such as the acquisition of equipment or the construction of school facilities.

In interviews, district staff shared their concerns regarding the district maintaining its MOE for the 2022-23 school year. The district incurred significant expenditures in prior years for high-cost students placed in nonpublic schools (NPSs) and for legal settlements. Districts may reduce their MOE requirement for the reasons listed above, and it would benefit the district to use the exemption process to calculate a reduction to its ongoing MOE requirement. Alternatively, the district may increase the amount of state and local funds spent on special education by charging the maximum allowable indirect costs to the special education resources to help it meet the MOE. FCMAT could not determine who was responsible for the planning and monitoring of the district's MOE throughout the year or for analyzing preliminary MOE calculations at first and second interim reporting periods. Such planning and monitoring should include taking advantage of opportunities to revise or reduce the ongoing MOE.

Special Education Transportation

The district's special education transportation expenses in 2022-23 were $173,029, and a contract was approved by the district's governing board on August 8, 2023 for $200,000 for the 2023-24 school year. This is an increase of approximately 16% over the prior year. EC 39802 requires transportation contracts to be bid when the total expenditure exceeds $10,000. FCMAT could not determine if the transportation contract has ever been subject to formal bid. It is in the district's best financial interest to follow the Education Code and issue a formal request for proposal (RFP) for these services. This issue is discussed in more detail in the "Purchasing and Accounts Payable" section of this report.

Extraordinary Cost Pool

As part of the AB 602 special education funding formula, the extraordinary cost pool program reimburses SELPAs for extraordinary costs of single placements in NPSs and for special education and related services for students who reside in licensed children institutions (LCIs) (EC 56836.21). The district needs to track and monitor these costs throughout the year and apply for reimbursement of these costs when applicable. FCMAT could not determine from interviews or documents whether the district was tracking such costs.

Recommendations

The district should:

1. Communicate its educational strengths and course offerings to parents, students and the community, and continue to explore other options to increase student enrollment.

2. Implement strategies to maximize attendance.

3. Ensure accurate identification and reporting of its UPP. Continue to ensure that schools and departments verify their respective CALPADS data and correct it as needed before the report submission deadlines.

4. Charge each restricted resource and fund the full allowable indirect cost rate, even if this results in a contribution from the unrestricted general fund.

5. Charge and transfer to the general fund a 3% administrative fee on developer fees.

6. Consider adopting staffing ratios for administrative and classified positions and adjusting staffing as appropriate in alignment with enrollment and its developed staffing ratios.
7. Consider reducing discretionary budget allocations for schools and departments.
8. Require purchase orders for all expenditures, and prohibit the processing of requisitions and purchase orders when the budget is insufficient.
9. Review all budgeted expenditures, and remove or reduce all one-time or nonessential expenditures.
10. Ensure that restricted funds are allocated correctly to all qualifying expenditures before expending unrestricted dollars.
11. Consider reducing its expenditures in resource 8150 and reducing the contribution to this resource to the minimum amount required.
12. Conduct a verification and determination of eligibility for benefits for all active and retired employees and dependents every five years.
13. Review the CSAM and allocate the allowable cost of OPEB obligations to restricted resources and other applicable funds.
14. Consider charging retired employees over 65 the full district costs for providing insurance, including CalPERS service fees.
15. Review one-time special education expenditures including NPS placements, settlements and legal fees to determine if they should be included in the ongoing MOE for special education.
16. Assign an individual to routinely monitor special education MOE requirements.
17. Track and monitor the costs for students placed in NPSs and students residing in LCIs, and apply for reimbursement of these costs from the special education extraordinary cost pool through the SELPA.
18. Follow the Education Code regarding bidding for transportation services when the cost for those services exceeds $10,000.

Business Services Operational Processes and Procedures

Budget Development

School districts are required to adopt their budgets within the statutory timelines established by EC 42127. Budget development is a detailed process that typically begins in or before January of the preceding fiscal year. During budget development, position control is revised and updated, revenues and expenses are estimated, and districts align their budget with categorical plans and their LCAP. The LCAP prioritizes each district's goals and the actions planned to achieve those goals. Effective budget development includes using a budget calendar so each staff member is aware of and meets deadlines.

Interviews and available documents indicate the district has a fiscal calendar that it uses as a checklist when items are completed. However, upon review, the calendar would best serve the district if it had additional deadlines and due dates. A calendar is not a statutory requirement; however, it is the best practice and provides a reminder to the district, its board, community, and stakeholders of critical deadlines and reports due throughout the fiscal year. Because the district has had substantial turnover of staff, it would benefit from updating its calendar to include tasks such as those listed below, deadlines for completion, and the staff member responsible for each one, such as the CBO, fiscal analyst, or other accounting staff.

- Position control updates.
- Student enrollment and attendance projections.
- LCFF calculations.
- Staffing projections.
- Budget planning with departments and schools.
- LCAP preparation timelines.
- Community and stakeholder meetings for LCAP planning and preparation.
- School and department budget meetings.
- Interim reporting tasks, deadlines, and board meetings.
- Attendance reporting deadlines.
- Auditor meetings and deadlines.
- Purchasing cutoff dates.
- Federal funding reporting deadlines.

The superintendent and CBO have the main responsibility for budget development. The CBO and fiscal analyst handle the details, including the following:

- Attendance projections.
- Revenue calculations.
- Budget and interim forms preparation.
- LCAP financial reporting.

- Salary and benefit expenditure calculations.
- Multiyear general fund financial projections.
- Cash flow projections.
- Related board presentations.

During interviews, the fiscal analyst seemed to lack an understanding of some of the details and assumptions used to develop the budget. It would benefit the district to provide additional training to the fiscal analyst regarding budget preparation and monitoring, multiyear projections, and cash flow projections. This would allow the CBO to focus on review, analysis and oversight of projections and would strengthen the district's internal controls through added cross-training and segregation of duties.

Partnering with the Educational Services Department will provide accurate enrollment projections, which are needed to staff classrooms, schools and programs in a cost-effective manner, and to plan for and manage change. Enrollment and the associated ADA are the most important factors affecting LCFF revenue, which is the district's primary unrestricted funding source. The district did not provide documents to show that it tracks historical enrollment by school and uses it to develop enrollment projections, and staff were unable to identify the district's methodology for enrollment and attendance projections.

The district provided enrollment estimates by school and grade level for 2023-24, which it used to project enrollment for the subsequent years. The district applied a 97% yield rate for attendance projections, even though its ADA-to-enrollment ratio was 95% in 2022-23. The best practice is to develop enrollment projections and attendance assumptions based on historical trends, adjusted as needed for other reasonable considerations specific to the district. The COVID-19 pandemic has increased uncertainties about enrollment and attendance forecasting. Enrollment has declined in districts across the state, and attendance rates in 2021-22 were historically low. Attendance rates have slowly begun to recover, but districts should use caution and consider local factors when projecting enrollment and attendance.

One of the most critical elements in budgeting for expenditures is accurately projecting the costs of employee salaries and benefits. In most school districts, 80% to 90% of the budget is spent on salaries and benefits, so budgeting accurately for these costs is crucial. The district maintains some salary and benefit information in a position control system; however, the data is neither entirely accurate nor integrated with the budgeting or financial system, so it is not used in budget development. The district would benefit by keeping the position control data up to date so that it can be used as an effective and accurate budget development tool.

The district's business office does not actively involve school and department managers in budget development; rather, the department rolls the prior year budget forward and adjusts it with limited to no input from others. This practice results in the district staff having to process numerous budget revisions as soon as the fiscal year starts to make necessary purchases and pay employees on time. Although budget revisions are common and best practice for budget monitoring in school districts, establishing a budget through budget revisions is inefficient and unnecessarily takes district staff away from regular duties.

Under the CBO's leadership, budgets need to be developed for each department in collaboration with respective managers and staff. This collaboration would help create a sense of shared ownership and responsibility, a better understanding of budgetary issues, and possibly fewer budget transfers during the year.

In addition to the need to meet annually for budget development with schools and departments, the district needs to provide annual training for school and department administrators and staff on its financial software and account coding.

FCMAT's review of the district's 2023-24 adopted budget documents found that some, but not all, key budget assumptions used in budget development were included in the presentation. The district could improve communication and ensure all parties gain a better understanding of the budget document if it included all key assumptions used in budget development. Board study sessions can increase board members' understanding of the budget and how resources are aligned with the district's goals and objectives.

Recommendations

The district should:

1. Develop and use a budget calendar that includes all dates for statutory deadlines and other budget development tasks, including the individual responsible for each task, so that administrators and staff are aware of deadlines.
2. Provide business services staff with training on budget development, MYFP preparation, cash flow projections, SACS, and basic school accounting principles.
3. Collaborate with the Educational Services Department to develop an accurate enrollment and attendance projection model based on historical trends and adjusted for known local factors.
4. Ensure that the position control system contains complete and accurate information, including account codes, for all salary and benefit costs.
5. Develop and implement a process to ensure school and department managers are involved in budget development.
6. Meet annually with school and department budget managers, and provide training on budget and financial management each year.
7. Use the most current data and assumptions to develop the budget and MYFP, and include all key assumptions in board presentation materials.
8. Improve communications regarding the district's budget through clear narratives, periodic updates to staff, and board budget study sessions.

Budget Monitoring

School district budgets change throughout the year. Estimated revenues, expenses and ending balance for each fund can fluctuate with changes in state budget projections, district enrollment and attendance, personnel, and negotiated settlements of employee bargaining agreements. Budgets need to be monitored regularly during the fiscal year to ensure appropriations are not overspent, revenues remain appropriately projected, and actual expenditures are not materially different than those budgeted. Revisions to major expenditure classifications are subject to board approval, in accordance with EC 42600.

Typically, many budget revisions are made during the fiscal year as additional information develops and district needs change. Budget revisions usually fall into the following 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.
- Increases in expenditure appropriations to prevent budget overruns.

Interviews with staff indicate that department and school budget managers are not held responsible for independently managing their budgets, including the redistribution of budgeted resources to meet expenditure needs throughout the year. Department and school administrators need to monitor their budgets routinely to ensure resources are available and categorized correctly to pay for anticipated expenditures, with help from the business office when needed to ensure budgets are not overspent and activity is coded correctly.

In interviews, school and department administrators and staff stated that they have access to their budget information in the district's financial system; however, they had no knowledge of how to retrieve the information. Department and school staff do not use the financial system to access their budgets for routine monitoring or to assess available balances before initiating purchase requisitions. According to interviews, most rely on the business office to run financial reports and make budget transfers on their behalf when budget lines are insufficient to cover a submitted purchase requisition. This dependency on business office staff places an unnecessary burden on the Business Services Department. Budget managers will need to receive ongoing training on the financial system and account coding until they are proficient at generating and understanding financial reports. Schools and departments need to be made responsible for requesting budget transfers.

FCMAT's review of the district's 2022-23 second interim report showed that actual expenditures for books and supplies in the unrestricted general fund as of January 31, 2023 exceeded the projected budget by $358,000. The 2022-23 unaudited actual expenditures were $2.3 million greater than the estimated actual expenditures in certificated and classified salaries, books and supplies, and services and other operating expenses, and employee benefits expenditures were underestimated by $1.4 million. In addition, the district coded nearly $1 million in expenditures to a resource with no budget. The expenditures had to be transferred to another resource at year end. These examples indicate that the district was not adequately monitoring the budget. It is best practice to monitor budgets regularly during the year to ensure that expenditures do not exceed budgeted appropriations. Regular budget monitoring and budget adjustments will minimize variances between budget and actual expenses at year-end closing. This will increase credibility with local employee associations, the community, and the governing board. Communication about budget adjustments and how they affect the district must be ongoing and transparent.

The business office does not prepare a monthly budget-versus-actual summary report for presentation to the governing board. This practice would help the board and community understand that the budget is fluid and counter the perception that budget changes occur only at interim reporting periods. At a minimum, budget revisions need to be submitted to the governing board at the following times:

- Within 45 days after the state budget is signed by the governor.
- When carryover and deferred revenue are known after the close of the prior year.
- With the first interim report (December).
- With the second interim report (March).
- In May, in preparation for closing the fiscal year.
- In June, to assess what the projected fund balance will be.
- Whenever the ending fund balance is materially affected.
- Whenever transfers between funds occur.
- Whenever negotiations conclude.

The district did not provide documents outlining its budgeting procedures, and FCMAT could not determine from interviews how unrestricted and categorical program budget monitoring duties are distributed among the CBO, fiscal analyst, and other business staff. This lack of oversight and monitoring, combined with insufficient collaboration between business services and other departments, has led to a lack of communication and partnership between instructional and business services.

The district provided FCMAT with a Microsoft Excel workbook that it used to prepare the 2023-24 adopted budget MYFP. Although it separates the general fund into unrestricted and restricted totals, the projection does not include revenue and expenditure information at the resource code level. Considering the significant investment of one-time and ongoing restricted revenues in TK-12 education over the last three years, the district would benefit from developing its multiyear financial projections by resource code in partnership with educational services. This type of collaboration can ensure restricted funding is used first to relieve the general fund of expenditures that can be made using restricted dollars. In addition, the resource detail would allow the district to eliminate expenditures in a resource that has an expenditure deadline and enable it to decide whether it wants to discontinue funding the activity, or continue it by moving the expenditures to the unrestricted general fund. A multiyear financial projection completed by resource code would help ensure the district spends restricted funds before unrestricted, efficiently plans for the best use of funds, and accurately projects its general fund balance into subsequent fiscal years. Such tracking can be accomplished in an Excel workbook, or by using FCMAT's free online Projection-Pro software, which is available via FCMAT's website.

Recommendations

The district should:

1. Monitor budgets throughout the year to ensure budgets are not overspent, activity is coded correctly, and expenditures are not charged to expired resources or those with insufficient funding.
2. Hold department and school budget managers responsible for independently managing their budgets, including distributing budget resources to the correct SACS account codes to meet actual expenditure needs throughout the year.
3. Ensure that school and department budget managers receive ongoing training on the SACS account codes and the district's financial system until they are proficient in generating and understanding financial reports.
4. Confirm that all school and department budget managers have online access to their budgets, and consider allowing school personnel to enter budget transfers, pending approval by business staff.
5. Review all sections of the budget monthly to help prevent large variances between budgeted and actual expenses at year-end closing.
6. Prepare a monthly budget-versus-actual summary report for all funds, to be presented at a regular board meeting in open session.
7. Regularly report at board meetings the need for various budget adjustments, their causes, and how they affect the ending fund balance. This includes changes in operating costs, active 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, and cash flow projections.

8. Prepare general fund MYFPs by revenue source at the resource code level; consider using FCMAT's Projection-Pro software.

Position Control

It is critical to maintain an effective position control system to manage the cost of salaries and benefits and to properly show those expenditures in the district's budget. Salary and benefit costs are the largest component of any school district's budget. Therefore, accurately projecting salary and benefit costs is important.

An effective position control system will fully integrate with payroll and budget modules, facilitate the hiring and monitoring of staff, and be used to update the budget at each reporting period. When the Business Services and Human Resources departments use one system, staff time and duplication of effort is reduced, and information can be produced on time. Maintaining accurate data is essential for budget development, collective bargaining, and providing effective services. All reconciliation of data needs to include SACS coding so that the reviewer can verify the funding source of the position. Although an audit of position control detail was outside FCMAT's scope of work, three positions that appear to be miscoded were identified during the review. This means that funding was not set aside in the districts' budget to pay for these positions.

Position control should begin with board-approved staffing ratios based on school and department needs and should consider any collective bargaining agreements or legal requirements. Once the number of positions has been established, business and human resources need to collaborate on the number of employees who hold the correct credentials for the determined positions. This process should begin in January to give the district enough time to manage possible layoffs and recruitments within the required timelines.

The district uses the Employee Position Information Collaborative System (EPICS), hosted by the county office, for position control to maintain salary and benefit data for regular permanent positions. Interviews indicate that this software is not fully integrated with the payroll, budgeting or financial systems, and the county office is considering a replacement system. FCMAT was unable to identify either through interviews or document review any ongoing reconciliation procedures to provide internal controls to compensate for this deficiency. None of the position control documents provided by the district included SACS coding or complete salary and benefit information. Staff make manual entries to the budget to adjust for all payroll costs including salaries, stipends, substitutes, extra duty, and overtime.

Interviews indicated that the county office offers training on the position control system, and that several district staff members attended the training. However, many of the staff members trained are no longer with the district. The frequent staff turnover in the Business Services and Human Resources departments greatly hinders the district's ability to maintain accurate information in the system.

Salary and benefit costs for overtime, substitutes, and stipend positions are budgeted based on prior-year actual expenses. A fully integrated position control system would help the district maintain accurate salary and benefit information for more accurate budget projections. Staff reported that when a position was vacant, the benefits for that position continued to be budgeted, causing the budget to be overstated. Maintaining a position control system that has all elements of salary and benefit data will reduce manual adjustments and improve efficiency and accuracy. The need to manually adjust position control data for budgeting purposes is laborious, inefficient, and creates the potential for errors in budgeting. It is vital to maintain an effective position control system to manage the cost of salaries and benefits and to properly show those expenditures in the district's budget.

Identifying new, additional positions is essential to budgeting. Currently, positions submitted for governing board approval do not identify if the positions are being added to the budget or are replacements for current positions. It is important for the board to understand whether a position is newly created and therefore an additional expense to the budget, or a replacement for a vacant position and therefore already included in the budget, so that the board is aware of the impact to the unrestricted ending fund balance. They also do not indicate the funding source, frequently do not include the pay rate, and do not state whether the position is full time or part time. Three new positions added to the 2023-24 budget were budgeted from an incorrect funding source.

The district uses a manual personnel requisition process to create new positions and fill vacant positions. Some school and department employees interviewed were not aware of the process or form and indicated they were never trained regarding it. Some interviewees indicated that until this year, school and department managers just telephoned or emailed human resources about new positions. Staff training on the personnel requisition process is needed to ensure accurate information is entered into and maintained in the position control system. This issue is discussed in more detail in the "Personnel Requisition Form and Process" section of this report.

Position vacancy information the district provided was inconsistent throughout the review. Three of the positions listed on the New Positions report provided by the Human Resources Department were existing positions that had already been filled; they were not new, and they were not vacancies. Interviews indicated the district maintained a Google spreadsheet of vacancies in the past, but it has not been updated. The district could not provide a complete list of all board-approved positions used to support the 2023-24 budget. Interviews indicated that the business office was not involved in the approval of new positions and therefore could not budget for them accordingly. Some division directors interviewed indicated that they had been allotted new positions for the 2023-24 school year, but the business office had not budgeted the new positions and human resources was not advertising to fill the positions.

Regularly scheduled interdepartment meetings of human resources and business services staff and managers are essential for developing a common understanding of the terms used (e.g., new versus vacant positions) and the process of effectively managing salary and benefit expenditures. Staff from the Business Services and Human Resources departments need to meet at least during budget development and at each interim reporting period to balance all positions with those paid through payroll. Ideally, regular meetings ensure all parties are aware of any issues or discrepancies. Staff training on how each area affects fiscal and budget matters is important for budgeting appropriately and ensuring proper payment to employees, particularly since most of the staff recently trained by the county office are no longer with the district.

Internal controls ensure the proper separation of duties between the two departments, which can provide reasonable assurance that material weaknesses, serious errors or fraud are unlikely to occur. The controls must 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.

Position control functions also need to be separated to ensure proper internal control. Position control is normally a process divided between a district's human resources and business departments, and no one person holds a job with position control as its primary function. While this can be a problem for smaller districts where staff perform numerous duties related to budget, payroll, and human resources, these functions can be separated at Burlingame Elementary. The Human Resources Department has demonstrated the ability to code a position and enter it into the payroll system without a business office review. For example, the district provided FCMAT with a copy of a screenshot from the position control system that showed the former director of human resources was approving personnel, budget, and final approval. The position was for an instructional aide, but the account code in the system was for maintenance and operations. The business office staff believe that they have similar system access permissions.

In a district the size of Burlingame Elementary, one position in the Human Resources Department should be responsible for creating the positions, ensuring they are board-approved, and entering employee information into the newly created positions. This position can also establish salary schedule placements and work calendars, and close positions that are no longer needed. A different position, in the Business Services Department, should be responsible for confirming that the position is in the board-approved budget and then using the board-approved information to process payroll for the employee in that position. The commingling of these duties can create an opportunity for fraud, specifically by the creation of a fictional employee, which is a common fraud scheme in which a person who does not work for the district is entered into the payroll/position control system. The district lacks consistent processes and alignment of job responsibilities between the business office and human resources. It needs to establish internal controls to ensure the proper separation of duties between the two departments.

The following table has suggested assignments for position control tasks to establish checks and balances to help provide the necessary internal control structure. However, for the district, these tasks will need to be divided among the CBO, the Human Resources Department, and payroll.

Suggested Assignments for Position Control Tasks

Task	Responsibility
• Approve or authorize a position. • Staffing ratios.	Governing board
• Enter approved positions into position control, with estimated salary/budget. • Assign each position a unique identification number.	Business Services Department

• Enter demographic data, such as:
  • Employee name.
  • Employee address.
  • Social Security number.
  • Credentialing information.
  • Job classification.
  • Salary schedule placement.
• Annually review and update step-and-column placement.
• Annually review employee work assignments.
	Human Resources Department

• Update employee benefits. • Review and update employee work calendars. • Annually review and update salary schedules (this may need to be completed more frequently, such as in a collective bargaining settlement).	Business Services or Human Resources department
• Maintain budgetary account codes. • Budget development and budget projections. • Salary and multiyear projections.	Business Services Department

Recommendations

The district should:

1. Audit position control data to ensure it contains accurate information regarding board-authorized positions (including true vacancies), number of full-time equivalent positions (FTEs), account coding, employee information, work location, salary schedules, and work calendars.
2. Ensure that it accounts for all board-approved positions, including salary and benefit costs, in its position control system.
3. Ensure that all new positions and extra work assignments (e.g., stipends) not already included in the budget are approved by the governing board before positions are posted. Ensure the board is aware of each position's funding source and its fiscal impact on the budget.
4. Ensure that position control is reconciled with budget and payroll regularly, meaning at least during budget development and interim reporting periods. Train EPICS users to run reports that include position, name, FTE, and SACS coding information to aid in the reconciliation.
5. Develop appropriate internal controls to separate position control duties between the Human Resources and Business Services departments. This should include duties such as the authorization of new positions, budget coding, and tracking employee demographic information.
6. Train school and department staff on the proper use and completion of the personnel requisition form.
7. Establish interdepartment meetings of the Human Resources and Business Services departments' staff and managers at least twice per year to reconcile position control with school and department staffing lists and payroll records. Provide school and department managers with position control reports, and ensure that data is reviewed and corrected as needed. Ensure that the reports include all the employees at each respective school or department.

Payroll

Responsibility for payroll lies with the payroll and benefits specialist, who has been in the position since July 1, 2022. Usually, the district's Human Resources Department adds new positions and employees in the EPICS system, and the business services staff (which includes the payroll function) enters all employee data including pay rates and benefits, though sometimes human resources performs this function also. Interviews indicate that the superintendent or human resources director position confirms new salary information and placement via email, and the primary source document is usually the job offer letter.

The payroll and benefits specialist also performs form W-4 updates and can modify an employee's information in the payroll system, process a payment for that individual, and distribute a check to that person. Entering employees into the human resources system and paying those employees should each be performed by separate positions in different departments. To strengthen internal controls, the district needs to segregate these duties, ensuring that no one employee has the ability to manage a transaction from initiation to check generation.

The fiscal analyst audits payroll by checking the math on individual time sheets, reviewing the check run against the list of teachers with expired credentials, and comparing the number of checks in the payroll run to the prior month. The CBO audits payroll if the fiscal analyst is absent.

The district typically processes two payrolls each month (an end-of-month run and a supplemental/substitute run), and the county office generates the payments using the countywide EPICS system. When payroll warrants are received at the district, each school or department secretary is notified that checks are available. The secretaries notify employees who receive physical checks that they may sign for their checks and pick them up from the payroll and benefits specialist. Checks that are not picked up by the end of the day are mailed by the payroll and benefits specialist.

Employee terminations are communicated to payroll via email, and the payroll and benefits specialist also checks board agendas for personnel actions such as new hires, promotions, demotions, resignations, retirements, or terminations. In the 2021-22 fiscal year, human resources failed to notify the payroll department of a termination and the former employee continued to receive a paycheck; the district is trying to collect reimbursement for overpayment. Staff indicated that an onboarding/offboarding process checklist was recently created that includes a notification to payroll.

The district uses a software package called Frontline Education (AESOP) to track absences, but this system is not integrated with EPICS and the district does not reconcile data in AESOP to the EPICS system. Employees self-report absences in AESOP, and schools fill out absence forms to support the data in AESOP. In prior years, the payroll department would contact employees for missing documents (for example, signatures and corrections) before payroll cut-off dates; however, staff reported they no longer receive those notifications from payroll. The payroll and benefits specialist acknowledged that payroll deadlines necessitated using primarily the AESOP system for leave information and that the district was considering eliminating the paper absence forms.

Staff reported concerns that some employees may not be self-reporting all absences in AESOP, possibly resulting in overpayments because they appear to have available paid leave but may not. To avoid overpayments, supervisors need to be trained and held accountable for ensuring that all subordinate staff members report all absences. During a recent vacancy in the payroll position, vacation leaves were not tracked accurately, resulting in overpayments to some employees when vacation balances in excess of the allowable balances were paid out. In addition, staff reported to FCMAT during interviews that there is no formal process for tracking compensatory time earned or taken.

It would benefit the district to continue to use absence logs, forms, lists, or other documents to support the reconciliation of absence data in the AESOP system and improve internal control. Absence data could be recorded on a spreadsheet or a log and maintained by each school or department and submitted to payroll each month. The absence data from the absence logs could then be reconciled with the absence data in AESOP. Internal controls could also be improved by ensuring that all paid absences are entered correctly into the EPICS system by reconciling paid absences in payroll to entries in EPICS.

The bargaining agreement with classified employees does not permit carryover of annual vacation balances except with the approval of the superintendent. If the employee is not allowed to take vacation, up to twice the annual entitlement may be carried over for use in the next year. Excess vacation days are typically paid out at the end of each fiscal year. At the end of the 2021-22 fiscal year, excess vacation balances were not paid out, so were added to the amount paid at the end of the 2022-23 fiscal year.

The district lacks a comprehensive payroll procedures manual that outlines tasks. A procedures manual or desk manual would provide direction to another staff member performing the payroll function in case of an absence or vacancy. A comprehensive payroll procedures manual may have prevented the district from neglecting to pay employees for vacation days that were in excess of allowable carryover at the end of the fiscal year.

The county office offers frequent professional development opportunities and assistance, and the payroll and benefits specialist often participates in those trainings. The payroll and benefits specialist would benefit from additional training related to internal controls, STRS and PERS reporting, and leave tracking. Although one specialist who processes payroll may be sufficient for a district the size of Burlingame Elementary, it is imperative that adequate controls and coverage exist for this critical function. Cross-training is especially important when one staff member occupies a specialized position for which there is little or no supporting coverage. The current fiscal analyst is cross-trained on the payroll system, and audits payroll and reviews the SACS coding for new positions. The district would likely need extensive assistance from the county office if its payroll and benefits specialist is ever absent, because the only other business office staff member who has the knowledge to perform a complete payroll is also responsible for auditing payroll.

It would benefit the district to identify at least one additional business staff member who can provide emergency coverage, and to ensure that this individual receives the training needed to perform the task so that the fiscal analyst is not put in a situation in which they audit their own work. The staff member will need to perform at least one payroll process in its entirety to ensure this is a functional alternative. The district will need to continue to provide ongoing training opportunities to the payroll and benefits specialist, as well as to the new cross-trained staff member, to further improve payroll knowledge and reduce the potential for payroll errors.

Because of the payroll function's limited coverage, the district also lacks sufficient internal controls over critical payroll processes. Although approvals are required for initial salary placement for staff, one position is responsible for entering or changing employee salary data in EPICS as well as advising payroll in an unstructured, informal manner. When payroll warrants are printed and returned to the district, the same individual who generates the warrants also distributes the warrants to employees.

Functions that need additional oversight restrictions and review include processing payroll and related functions, modifying the salary schedule, performing garnishments, and adding additional pay to an employee record, such as a stipend. Even though some of these modifications may occur infrequently, the fiscal analyst needs to review each action that may affect the pay or withholdings of one or more employees. The fiscal analyst also needs to regularly and carefully review each payroll to ensure adequate oversight of the whole payroll process. The fiscal analyst should not be the primary backup to the payroll and benefits specialist with the potential to audit their own work.

Recommendations

The district should:

1. Ensure that the functions of entering new employees into the system, processing payment for employees, and receiving and distributing checks to employees are always segregated.

2. Strengthen internal controls by reviewing EPICS access permissions, ensuring formal routing of payroll information and notifications, and overseeing and reviewing functions that affect employee pay.

3. Ensure that human resources communicates regularly with payroll, and implement a process to ensure that payroll is notified promptly of all employment actions (e.g., new hires, separations, promotions, and demotions).

4. Ensure that the CBO or fiscal analyst continues to review each payroll, including supporting documentation.
5. Consider continuing to use absence logs, forms or lists to aid in the reconciliation of absence data in AESOP. Ensure that compensatory time earned and taken is tracked.
6. Identify and fully cross-train another business office staff member to cover critical payroll functions.
7. Offer the payroll and benefits specialist and school and department staff additional and ongoing professional development and training in payroll regulations and procedures, internal controls, and leave tracking.
8. Develop and maintain a payroll procedural manual specific to the district that can be used by both the payroll specialist and any individual covering payroll functions. Ensure that it includes internal control procedures so they are not overlooked.

Purchasing and Accounts Payable

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

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 the district's budget when a purchase order is prepared. This is essential to 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 purposes.

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.

During FCMAT's interviews, staff reported that purchase orders are required for all purchases. However, school and department staff do not always follow established procedures, so business office personnel receive many invoices that cannot be matched to a purchase order because a requisition was not created. In interviews, staff reported receiving invoices through US mail, email, interoffice mail, and from in-person drop-offs at the office. When an invoice cannot be matched to a purchase order, district office staff must spend time attempting to determine which school or department ordered the materials or services and obtaining confirmation of receipt of goods and approval to pay the invoice.

The board-approved budget is the spending authority for the district. EC 42600 specifies that school districts may not spend more than authorized in the adopted budget as adjusted during the fiscal year. All district staff need to adhere to district procedures, which require a purchase order for all purchases. When unauthorized purchases are made by ordering goods and services without a purchase order, the approval process is circumvented and the district is in danger of overspending the board-authorized budget. Informing district staff that they may be held personally responsible for the payment of unauthorized purchases would limit such purchases and provide better controls.

School and department staff have access to the financial system to input requisitions, which are routed electronically for approval before purchase orders are printed in the district office. Business office staff reported that school and department staff frequently do not enter the correct account number on the requisition, so business office staff must change the account code on the requisition before it is processed or journal the expense to the correct account after the payment has been processed. This places a burden on business office staff and reduces operational efficiency. Training school and department staff in proper coding of requisitions would benefit the district because it would help reduce coding errors and increase purchasing efficiencies.

The district's financial system's purchasing module has a hard stop function available that prevents creation of a purchase order when budget coding is invalid and/or the remaining budget account string provided has insufficient funds for the purchase. However, the district has not implemented this function. Instead, if the budget account on the purchase requisition has insufficient funds, business office staff review the budget manager's assigned budgets to identify other account strings with available budget balances and then prepare one or more budget transfers on behalf of the budget manager. This practice places the district at risk of spending more than has been approved by the governing board, and it creates additional work for the business office staff because it requires them to prepare budget transfers for budget managers rather than holding the budget managers accountable for allocating their resources to accounts from which their spending is expected to occur.

Implementing the hard stop function during the purchase requisition and purchase order process would benefit the district by holding school and department budget managers accountable for their budgets. When the available balance on a budget line is insufficient to cover a purchase request, a hard stop would require the budget manager to initiate a budget transfer to reallocate the resources under their control before the purchase request can be finalized.

Board Policy 3314, Payment for Goods and Services, states:

> The Board of Trustees recognizes the importance of developing a system of internal control procedures in order to help 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.

At the time of FCMAT's fieldwork, three business office employees had access to the accounts payable system, and each one was able to create a vendor in the system, edit vendor information such as remit address or bank information, create a requisition, print a purchase order, pay a vendor invoice, and distribute vendor warrants. Thus, one employee could create a vendor, submit an invoice for payment, generate the payment, and remove it from the batch of warrants without the district's knowledge. This lack of internal controls creates an opportunity for fraud by allowing an employee to create and pay a fictitious vendor.

Effective internal controls include segregating duties to prevent any one employee from handling a transaction from initiation to reconciliation, or having custody of an asset (such as cash or warrants) and maintaining the records of related transactions. This prevents the same person from initiating, processing and mailing warrants, and posting those transactions in the accounting records. Proper separation of duties would include assigning different employees to create and maintain vendor information, process requisitions and purchase orders, initiate payment of vendor invoices, and distribute vendor warrants.

Board policy 3350, Travel Expenses, authorizes payment for actual and necessary travel expenses incurred by employees performing authorized services for the district. The district's Request to Attend Conference/Workshop Reimbursement form is to be completed and received in the district office a minimum of eight working days before the early registration deadline for a conference or workshop. A copy is returned to the employee to complete the expense reimbursement section within ten days after travel and to include original, itemized receipts. A purchase order is typically used for registration, or a district credit card is used if a purchase order is not accepted. Airfare is also charged to a district credit card.

Interviews indicated that the mileage rate is set each year to match the Internal Revenue Service (IRS) rate; however, the form provided by the district shows a rate of $0.54 per mile even though the IRS rate for 2023 is $0.655 per mile. The travel request form needs to be updated to match the current IRS mileage rate. The maximum amount of reimbursements for breakfast, lunch, and dinner are printed on the form, and interviews indicated that if an employee turns in a receipt that exceeds the maximum, the reimbursement is adjusted to pay up to the maximum. The form instructions state that reimbursement will not be made for meals if meals are provided by the conference, and that meals will be reimbursed only for travel out of the area that requires an overnight stay. A best practice is to establish specific travel times to qualify for breakfast and dinner. For example, a traveler must have a departure time of before 6:30 a.m. to qualify for the breakfast per-diem payment and a return time of after 6:30 p.m. to qualify for a dinner.

The district participates in the state's Department of General Services' CAL-Card program. CAL-Cards are credit cards used by state government entities such as school districts and may be used wherever Visa cards are accepted. CAL-Cards are typically issued to employees so they can make purchases from vendors that do not accept purchase orders, or to expedite certain purchases such as conference registration fees. It is possible to restrict the use of any CAL-Card so it can be used only for certain commodities and vendors; different restrictions can be set for each cardholder. Used appropriately, with proper internal controls, CAL-Cards can be an effective way to purchase goods and services in a timely manner. However, if adequate internal controls are lacking, district credit cards could be used to circumvent established purchasing processes and procedures. Districts that participate in the CAL-Card program must ensure that proper internal controls are in place.

CAL-Cards must be issued in each individual cardholders' name, and more than one card can be issued per district. Each card may be set up with a maximum single transaction limit as well as daily, monthly, quarterly, and annual spending limits. By using merchant codes, the district can also restrict the types of purchases made with a CAL-Card. Usually there is no cost to a district to participate in the CAL-Card program; however, unpaid invoices (those later than 45 days) will accrue late penalties.

The district has issued credit cards to seven administrators, with a spending limit of $5,000 on each card. Each cardholder is required to sign a cardholder agreement when first issued their card. The agreement states that the card is to be used for authorized district business only and that a violation of the terms of use of the card may be cause for disciplinary action. The CAL-Card purchasing procedures accompanying the agreement state that complete and detailed itemized receipts for all credit card charges are required and are due within one week of receiving the statement. The procedures state that the card is intended for work-related travel expenses, conference registrations (if a purchase order is not accepted), and immediate, small purchases of single items valued at $500 or less. In addition, the procedures list prohibited purchases including personal purchases, gift cards or prepaid cards, cash advances, alcoholic beverages, and others.

During FCMAT's interviews, staff shared that assigned CAL-Card users often forward receipts for charges to the business office late and sometimes do not forward them at all. Business office staff reported that some CAL-Card invoices were paid despite missing documents, to avoid late fees and suspension of the account. An audit of CAL-Card payments was outside the scope of this study, so FCMAT was unable to verify the accuracy of staff statements. Based on a review of the monthly vendor reports included with board agendas, it appeared that CAL-Cards have been used over the past year for prohibited purchases including gift cards, service agreements, and purchases of items over $500. It also appeared that CAL-Cards had been used to purchase meals during travel. This allows cardholders to exceed the approved maximum reimbursement amount for meals. It would benefit the district to hold an annual training for cardholders regarding the use of CAL-Cards and to require cardholders to sign the cardholder agreement annually.

Cardholders who use the card inappropriately in violation of the agreement need to be held accountable, and their card privileges should be revoked.

The district has no written purchasing procedures. Board Policy 3300, Expenditures and Purchases, states that the district will comply with Public Contract Code (PCC) 20111, which requires competitive bidding for purchases over a specified amount. Board Policy 3311, Bids, states that equipment, supplies, and services will be purchased using competitive bidding when required by law and allows the district to piggyback onto the contract of another public agency as authorized by PCC 20118. The district's Administrative Regulation 3311, Bids, outlines requirements for advertising, bidding, and awarding of contracts (including transportation service contracts of more than $10,000), as well as alternative bidding procedures.

Education Code 39802 includes a $10,000 threshold for transportation contracts and states the following:

> In order to procure the service at the lowest possible figure consistent with proper and satisfactory service, the governing board shall, whenever an expenditure of more than ten thousand dollars ($10,000) is involved, secure bids pursuant to Sections 20111 and 20112 of the Public Contract Code whenever it is contemplated that a contract may be made with a person or corporation other than a common carrier or a municipally owned transit system or a parent or guardian of the pupils to be transported. The governing board may let the contract for the service to other than the lowest bidder.

On October 11, 2022, the district's governing board approved a service agreement with a contractor for home-to-school transportation services for students who receive special education services. As discussed earlier, the agreement included a not-to-exceed amount of $115,000 for the 2022-23 school year. However, actual payments to this vendor in 2022-23 were $173,029. On August 8, 2023, the board renewed the agreement with a not-to-exceed amount of $200,000 for the 2023-24 school year. There was no evidence that the district went out to bid on this contract. This is a violation of the legal codes and the district's own policies. The district needs to follow board policies, administrative regulations, Public Contract Code, and Education Code related to purchasing, and ensure that district employees are trained in proper purchasing procedures. It is also best practice for a district to include its insurance carrier when creating special education transportation bid documents because of the insurance carrier's expertise in student transportation risk management.

Recommendations

The district should:

1. Implement proper segregation of duties so no one employee handles a transaction from initiation to reconciliation. Ensure that it segregates the duties of creating and maintaining vendor information, processing requisitions and purchase orders, initiating payment of vendor invoices, and distributing vendor warrants.
2. Hold school and department staff accountable for following established procedures that require a purchase order for all purchases. Clearly communicate that unauthorized purchases may become the responsibility of the individual who initiates such a purchase.
3. Provide training to school and department staff on proper coding of expenditures. Hold a refresher training annually.
4. Implement the hard stop function in its financial system to prevent processing of requisitions and purchase orders if the available budget balance is insufficient and/or the account code is incorrect.

5. Implement a system to allow school and department managers to request budget transfers.
6. Update the travel request form annually to include changes to the IRS mileage rate and per diem amounts for meals.
7. Consider establishing specific travel times to qualify for meal reimbursement.
8. Conduct an annual training for CAL-Card holders regarding the use of CAL-Cards, and require cardholders to sign the agreement annually. Emphasize appropriate use of the card, prohibited purchases, and the requirement for receipts to be submitted within a week of the statement date. Hold cardholders accountable if they use the card inappropriately, including suspending or revoking cardholder privileges for violations of the cardholder agreement.
9. Ensure that staff are trained in proper purchasing procedures, including adherence to board policies, administrative regulations, Public Contract Code, and Education Code.

Accounts Receivable

The district uses an external software program that is not integrated with its financial system to create invoices for items such as retiree health benefit payments, rentals, and facilities use. Typically, the fiscal analyst creates invoices using the software program, prints the invoices, and mails the invoices to customers. The district receives payments for invoices issued, as well as associated student body funds, developer fees, and other items. The district secretary opens mail in the district office and delivers checks and cash to the fiscal analyst. The district secretary does not write receipts or count the cash received. The fiscal analyst counts the cash and records payments in the invoicing system and/or financial system. Checks are sent to the county office for processing, and cash is deposited in a local bank account. In the case of cash deposits, a check for the amount deposited is written from the local bank account and sent to the county office. Cash deposits are made whenever large amounts of cash have accumulated. The fiscal analyst stated that cash is not received often, so bank deposits are infrequent. The fiscal analyst is also responsible for reconciling the bank account.

FCMAT requested copies of bank reconciliations for February, March, and April 2023. The district provided copies of bank statements for the revolving cash account, the cafeteria revolving account, and the associated student body account. However, check registers and reconciliation forms were not provided. The district provided a Microsoft Excel workbook with a tab for each account that shows the beginning balance, additions, subtractions, ending checkbook balance, bank balance, and reconciling items for the 2021-22 fiscal year. Because the documents provided were undated, FCMAT could not determine if the reconciliations were performed monthly. The fiscal analyst maintains the spreadsheet, but it is not reviewed by anyone else. It is best practice for the reconciliation to be completed within two weeks of the bank statement date, and for both the person performing the reconciliation and the person reviewing the work to write their name, the date the work was performed, and their signature on the reconciliation.

The district needs to improve internal controls in accounts receivable to reduce the potential for errors and fraud. Adequate segregation of duties and oversight of essential functions are key factors in creating a strong system of internal control. The best practice is to ensure that duties of custody, recording, depositing and reconciliation of cash transactions are assigned to separate individuals. One individual should not have the ability to control a transaction from start to finish. The best practice also includes having a procedure to assign a person who was not involved with the original transaction and recording to reconcile bank statements and account balances each month.

The district's 2022-23 unaudited actuals report indicates an approved balance of $2,500 in the revolving fund account. The account balance as of the April 2023 bank statement was $3,189.80. For the three months reviewed, there was no indication that the account is ever reconciled to the approved balance. Reimbursements to the account are not made in a timely manner. As disbursements are made from the account, the guardian of the account needs to request reimbursement to the account through the accounts payable process. This would ensure that the expenditures made from the account are properly recorded in the district's financial statements and that the approved balance is maintained. The account needs to be reconciled to the authorized balance and actual balance monthly. As deposits are received, they need to be transferred to the cash in county treasury account monthly, so the imprest[8] balance can be maintained at the authorized amount.

Improved internal controls are needed in accounts receivable to reduce the potential for errors and fraud. The CBO needs to maintain close oversight of these functions, and/or delegate regular monitoring and review to another staff member, to ensure district assets are protected.

Recommendations

The district should:

1. Ensure that the employee who receives the cash issues a receipt and that two individuals count cash together and at the same time.
2. Ensure that the individual assigned to reconcile bank statements does not also write and sign checks on the account.
3. Ensure that bank reconciliations are done monthly, preferably within two weeks of the statement date, and that any discrepancies in the underlying documents, or between the book and bank balances, are investigated thoroughly.
4. Ensure that bank reconciliations include the printed name, signature, and date the work was performed for both the preparer and the reviewer of the reconciliation.
5. Ensure that monies deposited to the revolving account are transferred to the county treasury at least monthly, and that reimbursements to the revolving account are requested in a timely manner using the accounts payable process. Ensure the account is reconciled to the authorized balance and actual balance monthly.
6. Ensure that internal control processes are implemented and that the duties of creating invoices, receiving payments for invoices, depositing receipts, and reconciling bank statements are separated.

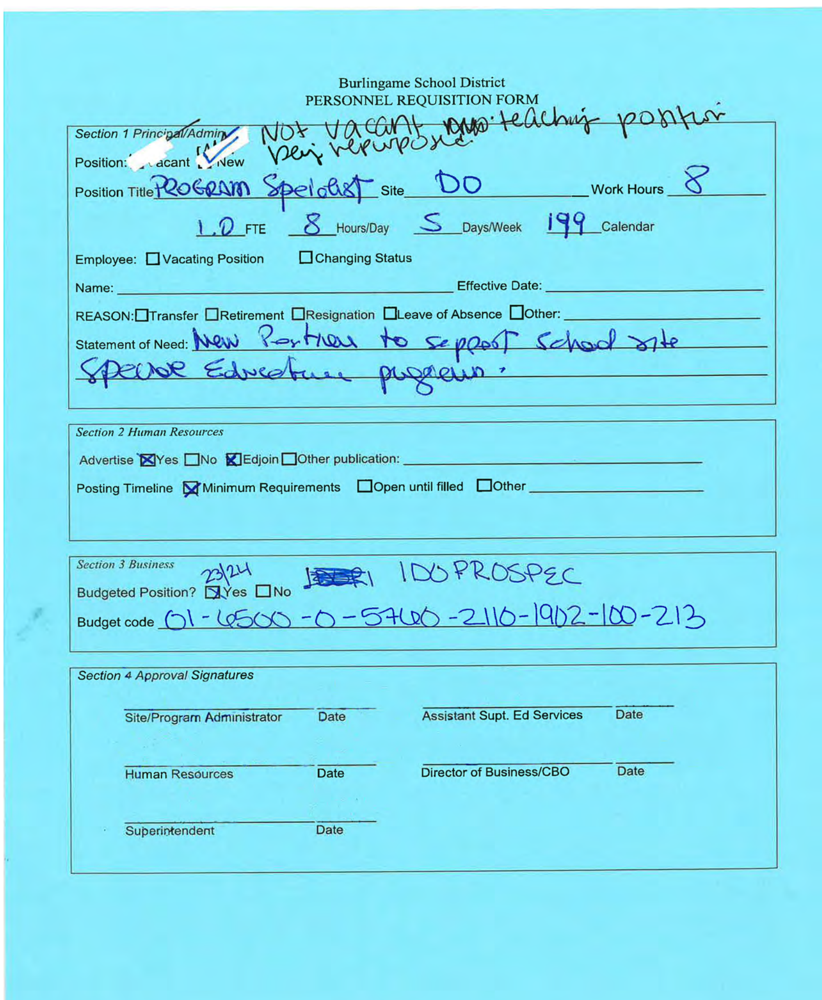
8. The imprest system keeps a certain amount of money for use and replenishes it as needed after it is spent. This system is often used to account for petty cash.

Human Resources Operational Processes and Procedures

Personnel Requisition Form and Process

Whenever there is a vacancy or the need to hire someone for a new position, the district uses a paper personnel requisition form that it calls a "Blue Form." This form is completed and routed manually for approval; it includes vital information that is needed by human resources, business, and payroll. Because the form is essential to the district's position control system, it is crucial that it be completed correctly and on time. A minor error in position control can have a detrimental impact on the district's overall financial health. Below is a completed sample of the form.

Personnel Requisition Form



Burlingame School District
PERSONNEL REQUISITION FORM

Section 1 Principal/Admin
Position: ☐ Vacant ☑ New — Not vacant ~~non~~-teaching position being repurposed.
Position Title: Program Specialist Site: DO Work Hours: 8
1.0 FTE 8 Hours/Day 5 Days/Week 199 Calendar
Employee: ☐ Vacating Position ☐ Changing Status
Name: ______ Effective Date: ______
REASON: ☐ Transfer ☐ Retirement ☐ Resignation ☐ Leave of Absence ☐ Other: ______
Statement of Need: New Position to support school site Special Education program.

Section 2 Human Resources
Advertise ☒ Yes ☐ No ☒ Edjoin ☐ Other publication: ______
Posting Timeline ☒ Minimum Requirements ☐ Open until filled ☐ Other ______

Section 3 Business
Budgeted Position? ☒ Yes ☐ No 23/24 1DOPROSPEC
Budget code 01-6500-0-5760-2110-1902-100-213

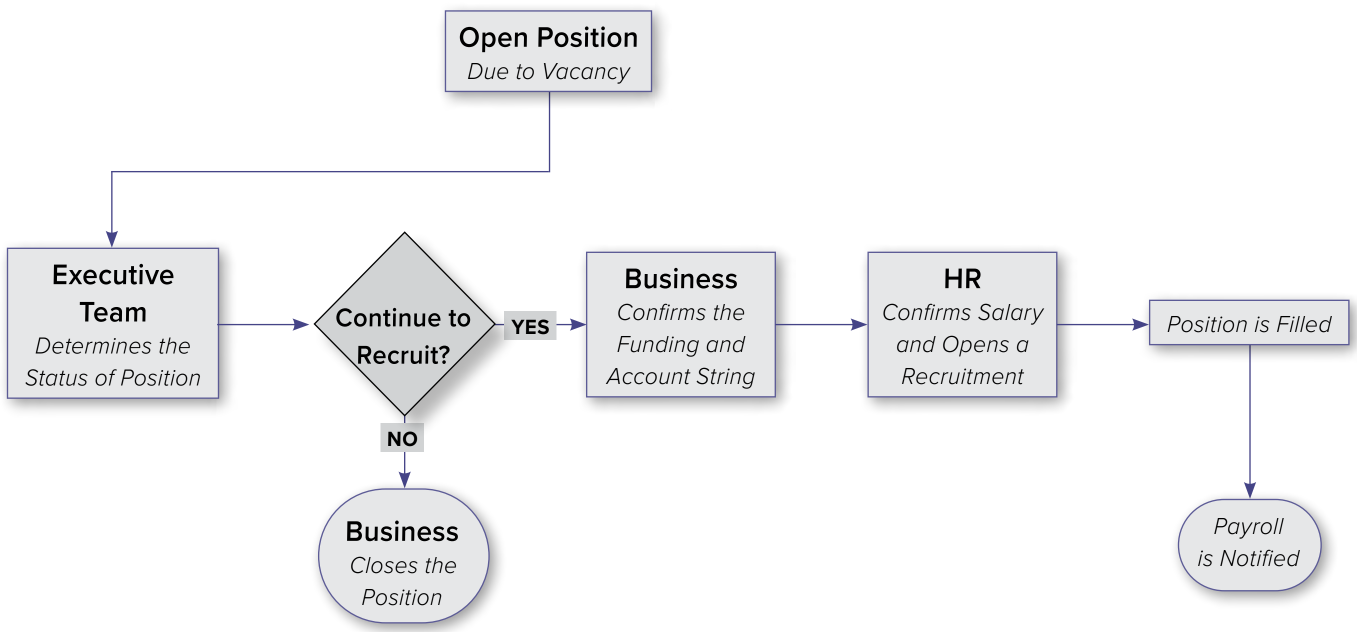
Section 4 Approval Signatures
Site/Program Administrator Date
Assistant Supt. Ed Services Date
Human Resources Date
Director of Business/CBO Date
Superintendent Date

Note: Signatures have been redacted.

During FCMAT's fieldwork, staff indicated that they did not know the purpose of this form and were never trained on when and how to use it.

It would benefit the district to have human resources, working with business and payroll, develop personnel requisition training and/or a frequently asked questions (FAQ) document for management staff. This training would need to highlight the importance of accurate and timely information related to the personnel requisition form and process. It would also benefit the district to develop a flow chart to indicate the steps in the personnel requisition form process. A sample flow chart is provided below:

Sample Personnel Requisition Flow Chart



Employees also reported that multiple personnel requisition forms have been submitted for one vacancy. As mentioned previously, the district needs to identify which positions can submit a personnel requisition form, and communicate the purpose of the form. Also, the topics of staffing and recruitment need to be discussed routinely at executive and management meetings to ensure the correct positions are being replaced. To ensure the district's position control system is accurate, human resources and business will need to meet with each school and department to ensure what is being reported in the financial system is accurate.

The district also needs to work with their county office of education to explore the possibility of automating the personnel requisition process. This is considered the best practice because of its numerous benefits, including streamlining of the recruitment process and reduced manual data entry. Automated systems also improve data management, allowing human resources and business to access information quickly and maintain an accurate list of positions in an organization.

If the county office does not have an automated tracking system for personnel requisition, it would benefit the district to work with a third-party vendor to help develop such a system.

Recommendations

The district should:

1. Work with its human resources, business and payroll staff and managers to develop training and/or an FAQ on the purpose and use of the personnel requisition form.

2. Ensure staffing and recruitment are standing meeting topics for the district's executive and management meetings.
3. Ensure that human resources and business staff and/or managers meet at least annually with each school and department to ensure their position control reports are accurate and that they include the total FTE of each position.
4. Work with the county office to explore the possibility of automating the personnel requisition process.
5. If the county office is unable to automate the personnel requisition process, explore third-party applications for this function.

Onboarding and Offboarding Checklists

An onboarding checklist is designed to facilitate a smooth and successful transition for new employees. Its purpose is to help them integrate into the organization and become productive members of the school community. The checklist includes various essential elements, such as the following:

- Ensuring compliance and documentation, which includes completing all necessary forms, contracts, and legal requirements (e.g., employment contracts, tax forms, and background checks).
- Introducing new hires to the district's policies, procedures, and guidelines, including topics such as employee conduct, attendance policies, and safety protocols.
- Providing an orientation to the district's culture, mission, vision, and values; creating a sense of belonging and alignment with the district's objectives.
- Arranging training and development opportunities to equip new employees with the knowledge and skills required for their roles.
- Facilitating introductions to colleagues, administrators, and personnel from different departments and schools to encourage collaboration and communication.
- Ensuring new employees have access to essential resources, tools, software, and technology needed for their job responsibilities.
- Setting clear expectations regarding performance, job responsibilities and goals to provide a clear understanding of what is expected.
- Offering mechanisms for feedback and support during the first months of employment, addressing any concerns or questions, and providing any assistance needed for success.

During interviews and review of documents provided by the district, FCMAT confirmed that the district has neither onboarding nor offboarding checklists. Staff acknowledged the value of having a checklist, because the district recently discovered fingerprint and tuberculosis (TB) clearance information was not completed in a timely manner. Staff also reported that the fingerprinting process was not done correctly before the current human resources director's arrival, and some employees were allowed to start work without having the proper clearances.

Administrative Regulation 4212.5 includes the first paragraph below, and Administrative Regulations 4112.5 and 4312.5 include both paragraphs below:

> The Superintendent or designee shall ensure that each person to be employed submits fingerprints, either electronically through the Live Scan system or on fingerprint identification cards, for processing by the Department of Justice. If the district is using the Live Scan system, the Superintendent or designee shall also provide the applicant with a Live Scan request form and a list of nearby Live Scan locations.
>
> The Superintendent or designee shall ensure that no person is hired in a position requiring certification qualifications or supervising positions requiring certification qualifications who has been convicted of a violent or serious felony as listed in Penal Code 667.5(c) or 1192.7(c), unless that person has obtained a certificate of rehabilitation and a pardon. (Education Code 44830.1)

Administrative Regulation 4215.5 also states:

> The Superintendent or designee shall ensure that no person is hired who has been convicted of a violent or serious felony as listed in Penal Code 667.5(c) or 1192.7(c), unless that person has obtained a certificate of rehabilitation and a pardon. (Education Code 45122.1)

In addition, staff reported that employees were allowed to work with students without the proper TB clearances. Administrative Regulations 4112.4, 4212.4 and 4312.4 state the following:

> No applicant shall be initially employed in a classified or certificated position unless he/she has submitted to an intradermal or other tuberculin test licensed by the Food and Drug Administration within the past 60 days and, if that test was positive, has subsequently obtained an X-ray of the lungs. The applicant shall submit to the district a certificate signed by the examining licensed physician indicating that he/she is free of active tuberculosis. (Education Code 49406; 5 CCR 5503)

To allow staff to work with students without receiving proper fingerprinting or TB clearances is a violation of board policy and the Education Code. All staff must receive the appropriate clearances before working with any students.

It would benefit the district to develop comprehensive onboarding checklists for certificated, classified, and management and confidential staff. It is best practice to ensure each checklist requires signatures of human resources staff and the new or terminating employee to ensure all necessary and required paperwork has been completed. A sample onboarding checklist is included in Appendix A.

Similarly, because the district lacks a formal written offboarding process, some essential tasks are not consistently completed when an employee separates from employment. During FCMAT's interviews, staff reported that information technology (IT) is not always notified when an employee has separated from the district. At least one employee who resigned was still on paid status the following year, and some former employees still had access to the district's various software programs. This is of concern because former employees could still have access to the district databases, and/or have equipment, keys, and other items. The district needs to develop standard lists of equipment for each classification to ensure that when an employee separates, the district keeps its property and equipment.

An offboarding checklist is as important as an onboarding checklist. It serves as a structured process to ensure that departing employees have a smooth and organized exit from the district. An offboarding checklist is important for many reasons, including the following:

- **Legal Compliance**
  The checklist ensures that all legal and administrative requirements are fulfilled when an employee leaves the district. This includes processing necessary termination paper-

work, final paychecks, and addressing any legal obligations related to the employment termination.

- **Protection of Sensitive Information**
  Offboarding checklists help ensure that departing employees return all school property, equipment, and access to confidential information, including keys, credit cards, badges, and access cards, and that shared passwords are reset. This reduces the risk of data breaches or unauthorized access to sensitive information.

- **Knowledge Transfer**
  When an employee leaves, they often take valuable institutional knowledge and expertise with them. An offboarding checklist can help ensure that the transfer of this knowledge to other team members occurs, and that critical information is passed on to those who will assume the responsibilities.

- **Exit Interviews**
  Offboarding checklists may include exit interview procedures, through which departing employees have the opportunity to provide feedback about their experience working in the district. This feedback can be valuable for identifying areas for improvement and enhancing the organization's work environment.

- **Transition Planning**
  For certain positions, especially those with specialized skills or responsibilities, an offboarding checklist can help create a transition plan. This plan can help maintain work continuity and prevent the departure of an employee from disrupting essential operations.

- **Compliance with Employee Benefits Requirements and Options**
  The offboarding checklist ensures that departing employees are informed about their benefits, such as healthcare coverage continuation or retirement options, helping them make informed decisions.

An offboarding checklist ensures that the departure of employees is handled professionally and with sensitivity, and that it complies with legal requirements. It can help maintain the organization's reputation, retain institutional knowledge, and gather insights for ongoing improvement. In addition, it demonstrates respect and care for departing employees, and in doing so helps foster a positive and supportive work environment for current and future staff.

Recommendations

The district should:

1. Develop comprehensive onboarding and offboarding checklists for certificated, classified, and management and unrepresented staff.

2. Ensure each checklist has signature lines for human resources staff who are processing the checklist.

3. Require signature lines for new or terminating employees to verify that they have received all required documents.

4. Collaborate with individual departments to create a unified inventory of equipment, access privileges, and other resources tailored to each employee's classification.

5. Ensure both IT and payroll are notified when staff separate from employment or change positions within the district.

Job Descriptions

Accurate and updated job descriptions are essential for the following:

- **Role Clarity**
  Job descriptions provide clear and detailed information about the roles and responsibilities of each position in an organization. This ensures that employees understand their job expectations and duties.

- **Hiring and Recruitment**
  Job descriptions are used during hiring to attract suitable candidates. They help potential applicants understand the requirements and responsibilities of the job.

- **Performance Evaluation**
  Job descriptions form the basis for evaluating employee performance. They provide measurable criteria against which an employee's job performance can be assessed.

- **Salary and Compensation**
  Job descriptions may be used to determine salary structures and compensation packages for different positions in an organization.

- **Legal Protection and Compliance**
  Having clear and accurate job descriptions can help the district comply with labor laws and regulations, and they can be useful in case of disputes or legal issues.

In interviews, the district's staff and labor partners indicated that the organization lacks a central repository for job descriptions. Many staff also indicated that they do not know where to get a copy of their job description. If management does not know where the job descriptions are maintained, it could lead to confusion, miscommunication, and potential issues with employee expectations and evaluations. FCMAT could not locate job descriptions on the district's website.

In addition, FCMAT reviewed the district's EDJOIN website. Some districts store their job descriptions on this website in addition to storing them on their own website's human resources webpage. FCMAT could not determine if any of the district's job descriptions on the EDJOIN website were board approved or when they were last reviewed or revised. FCMAT found a job description titled "Elementary RTI9 Teacher" did not match the job description on file at the district. The job description on file indicated that the title was "Response to Intervention Academic Specialist." A job description titled "Human Resources Job Description" indicated that the title could be "HR Specialist, HR Coordinator, HR Director/Asst Sup," based on experience. However, this job description did not indicate what experience is needed for each of these titles. The table below shows FCMAT's job description findings from its review of the district's EDJOIN website.

District Job Descriptions on EDJOIN Website

Job Description Location	Title	Classification	Other Dates	Board Approval Date	Revision Date
EDJOIN	Chief Business Official	Classified		None	None
EDJOIN	Chief Business Official - CBO	Classified	HR 6/26/23	None	None

9. Response to Intervention

Job Description Location	Title	Classification	Other Dates	Board Approval Date	Revision Date
EDJOIN	Chief Business Official, CBO	Classified	HR 6/26/23	None	None
EDJOIN	Chief Business Official, CBO	Classified	HR 6/26/23	None	None
EDJOIN	Confidential Administrative Assistant to Ed Services	Classified		None	None
EDJOIN	Director of Innovation Teaching and Learning	Classified		None	None
EDJOIN	Human Resources Job Description	Classified		None	None
EDJOIN	Library/Computer Assistant	Classified		None	None
EDJOIN	Library/Computer Assistant	Classified		None	None
EDJOIN	Principal on Special Assignment	Classified		None	None
EDJOIN	Special Education Instructional Aide	Classified		None	None
EDJOIN	Student and Community Engagement Coordinator	Classified		None	None
EDJOIN	Art Teacher	Certificated		None	None
EDJOIN	ASSISTANT SUPERINTENDENT – EDUCATIONAL SERVICES	Certificated	5/23	None	None
EDJOIN	ASSISTANT SUPERINTENDENT – EDUCATIONAL SERVICES	Certificated		None	None
EDJOIN	Assistant Superintendent of Educational Services	Certificated	10/25/17	None	None
EDJOIN	Chief Business Official, CBO	Certificated	HR 6/26/2023	None	None
EDJOIN	Coordinator of Assessment and Special Projects	Certificated		None	None
EDJOIN	Director of Innovation Teaching and Learning	Certificated		None	None
EDJOIN	Director of Student Support Services	Certificated		None	None
EDJOIN	Elementary Principal Washington School	Certificated		None	None
EDJOIN	Elementary (RTI) Teacher	Certificated		None	None
EDJOIN	Elementary School Principal	Certificated		None	None
EDJOIN	Elementary School Principal	Certificated		None	None
EDJOIN	Elementary School Principal	Certificated		None	None
EDJOIN	Human Resources Job Description	Certificated		None	None
EDJOIN	Kindergarten Teacher	Certificated	7/13/23	None	None
EDJOIN	Kindergarten Teacher	Certificated	7/13/23	None	None
EDJOIN	Middle School PE Teacher	Certificated		None	None
EDJOIN	Middle School Principal	Certificated		None	None
EDJOIN	Middle School Principal	Certificated		None	None
EDJOIN	Middle School Principal	Certificated		None	None
EDJOIN	Middle School Principal Job Description	Certificated		None	None

Job Description Location	Title	Classification	Other Dates	Board Approval Date	Revision Date
EDJOIN	Middle School Vice Principal	Certificated		None	None
EDJOIN	Resource Specialist - District Office	Certificated		None	None
EDJOIN	Resource Specialist - Burlingame Intermediate School	Certificated		None	None
EDJOIN	School Counselor	Certificated		None	None
EDJOIN	Substitute Teacher On Call	Certificated		None	None
EDJOIN	Third Grade Teacher	Certificated	7/13/23	None	None

Source: EDJOIN.

To address these issues, it is crucial that the district and its labor partners collaborate and work together to create, review and approve job descriptions before final board approval. Managers will need to work with their labor partners to develop and review all certificated and classified job descriptions and store them electronically where all interested parties can have access. In addition, involving the board in the approval process is essential to ensure that the job descriptions align with the district's goals and comply with relevant regulations. Job descriptions will also need to be updated and revised regularly to include changes in job roles and responsibilities.

The job descriptions FCMAT reviewed lacked a board approval date or board revision date. In addition, some of the files were merely a recruitment announcement with a deadline for the application submission. Some of the job descriptions were categorized incorrectly, or were listed as classified when they should have been listed as certificated. It would benefit the district to correctly categorize all management, confidential, certificated, and classified job descriptions.

Recommendations

The district should:

1. Ensure that each job description title matches the information in the job description on file.
2. Develop accurate management, confidential, certificated, and classified job descriptions.
3. Work with its labor partners to develop, revise, and update all certificated and classified job descriptions.
4. Ensure that any newly developed job descriptions are stored electronically where all appropriate parties can access them.
5. Ensure that job descriptions are accessible to all staff and management.
6. Provide its board with regular updates and revisions to job descriptions that accurately show changes in job roles and responsibilities.

Salary Schedules

Board Policy 4151, Employee Compensation, requires that the board adopt a separate salary schedule for each employee classification. These salary schedules must comply with any relevant laws and, in some cases, relevant collective bargaining language. If an employee is paid outside of a board-approved salary schedule or employment agreement, it can appear to be a gift of public funds. Article 16, Section 6 of the California State Constitution defines gifts of public funds.

On the district's human resources webpage, all the listed certificated, classified and administrator salary schedules indicate that they are in draft format. Near the bottom of each page is a note stating, "Board Adopted: Draft." FCMAT reviewed board agendas to determine if the salary schedules have been approved by the board; board minutes were not available at the time of fieldwork. The salary schedules were under the consent agenda on the June 13, 2023, board meeting agenda. It is the best practice to post salary schedules only after the board has approved them and then list the actual approval date on each salary schedule.

On the human resources portion of the district's website, some of the salary schedules are listed as certificated but should be listed under administrator. The certificated director and certificated coordinator positions are management and should be placed under the administrator tab for salary schedules. Similarly, the classified director position is filed under the classified tab but should be listed under the administrator tab.

Typically, a district's certificated and classified salary schedules are developed jointly with the respective local union association. For clarity, the district needs to separate administrator and unrepresented employee groups from the represented groups' salary schedules to avoid the appearance that they are represented by a bargaining group.

Recommendations

The district should:

1. Ensure each salary schedule lists the board approval date.
2. Ensure salary schedules are separated by represented certificated and classified, and unrepresented and administrator, employee groups.

Labor Relations

Interviews with staff revealed a lack of clarity about the identity of the district's chief negotiator. Staff indicated that the vacant CBO position is the designated chief negotiator. Based on the various versions of the CBO position's job description on the EDJOIN website, the position is a support position for labor negotiations. The job description states that the CBO is to "Develop strategies and proposals for collective bargaining and, as a member of the District's negotiations team, facilitates, negotiates, and administers the contracts." The job description does not list the position as the chief negotiator. It would benefit the district to clearly identify the CBO, superintendent, or human resources director as the chief negotiator, list that responsibility in the appropriate job description, and provide the employee in that position with the training needed to perform this function.

Despite positive relations with its labor partners, the district does not provide them with information about its budget or its budget development process. According to interviews, there was little to no knowledge about how the district develops its budget. It would benefit the district to schedule meetings with its labor partners to review the budget and provide information on how it is created. The district and its labor partners could also attend budget training together, such as School Services of California's Governor's Budget workshop.

Recommendations

The district should:

1. Clearly identify which position is its designated chief negotiator.
2. Ensure the chief negotiator has been trained appropriately.
3. Schedule regular budget meetings with its labor partners.
4. Annually attend budget workshops with its labor partners.

Interdepartment and Multidepartment Issues and Procedures

Organizational Culture

Organizational culture is broadly defined as a system of shared assumptions, values and beliefs that govern how people behave in an organization. These shared values strongly influence the people in the organization and affect how they dress, act, and perform their jobs. Every school district has a unique culture that is usually informal but is shaped by the actions of leaders over time. A district's superintendent sets the tone of the district and should ensure through their administration that staff receive the resources, training, direction, and communication needed to perform their duties. Before the district's current superintendent, there seems to have been an erosion of direction and communication within the organization.

Effective communication is essential to providing a sense of stability and leadership. Without it, inaccurate information may circulate and be assumed accurate. During FCMAT's interviews, some staff indicated they were unsure of what their responsibilities were and about expectations. Updated and accurate job descriptions are essential to ensuring staff are aware of what they are supposed to do within an organization; this is discussed further on pages 55 and page 63 of this report.

Several staff members stated they do everything they can to ensure the district keeps operating. However, there was a lack of clear direction from the previous superintendent and other administrators. The district appointed a new permanent superintendent a little over a month before FCMAT's fieldwork.

FCMAT believes regularly scheduled meetings with departments, schools, and staff can help improve communication, clarify expectations, and increase efficiency and effectiveness. At these meetings, managers and staff can prepare for upcoming board meetings, address current issues, and plan for upcoming events or challenges. In addition to these regularly scheduled meetings, a yearly calendar with timely topics, broken down by each division could be helpful. A sample ofsuch a calendar is provided below and can be used as a starting point that the district can customize for its own needs.

Sample Calendar of Tasks, Meetings, and Deadlines

Date	August 1	August 15	September 5	September 19
Business Services	• Warrant	• Warrant	• Warrant • Resolution No. xxxx adoption of the appropriation (Gann) limit for the district • Unaudited actuals	• Warrant • 45-day revised budget
Educational Services	• Nonpublic school (NPS) Placement	• Independent study	• Consolidated Application	

Date	August 1	August 15	September 5	September 19
Human Resources	• Certificated and classified HR report • Quarterly Report — Williams Uniform Complaints report (April-June)	• Certificated and Classified HR Report	• Certificated and classified HR report • Resolution week of the administrator	• Certificated and classified HR report
Superintendent	• Minutes • Superintendent's employment agreement (Report out) • Interim superintendent employment agreement (Report out)	• Minutes • Closed session • Employee recognition • Superintendent's evaluation • Negotiations • Association of California School Administrators involvement	• Minutes • Location and grade configuration	• Minutes

Board	• Annual committee assignments (LCAP/fiscal efficiency)
	• Student board member oath
	• Closed session
	  • Multiyear instructional calendar
	  • Superintendent's employment agreement
		• Board workshop – strategic planning and board priorities (4:30 p.m.)		• Closed session Superintendent's council — SSC.

Study Session	• Outdoor learning and nutritional spaces • Organizational priorities • Strategic action plan • Study session planning for 2023-24	• Beginning of school staffing update (Certificated and classified)	• Teacher of the Year • High school credit analysis • Summer school 2023 – summary	• Strategic planning • Technology • Regional occupational program annual report

To ensure monthly meetings are effective, agendas need to be prepared in advance. Agendas can include upcoming and/or ongoing issues. To promote collaboration, it is best to distribute a draft agenda a week before a meeting with a request for topics. This allows attendees to be prepared to discuss the items that may be their responsibility.

The agenda also needs to relate in some manner to the district's vision, mission, and goals, to emphasize their importance and demonstrate how the work performed is related to student learning and outcomes. Meetings can be used to communicate essential information and answer questions from staff. This is also an efficient and effective way to train new staff and build communication and collaboration between and among leaders and staff.

Recommendations

The district should:

1. Establish a meeting schedule with departments and staff.
2. Establish expectations of management and staff.
3. Ensure each decision aligns with the district's mission, objectives and goals.
4. Develop a yearly calendar with timely topics, broken down by each division.
5. Ensure meeting agendas are shared in advance with the relevant staff and departments.

Training, Cross-Training, and Desk Manuals

Staff Training

An important way for an organization to improve efficiency, outcomes and customer service is to invest in a structured staff development program that is based on organizational needs and goals and that focuses on the needs of individual departments and staff members. Training can improve employees' skills, knowledge, abilities, and customer service. Given the amount of turnover within the district office, it would greatly benefit the district to invest in its newly hired staff. Part of this investment should include identifying its training needs annually, developing a written training plan, and ensuring staff receive training so they can better support the district.

The district needs to offer its board members informational meetings about financial management and the budget so they can understand how board policies affect the budget. Items related to reserves, staffing and positions should be areas of focus. The board needs to be asked if they desire training on topics not currently offered.

The district lacks training for its school and department staff. It would benefit the district to offer district office employees training in duties related to position control, employee termination, payroll, accounts payable, and accounts receivable. School and department staff need to receive training in the requisition process and account coding. School and department managers need to be trained in how to read and understand budgets, in part so they can act as secondary reviewers to the business office. In addition, school and department management need to be notified when board policies have been added or amended.

Over the past several years, the district has experienced frequent turnover in all positions in its Business Services and Human Resources departments. In interviews, district staff reported that training opportunities were available through the county office, School Services of California, California Association of School Business Officials, and PowerSchool (the district's student information system provider), and that several staff members had taken advantage of these. The district needs to continue allowing and encouraging staff to attend such trainings, as well as workshops on issues related to the CalSTRS, CalPERS, and the Commission on Teacher Credentialing (CTC). The district needs to develop a training schedule for new and existing human resources and business staff.

Because most of the employees in the Human Resources and Business Services departments are relatively new, the district can establish best practices and procedures for the staff. Staff requested more access to

Microsoft Excel professional skill training to improve their skills and increase productivity. Training would allow both human resources and business staff to understand their roles, provide better customer service, and provide correct information in a timely manner. In addition, both departments have highly technical tasks in which even a minor mistake could be costly for the district.

All staff members can benefit from formal training to ensure they completely understand the expectations, responsibilities, and duties of their respective positions. Appropriate training will also provide staff members with the resources to develop the skills and knowledge needed to succeed in their positions and to prepare for potential advancement.

Staff Cross-Training

Cross-training is essential to ensure district operations continue uninterrupted when an employee is absent or a position is vacant, and to ensure employees can use their accrued vacation time. Cross-training staff would also enable employees to become well versed in various district operations and processes.

Interviews with FCMAT indicated that cross-training with staff does not occur. Given the district's size, cross-training staff is vital. As discussed earlier in this report, one employee is assigned to payroll. If this employee goes on vacation or an extended leave, no other trained or dedicated position could process payroll in a timely and appropriate manner without compromising internal controls.

Staff need to understand the importance of collaborating with human resources and business staff from other districts and asking questions to better understand processes and procedures. Schools and departments that are clients of the Human Resources and Business Services departments need to be given the opportunity to provide feedback. These measures would help the departments develop best practices and could also increase the departments' efficiency and morale by allowing the employees to work together; support one another; understand both the differences between their roles and how they are interdependent; respect one another's expertise and knowledge; and provide better service to external staff.

Along with cross-training, management will need to provide clear written expectations and review job descriptions and work calendars regularly so staff members are clear about what they are expected to learn and accomplish. It is often difficult to make updating job descriptions a priority, but doing so regularly is the key to ensuring that essential work is performed and that staff are trained appropriately. Updated job descriptions also provide clear expectations of job performance and functions for staff. Some staff members interviewed were uncertain about their job functions and duties.

Policy and Procedure Manuals, and Desk Manuals

Effective policies protect and guide employees when performing their duties. Policies may paraphrase law, explain a procedure, clarify a principle, or express a desired goal. Policies and procedural manuals give a district the ability to plan and diagram internal controls and written standards for schools and district departments to follow. They allow employees to see where their duties fit into a process, who provides the information that comes to them, and where the information they generate goes. Policies and procedures standardize processes and ensure the most accurate and efficient method is used to accomplish a task. Interviews with district staff indicate it does not maintain a written policies and procedures manual. It would benefit the district to create a policies and procedures manual for business and human resources.

Desk manuals document how employees are able to perform each of their specific duties. These documents help staff with duties that are infrequently performed and are a resource when duties are redistributed or when new employees are hired. Desk manuals help ensure tasks are completed with equal effectiveness regardless of who is performing them, and they eliminate confusion that can lead to differing processes for the same task. Desk manuals could help bridge the training gaps that sometimes occur after employee turnover, and they are especially helpful to new staff. These documents can provide training and cross-training, help preserve institutional knowledge, eliminate dependency on one person, ensure staff members follow the latest and most efficient procedures, and effectively document and monitor segregation of duties. Once established, desk manuals need to be made available to department staff to help ensure best practices.

Most district staff reported that there were no policies and procedures manuals or desk manuals for their roles. There has been significant employee turnover in the district, and only two or three staff members have historical knowledge of procedures and knowledge of accounting, payroll, and position control software programs. The best practice is to have staff create step-by-step procedures for each of their job duties and include workflow diagrams in their desk manuals to ensure a better understanding of these duties and their timelines.

Each position in human resources and business needs to have a desk manual, which needs to be updated consistently and be easy for other staff members or new employees to access and understand.

There should be no lag in training new employees if the manuals are used as intended. The district will need to create a workflow that identifies the positions assigned to cover other positions when there is a vacancy or an extended leave of absence.

A sample payroll timeline and process workflow diagram is included in Appendix B. The district will also need to develop procedure templates to use for each process and procedure. A sample procedure template is included in Appendix C.

The template should include, but not be limited to, the following:

- Creation date.
- Owner of process and procedures.
- Title.
- Purpose.
- Scope.
- Responsibilities.
- Definitions.
- Referenced documents.
- Forms.

Some best practices for creating desk manuals include the following:

- Create individual documents for different processes and procedures.
- Include screenshots.
- Include feedback from other staff and departments.
- Include on the first page the date the file was created and the author of the most recent updates.
- Use job titles instead of employees' names when documenting workflow.

- Keep the formatting simple so it can be edited easily.
- Keep the master copies in a shared location so other employees can access them easily.
- Keep both a local and a cloud-based secure backup of the files.
- Review and revise desk manuals once a year as needed.

Because of the turnover the Human Resources and Business Services departments have experienced, documenting how tasks are performed is especially important. The district can establish best practices and procedures for the staff more easily because many are new to the district. Ensuring staff members follow the latest and most efficient processes and procedures will increase consistent results, help when training new employees and cross-training current employees, and eliminate dependency on one employee. The district would also benefit from conducting regular meetings with all employees to discuss any new or revised procedures.

Recommendations

The district should:

1. Identify human resources and business staff training needs annually in writing, and create a professional development schedule for all employees, including management.
2. Design and budget for staff and management training.
3. Ensure human resources and business staff receive training in all essential job responsibilities and topics related to their functions to better support the district.
4. Distribute new or revised board policies to employees, and provide training as needed in how to implement the policies.
5. Implement cross-training for each position in the district office to ensure essential tasks and functions can be completed without interruption when an employee is absent, a position is vacant, or additional help is needed to complete tasks on time.
6. Develop clear, written expectations for all employees.
7. Meet annually with employees and management to ensure job descriptions accurately describe the required knowledge, skills, and abilities of each position.
8. Develop comprehensive policies and procedures manuals for business and human resources, and review and revise the manuals at least once a year.
9. Develop desk manuals that describe each employees' duties, and ensure that each employee includes step-by-step procedures for all assigned duties. Review and revise the desk manuals at least once a year.
10. Consider using a third party to help prepare desk manuals to ensure they are consistent in format and do not detract from the time staff members need to perform assigned duties.
11. Create a template to be used for each process and procedure.
12. Ensure workflow diagrams are created to help employees better understand coordination with other departments and positions.
13. Store all desk manuals in one location that staff can access as needed.

14. Ensure at least one other employee can understand and perform all duties when an employee is absent or needs assistance, or when a position is vacant.
15. Identify the positions assigned to cover other positions when there is a vacancy or an extended leave of absence, and ensure employees in those assigned positions receive cross-training.
16. Conduct regular meetings with all employees to discuss any new or revised procedures.

Fiscal Health Risk Analysis

For TK-12 School Districts

Dates of fieldwork: July 31 – August 1, 2023

District: Burlingame Elementary School District

District Fiscal Solvency Risk Level: High

About the Analysis

The Fiscal Crisis and Management Assistance Team (FCMAT) has developed the Fiscal Health Risk Analysis (FHRA) as a tool to help evaluate a school district's fiscal health and risk of insolvency in the current and two subsequent fiscal years.

The FHRA includes 20 sections, each of which contains specific questions. Each section and specific question is included based on FCMAT's work since the inception of AB 1200; they are the common indicators of risk or potential insolvency for districts that have neared insolvency and needed assistance from outside agencies. Each section of this analysis is critical, and lack of attention to these critical areas will eventually lead to a district's failure. The analysis focuses on essential functions and processes to determine the level of risk at the time of assessment.

The greater the number of "no" answers to the questions in the analysis, the greater the potential risk of insolvency or fiscal issues for the district. Not all sections in the analysis and not all questions within each section carry equal weight; some areas carry higher risk and thus count more heavily in calculating a district's fiscal stability. To help the district, narratives are included for responses that are marked as a "no" so the district can better understand the reason for the response and actions that may be needed to obtain a "yes" answer.

Identifying issues early is the key to maintaining fiscal health. Diligent planning will enable a district to better understand its financial objectives and strategies to sustain a high level of fiscal efficiency and overall solvency. A district should consider completing the FHRA annually to assess its own fiscal health risk and progress over time.

Areas of High Risk

The following sections on this page and the next duplicate certain questions and answers given in the "Fiscal Health Risk Analysis Questions" later in this document and identify conditions that create significant risk of fiscal insolvency. The existence of an identified budget or fiscal status or a material weakness indicated by a "no" answer to any of these items supersedes all other scoring and will elevate the district's overall risk level.

Budget and Fiscal Status: Is district currently *without* the following?:	Yes	No
Disapproved budget	✓	☐
Negative interim report certification	✓	☐
Three consecutive qualified interim report certifications	✓	☐
Downgrade of an interim certification by the county superintendent	✓	☐
"Lack of going concern" designation.	✓	☐

Material Weakness Questions		Yes	No	N/A
2.5	**Has the district's budget been approved unconditionally by its county office of education in the current and two prior fiscal years?**	✓	☐	☐
3.4	**Following board approval of collective bargaining agreements, does the district make necessary budget revisions in the financial system to reflect settlement costs in accordance with Education Code Section 42142?.**	✓	☐	☐

3.6	Has the district addressed any deficiencies the county office of education has identified in its oversight letters in the most recent and two prior fiscal years?	☐	✓	☐
4.3	Does the district forecast its general fund cash flow for the current and subsequent year and update it as needed to ensure cash flow needs are known?	☐	✓	☐
4.4	If the district's cash flow forecast shows insufficient cash in its general fund to support its current and projected obligations, does the district have a reasonable plan to address its cash flow needs for the current and subsequent year?	☐	✓	☐
5.2	Has the district fulfilled and does it have evidence showing fulfillment of its oversight responsibilities in accordance with Education Code Section 47604.32?	☐	☐	✓
5.3	Are all charters authorized by the district going concerns and not in fiscal distress?	☐	☐	✓
6.3	Does the district accurately quantify the effects of collective bargaining agreements and include them in its budget and multiyear projections?	☐	✓	☐
6.4	Did the district conduct a presettlement analysis and identify related costs or savings, if any (e.g., statutory benefits, and step and column salary increase), for the current and subsequent years, and did it identify ongoing revenue sources or expenditure reductions to support the agreement?	✓	☐	☐
7.2	If the district has deficit spending in funds other than the general fund, has it included in its multiyear projection any transfers from the unrestricted general fund to cover any projected negative fund balance?	☐	☐	✓
8.3	If the district has deficit spending in the current or two subsequent fiscal years, has the board approved and implemented a plan to reduce and/or eliminate deficit spending to ensure fiscal solvency?	☐	✓	☐
10.6	Are the district's enrollment projections and assumptions based on historical data, industry-standard methods, and other reasonable considerations?	✓	☐	☐
11.2	Does the district have sufficient and available capital outlay and/or bond funds to cover all contracted obligations for capital facilities projects?	✓	☐	☐
12.1	Is the district able to maintain the minimum reserve for economic uncertainty in the current year (including Fund 01 and Fund 17) as defined by criteria and standards?	✓	☐	☐
12.2	Is the district able to maintain the minimum reserve for economic uncertainty in the two subsequent years?	☐	✓	☐
12.3	If the district is not able to maintain the minimum reserve for economic uncertainty, does the district's multiyear financial projection include a board-approved plan to restore the reserve?	☐	✓	☐
19.1	Does the district account for all positions and costs?	☐	✓	☐

Score Breakdown by Section

Because the score is not calculated by category, category values provided are subject to minor rounding error and are provided for information only.

1.	Annual Independent Audit Report	0.0%
2.	Budget Development and Adoption	4.3%
3.	Budget Monitoring and Updates	6.5%
4.	Cash Management	6.5%
5.	Charter Schools	0.0%
6.	Collective Bargaining Agreements	3.9%
7.	Contributions and Transfers	2.0%
8.	Deficit Spending (Unrestricted General Fund)	3.5%
9.	Employee Benefits	1.2%
10.	Enrollment and Attendance	1.0%
11.	Facilities	0.2%
12.	Fund Balance and Reserve for Economic Uncertainty	2.9%
13.	General Fund - Current Year	2.7%
14.	Information Systems and Data Management	1.0%
15.	Internal Controls and Fraud Prevention	7.0%
16.	Leadership and Stability	3.5%
17.	Multiyear Projections	2.0%
18.	Non-Voter-Approved Debt and Risk Management	0.0%
19.	Position Control	5.5%
20.	Special Education	2.0%

Score	**55.6%**

Fiscal Health Risk Analysis Questions

Budget and Fiscal Status: Is the district currently *without* the following?:

	Yes	No
Disapproved budget	✓	☐
Negative interim report certification	✓	☐
Three consecutive qualified interim report certifications	✓	☐
Downgrade of an interim certification by the county superintendent	✓	☐
"Lack of going concern" designation.	✓	☐

1. Annual Independent Audit Report

		Yes	No	N/A
1.1	**Has the district corrected the most recent and prior two years' audit findings without affecting its fiscal health?**	☐	☐	✓
1.2	**Has the audit report for the most recent fiscal year been completed and presented to the board within the statutory timeline? (Extensions of the timeline granted by the State Controller's Office should be explained.)**	✓	☐	☐
1.3	**Were the district's most recent and prior two audit reports free of findings of material weaknesses?**	✓	☐	☐
1.4	**Has the district corrected all reported audit findings from the most recent and prior two audits?**	☐	☐	✓

2. Budget Development and Adoption

		Yes	No	N/A
2.1	**Does the district develop and use written budget assumptions and multiyear projections that are reasonable, are aligned with the county office of education instructions, and have been clearly articulated?**	☐	✓	☐

The district's 2023-24 adopted budget multiyear projection presentation given at its June 6, 2023 governing board meeting, and its accompanying assumption spreadsheet, did not align with the changes in the district's projection MYFP. The presentation also did not address the changes in revenues and expenditures each year. The only detail included in the presentation was that a transfer from Fund 17 was needed to meet the required 3% reserve for economic uncertainties in the 2023-24, 2024-25 and 2025-26 fiscal years.

		Yes	No	N/A
2.2	**Does the district use a budget development method other than a prior-year rollover budget, and, if so, does that method include tasks such as review of prior year estimated actuals by major object code and removal of one-time revenues and expenses?**	☐	✓	☐

In interviews, staff indicated that the district uses a rollover budget method. FCMAT's analysis of the budget found no indication that the district used any method to review actuals by major object code or to remove one-time revenues and expenditures.

		Yes	No	N/A
2.3	**Does the district use position control data for budget development?**	☐	✓	☐

Staff reported in interviews that the district does not use position control for budget development.

		Yes	No	N/A
2.4	**Does the district calculate the Local Control Funding Formula (LCFF) revenue correctly?**	✓	☐	☐

		Yes	No	N/A
2.5	**Has the district's budget been approved unconditionally by its county office of education in the current and two prior fiscal years?**	✓	☐	☐
2.6	**Does the budget development process include input from staff, administrators, the governing board, the community, and the budget advisory committee (if there is one)?**	☐	✓	☐

Interviews indicated that there is no formal budget development input from staff, or administrators who are not in charge of a department budget, or the governing board. Community input is limited to the LCAP process, and the district lacks a budget advisory committee.

		Yes	No	N/A
2.7	**Does the district budget and expend restricted funds before unrestricted funds?**	✓	☐	☐
2.8	**Have the Local Control and Accountability Plan (LCAP) and the budget been adopted within statutory timelines established by Education Code Sections 42103 and 52062 and filed with the county superintendent of schools no later than five days after adoption or by July 1, whichever occurs first, for the current and one prior fiscal year?**	✓	☐	☐
2.9	**Has the district refrained from including carryover funds in its adopted budget?**	✓	☐	☐
2.10	**Other than objects in the 5700s and 7300s and appropriate abatements in accordance with the California School Accounting Manual, does the district avoid using negative or contra expenditure accounts?**	✓	☐	☐
2.11	**Does the district have a documented policy and/or procedure for evaluating the proposed acceptance of grants and other types of restricted funds and the potential multiyear impact on the district's unrestricted general fund?**	☐	✓	☐

The district did not provide evidence of a documented policy or procedure for evaluating grants. Staff indicated in interviews that the district does not evaluate the potential multiyear impact of proposed grants on its unrestricted general fund before it accepts them.

		Yes	No	N/A
2.12	**Does the district adhere to a budget calendar that includes statutory due dates, major budget development tasks and deadlines, and the staff members/departments responsible for completing them?**	☐	✓	☐

The district provided a budget calendar; however, it lacks some statutory deadlines (such as first interim, due December 15), and some major budget development tasks and deadlines. The tasks that are included do not indicate the staff position(s) or department responsible for completing them.

3. Budget Monitoring and Updates

		Yes	No	N/A
3.1	**Are actual revenues and expenses consistent with the most current budget?**	☐	✓	☐

An analysis of the district's 2022-23 second interim report showed that unrestricted books and supplies expenses were significantly underbudgeted. Expenditures as of January 31, 2023 for books and supplies were greater than the projected budget by $358,000.

FCMAT's review of general ledger reports showed that actual expenditures as of May 31, 2023 were greater than the estimated actual budget for certificated salaries, classified salaries, books and supplies, and services and other operating expenses.

Employee benefits appeared to be significantly overbudgeted.

		Yes	No	N/A
3.2	**Are budget revisions posted in the financial system at each interim report, at a minimum?**	✓	☐	☐

3.3	**Are clearly written and articulated budget assumptions that support budget revisions communicated to the board at each interim report, at a minimum?.**	☐	✓	☐

The district does not include all pertinent assumptions in its board presentations at budget adoption or interim reporting periods. Its 2022-23 first and second interim presentation materials did not include explanations for increases or decreases to revenues and expenditures for the subsequent years of the MYFP.

3.4	**Following board approval of collective bargaining agreements, does the district make necessary budget revisions in the financial system to reflect settlement costs in accordance with Education Code Section 42142?**	✓	☐	☐
3.5	**Do the district's responses fully explain the variances identified in the criteria and standards?**	☐	✓	☐

Many of the district's responses are vague and do not fully explain the variances identified in the state criteria and standards for fiscal solvency. For example, the district responded to an increase in state revenues by addressing a decrease in revenue, and to an increase in expenditures by addressing a decrease in expenditures. The district's response to deficit spending did not explain the reasons for the deficit or how it plans to address its structural deficit and ensure that subsequent years have balanced budgets. In addition, the principal balance and annual principal and interest payments of the district's long-term commitments were entered incorrectly.

3.6	**Has the district addressed any deficiencies the county office of education has identified in its oversight letters in the most recent and two prior fiscal years?**	☐	✓	☐

The district has not addressed the deficiencies the county office identified in its oversight letters. In its oversight letters for the 2022-23 adopted budget, first interim, and second interim, the San Mateo County Office of Education noted that the district's cash flow projections were not completed correctly and directed the district to submit corrected cash flow projections with the next report.

3.7	**Does the district prohibit processing of requisitions or purchase orders when the budget is insufficient to support the expenditure?**	☐	✓	☐

In interviews, staff stated that requisitions and purchase orders are processed even when the budget balance is insufficient. In these cases, business office staff make budget transfers to cover the expense.

3.8	**Does the district encumber and adjust encumbrances for salaries and benefits?**	✓	☐	☐
3.9	**Are all balance sheet accounts in the general ledger reconciled at least at each interim report and at year-end close?**	☐	✓	☐

The district did not provide evidence that all balance sheet accounts in the general ledger were reconciled at least at each interim report and at year-end close. FCMAT's review of the district's 2022-23 general ledger also found no evidence of this.

3.10	**For the most recent and two prior fiscal years, have the interim reports and the unaudited actuals been adopted and filed with the county superintendent of schools within the timelines established in Education Code?**	☐	✓	☐

The district's pulled its 2022-23 second interim report from its March 14, 2023 board agenda at the request of the county office because it did not accurately reflect the district's settlement with its bargaining groups. The district's board approved its 2022-23 second interim report on April 11, 2023, which was after the due date of March 15, 2023.

4. Cash Management

		Yes	No	N/A
4.1	**Are accounts held by the county treasurer reconciled with the district's and county office of education's reports monthly?**	✓	☐	☐
4.2	**Does the district reconcile all bank (cash and investment) accounts with bank statements monthly?**	☐	✓	☐

The district did not provide evidence that all bank accounts and all cash with fiscal agent accounts were reconciled monthly. The district provided a spreadsheet showing bank activity and balances for the 2021-22 fiscal year, and bank statements for the 2022-23 fiscal year.

		Yes	No	N/A
4.3	**Does the district forecast its general fund cash flow for the current and subsequent year and update it as needed to ensure cash flow needs are known?**	☐	✓	☐

At the 2022-23 adopted budget, first interim and second interim reporting periods, the district projected its general fund cash flow for the current and subsequent year. However, according to the county office's oversight letters, the cash flow projections were completed incorrectly and showed negative cash balances in multiple months without a plan to address cash flow needs. In addition, the first and second interim cash flow projections included actual beginning cash balances and monthly actual receipt and disbursement activity that did not match the amounts in the financial system.

		Yes	No	N/A
4.4	**If the district's cash flow forecast shows insufficient cash in its general fund to support its current and projected obligations, does the district have a reasonable plan to address its cash flow needs for the current and subsequent year?**	☐	✓	☐

According to the cash flow projections submitted with its 2022-23 budget, first interim and second interim reports, the district will be negative in several months, and it has no plan to address the projected cash shortfalls.

		Yes	No	N/A
4.5	**Does the district have sufficient cash resources in its other funds to support its current and projected obligations in those funds?**	✓	☐	☐
4.6	**If interfund borrowing is occurring, does the district comply with Education Code Section 42603?.**	✓	☐	☐
4.7	**If the district is managing cash in any fund(s) through external borrowing, does the district's cash flow projection include repayment based on the terms of the loan agreement?**	☐	☐	✓

5. Charter Schools

		Yes	No	N/A
5.1	**Does the district have a board policy or other written document(s) regarding charter oversight?.**	☐	☐	✓
5.2	**Has the district fulfilled and does it have evidence showing fulfillment of its oversight responsibilities in accordance with Education Code Section 47604.32?**	☐	☐	✓
5.3	**Are all charters authorized by the district going concerns and not in fiscal distress?**	☐	☐	✓
5.4	**Has the district identified specific employees in its various departments (e.g., human resources, business, instructional, and others) to be responsible for oversight of all approved charter schools?**	☐	☐	✓

6. Collective Bargaining Agreements

		Yes	No	N/A
6.1	**Has the district settled with all its bargaining units for the past two fiscal years?**	✓	☐	☐

		Yes	No	N/A
6.2	**Has the district settled with all its bargaining units for the current year?**	✓	☐	☐
6.3	**Does the district accurately quantify the effects of collective bargaining agreements and include them in its budget and multiyear projections?**	☐	✓	☐

Written communication from the county office and FCMAT interviews with county office staff indicate that the public disclosure of collective bargaining agreement form approved by the board on March 14, 2023 was not completed correctly, and the costs of the agreement were not accurately quantified. The disclosure form did not include the costs of the previous agreements, and thus understated the total costs of the settlements.

		Yes	No	N/A
6.4	**Did the district conduct a presettlement analysis and identify related costs or savings, if any (e.g., statutory benefits, and step and column salary increase), for the current and subsequent years, and did it identify ongoing revenue sources or expenditure reductions to support the agreement?**	✓	☐	☐
6.5	**In the current and prior two fiscal years, has the district settled the total cost of the bargaining agreements including step and column increases at or under the funded cost-of-living adjustment (COLA)?**	☐	✓	☐

According to the public disclosure of collective bargaining agreement forms, the settlements for 2021-22 approved by the board on November 16, 2021 for certificated, classified, and classified unrepresented groups exceeded the funded COLA. The total cost was 5.68% for the certificated employee group, 7.06% for the classified employee group, and 5.38% for the classified unrepresented group. Funded COLA in 2021-22 was 5.07%.

		Yes	No	N/A
6.6	**If settlements have not been reached in the past two years, has the district identified resources to cover the costs of the district's proposal(s)?**	☐	☐	✓
6.7	**Did the district comply with public disclosure requirements under Government Code Sections 3540.2 and 3547.5, and Education Code Section 42142?**	✓	☐	☐
6.8	**Did the superintendent and CBO certify the public disclosure of collective bargaining agreement prior to board approval?**	☐	✓	☐

Neither the superintendent nor the CBO signed the bargaining agreement disclosure certification form for classified unrepresented employees or for classified employees, both of which were approved by the board on March 14, 2023.

		Yes	No	N/A
6.9	**Is the governing board's action consistent with the superintendent's and CBO's certification?**	☐	✓	☐

Neither the superintendent nor the CBO signed the bargaining agreement disclosure certification form for classified unrepresented employees or the bargaining agreement disclosure certification for classified employees, both of which were approved by the board on March 14, 2023.

7. Contributions and Transfers

		Yes	No	N/A
7.1	**Does the district have a board-approved plan to eliminate, reduce or control any contributions/transfers from the unrestricted general fund to other restricted programs and funds?**	☐	✓	☐

The district has no board-approved plan to eliminate, reduce or control any contributions or transfers from the unrestricted general fund to restricted programs and funds. Transfers from the unrestricted general fund to Fund 17 are determined each year based on the unrestricted general fund ending fund balance. Board Policy

3105.1 requires the district to maintain a reserve of 7% of general fund expenditures plus transfers out in Fund 17. This policy cannot be followed without significant ongoing reductions to the unrestricted general fund.

		Yes	No	N/A
7.2	**If the district has deficit spending in funds other than the general fund, has it included in its multiyear projection any transfers from the unrestricted general fund to cover any projected negative fund balance?**	☐	☐	✓
7.3	**If any contributions/transfers were required for restricted programs and/or other funds in either of the two prior fiscal years, and there is a need in the current year, did the district budget for them at reasonable levels?**	☐	✓	☐

The district did not maintain reasonable levels of budgeting. The district projects that contributions to restricted programs will remain unchanged in each year of its 2023-24 adopted budget MYFP. However, costs in restricted programs will increase naturally because of step-and-column changes to salaries, the consumer price index (CPI), and other factors.

Shortfalls in budgeted levels of 2022-23 COVID-19 expenses, plus underbudgeting in unrestricted and restricted lottery, necessitated a transfer of expenses to the unrestricted general fund.

8. Deficit Spending (Unrestricted General Fund)

		Yes	No	N/A
8.1	**Is the district avoiding deficit spending in the current fiscal year?**	☐	✓	☐

The district's 2023-24 adopted general fund budget projected deficit spending of approximately $827,000. FCMAT's revised 2023-24 general fund budget projects deficit spending of $2.9 million.

		Yes	No	N/A
8.2	**Is the district projected to avoid deficit spending in both of the two subsequent fiscal years?**	☐	✓	☐

The district's 2023-24 adopted budget MYFP shows a surplus of $33,000 in 2024-25 and a surplus of $220,700 in 2025-26. However, FCMAT projects deficit spending of $3.2 million in 2024-25 and a deficit of $2.4 million in 2025-26.

		Yes	No	N/A
8.3	**If the district has deficit spending in the current or two subsequent fiscal years, has the board approved and implemented a plan to reduce and/or eliminate deficit spending to ensure fiscal solvency?**	☐	✓	☐

At the time of FCMAT's interviews, the district was unaware of deficit spending in the 2023-24 and subsequent fiscal years and did not have a board-approved plan to reduce and/or eliminate deficit spending.

		Yes	No	N/A
8.4	**Has the district decreased deficit spending over the past two fiscal years?**	☐	✓	☐

The district did not project deficit spending in 2022-23 after negotiating increases in salaries and benefits, and it had no deficit spending in the prior 2021-22 year. However, the district projects deficit spending in fiscal years 2023-24, 2024-25, and 2025-26.

9. Employee Benefits

		Yes	No	N/A
9.1	**Has the district completed an actuarial valuation in accordance with Governmental Accounting Standards Board (GASB) requirements to determine its unfunded liability for other post-employment benefits (OPEB)?**	✓	☐	☐

		Yes	No	N/A
9.2	**Does the district have a plan to fund its liabilities for retiree health and welfare benefits with the total of annual required service payments (legal, contractual or locally defined such as pay-as-you-go premiums, trust agreement obligations, or a board adopted commitment) no greater than 2% of the district's unrestricted general fund revenues?**	✓	☐	☐
9.3	**Has the district followed a policy or collectively bargained agreement to limit accrued vacation balances?**	☐	✓	☐

The bargaining agreement with classified employees states that employees are not allowed to carry over their vacation from year to year without prior approval from the superintendent. If an employee requests but is not permitted to take their full annual vacation, the employee may carry over an amount not greater than twice their annual entitlement. In interviews, staff reported that vacation had been allowed to accrue in excess of the bargained limits for 2021-22, and the balances were paid out on July 31, 2023.

		Yes	No	N/A
9.4	**Within the last five years, has the district conducted a verification and determination of eligibility for benefits for all active and retired employees and dependents?**	☐	✓	☐

The district did not provide evidence that a verification of eligibility for all active and retired employees and dependents had been conducted within the last five years.

		Yes	No	N/A
9.5	**Does the district track, reconcile and report employees' compensated leave balances?**	✓	☐	☐

10. Enrollment and Attendance

		Yes	No	N/A
10.1	**Has the district's enrollment been increasing or remained stable for the current and two prior years?**	☐	✓	☐

According to DataQuest, district enrollment was 3,387 in 2020-21, 3,312 in 2021-22, and 3,284 in 2022-23 — a decline of 103 students. According to the district's 2023-24 adopted budget documents, 2023-24 enrollment is projected to be 3,316.

		Yes	No	N/A
10.2	**Does the district monitor and analyze enrollment and average daily attendance (ADA) data at least monthly through the second attendance reporting period (P2)?**	✓	☐	☐
10.3	**Does the district track historical enrollment and ADA data to establish future trends?**	✓	☐	☐
10.4	**Do school sites maintain an accurate record of daily enrollment and attendance that is reconciled monthly at the site and district levels?**	✓	☐	☐
10.5	**Has the district certified its California Longitudinal Pupil Achievement Data System (CALPADS) data by the required deadlines (Fall 1, Fall 2, EOY) for the current and two prior years?**	✓	☐	☐
10.6	**Are the district's enrollment projections and assumptions based on historical data, industry-standard methods, and other reasonable considerations?**	✓	☐	☐
10.7	**Do all applicable sites and departments review and verify their respective CALPADS data and correct it as needed before the report submission deadlines?**	✓	☐	☐
10.8	**Has the district planned for enrollment losses to charter schools?**	☐	☐	✓
10.9	**Does the district follow established board policy to limit outgoing interdistrict transfers and ensure that only students who meet the required qualifications are approved?**	✓	☐	☐
10.10	**Does the district meet the student-to-teacher ratio requirement of no more than 24-to-1 for each school in grades TK-3 classes, or, if not, does it have and adhere to an alternative collectively bargained agreement?**	✓	☐	☐

11. Facilities

		Yes	No	N/A
11.1	**If the district participates in the state's School Facilities Program, has it met the required contribution for the Routine Restricted Maintenance Account?**	✓	☐	☐
11.2	**Does the district have sufficient and available capital outlay and/or bond funds to cover all contracted obligations for capital facilities projects?**	✓	☐	☐
11.3	**Does the district properly track and account for facility-related projects?**	✓	☐	☐
11.4	**Does the district use its facilities fully in accordance with the Office of Public School Construction's loading standards?**	☐	✓	☐

According to documents provided by the district, it is not using its facilities fully in accordance with the Office of Public School Construction's loading standards. Capacity at all district schools is 4,121 students, while enrollment in 2022-23 was 3,282. Facility use is above 80% at two schools, between 70% and 80% at three schools, and between 60% and 70% at two schools. Excess capacity can result in unnecessary operating expenditures for cleaning, utilities, and maintenance.

		Yes	No	N/A
11.5	**Does the district include facility needs (maintenance, repair and operating requirements) when adopting a budget?**	✓	☐	☐
11.6	**Has the district met the facilities inspection requirements of the Williams Act and resolved any outstanding issues?**	☐	✓	☐

The district did not provide evidence that school site inspections were completed.

		Yes	No	N/A
11.7	**If the district passed a Proposition 39 general obligation bond, has it met the requirements for audit, reporting, and a citizens' bond oversight committee?**	✓	☐	☐
11.8	**Does the district have a long-range facilities master plan that reflects its current and projected facility needs?**	✓	☐	☐

12. Fund Balance and Reserve for Economic Uncertainty

		Yes	No	N/A
12.1	**Is the district able to maintain the minimum reserve for economic uncertainty in the current year (including Fund 01 and Fund 17) as defined by criteria and standards?**	✓	☐	☐
12.2	**Is the district able to maintain the minimum reserve for economic uncertainty in the two subsequent years?**	☐	✓	☐

The district's 2023-24 adopted budget MYFP projected a reserve of 3.09% in 2024-25 and 3.08% in 2025-26. The required reserve for a district of Burlingame's size is 3.0%. However, FCMAT's MYFP projects a reserve of negative 6.69% in 2024-25 and negative 10.97% in 2025-26.

		Yes	No	N/A
12.3	**If the district is not able to maintain the minimum reserve for economic uncertainty, does the district's multiyear financial projection include a board-approved plan to restore the reserve?**	☐	✓	☐

At the time of FCMAT's review, the district was not yet aware of the structural deficit and reduced fund balance; therefore, no plan has been adopted by the board.

		Yes	No	N/A
12.4	**Is the district's projected unrestricted fund balance stable or increasing in the two subsequent fiscal years?**	☐	✓	☐

The district's 2023-24 adopted budget projected a deficit of $826,881. District multiyear projections for the general fund unrestricted fund balance projected surpluses of $33,159 and $220,694 for the 2024-25 and 2025-26 fiscal years, respectively. However, FCMAT's MYFP projects deficit spending in all three years and an unrestricted fund balance decline from $2.4 million at the beginning of 2023-24 to negative $6.1 million at the end of 2025-26.

		Yes	No	N/A
12.5	**If the district has unfunded or contingent liabilities or one-time costs other than post-employment benefits, does the unrestricted general fund balance include sufficient assigned or committed reserves above the recommended reserve level?**	☐	☐	✓

13. General Fund – Current Year

		Yes	No	N/A
13.1	**Does the district ensure that one-time revenues do not pay for ongoing expenditures?**	☐	✓	☐

District board members and staff indicated that district policy prohibits paying for ongoing expenditures with one-time dollars. However, ongoing salaries and benefits have been charged in recent years to one-time COVID-19 resources. Additionally, the 2023-24 salary schedule increases are being paid for with reserves, which is a one-time source of funds.

		Yes	No	N/A
13.2	**Is the percentage of the district's general fund unrestricted expenditure budget that is allocated to salaries and benefits at or below the statewide average for the current year?**	✓	☐	☐
13.3	**Is the percentage of the district's general fund unrestricted expenditure budget that is allocated to salaries and benefits at or below the statewide average for the two prior years?**	☐	✓	☐

The district's budgeted unrestricted salaries and benefits in 2024-25 amount to 88.81% of total expenditures. In 2025-26, this percentage is projected to be 89.01%. These are higher than the latest (2021-22) statewide average rate of 86.62% published by School Services of California, inc.

		Yes	No	N/A
13.4	**If the district has received any uniform complaints or legal challenges regarding local use of supplemental and concentration grant funding in the current or two prior years, is the district addressing the complaint(s)?**	☐	☐	✓
13.5	**Does the district either ensure that restricted dollars are sufficient to pay for staff assigned to restricted programs or have a plan to fund these positions with unrestricted funds?**	☐	✓	☐

As stated in item 13.1, district board members and staff indicated that the district has a policy prohibiting one-time dollars from being used for ongoing expenditures. However, one full-time middle school counselor position and approximately $100,000 in aide salaries and hourly aide wages were charged to one-time restricted funds. The district did not provide FCMAT with any plan to pay for these positions when funding was exhausted. Approximately $150,000 in hourly salaries and stipends that are not in the position control system have been charged to one-time COVID-19 dollars.

		Yes	No	N/A
13.6	**Is the district using its restricted dollars fully by expending allocations for restricted programs within the required time?**	✓	☐	☐
13.7	**Does the district account for program costs, including the maximum allowable indirect costs, for each restricted resource and other funds?**	☐	✓	☐

In 2021-22, the district charged indirect costs to only six out of 25 allowable programs. The 2023-24 budget charged indirect costs to only five programs.

14. Information Systems and Data Management

		Yes	No	N/A
14.1	**Does the district use an integrated financial and human resources system?**	✓	☐	☐

		Yes	No	N/A
14.2	**Does the district use the system(s) to provide key financial and related data, including personnel information, to help the district make informed decisions?**	☐	✓	☐

In interviews, staff indicated that neither the MYFP nor other related financial information is used when discussing decisions that will have a fiscal impact.

		Yes	No	N/A
14.3	**Has the district accurately identified students who are eligible for free or reduced-price meals, English learners, and foster youth, in accordance with the LCFF and its LCAP?**	✓	☐	☐
14.4	**Is the district using the same financial system as its county office of education?**	✓	☐	☐
14.5	**If the district is using a separate financial system from its county office of education, is there an automated interface that allows data to be sent and received by both the district and county financial systems?**	☐	☐	✓
14.6	**If the district is using a separate financial system from its county office of education, has the district provided the county office with direct access so the county office can provide oversight, review and assistance?**	☐	☐	✓

15. Internal Controls and Fraud Prevention

		Yes	No	N/A
15.1	**Does the district have controls that limit access to its financial system and include multiple levels of authorization?**	☐	✓	☐

In interviews, staff indicated that the county office provides a form that the district uses to request employee access to the financial system. However, staff indicated that new employees sometimes complete the form themselves, and could request access to the system that they do not need. The form is signed by a district administrator and sent to the county office.

		Yes	No	N/A
15.2	**Are the district's financial system's access and authorization controls reviewed and updated upon employment actions (e.g., resignations, terminations, promotions or demotions) and at least annually?**	☐	✓	☐

Interviews indicated that the district does not have a process to update access to the financial system when employee assignments are changed or employees separate from the district. No evidence was provided to show that the district reviews access and authorization controls at least annually.

15.3 **Does the district ensure that duties in the following areas are segregated, and that they are supervised and monitored?:**

	Yes	No	N/A
• **Accounts payable (AP)**	☐	✓	☐

Multiple employees have sufficient access to the financial system to add vendors, change vendor information, initiate purchase requisitions and print purchase orders, pay vendor invoices, and mail payments to vendors. Proper segregation of these duties will reduce the risk of fraud or misappropriation of assets.

	Yes	No	N/A
• **Accounts receivable (AR)**	☐	✓	☐

The same employee creates invoices in a standalone system, mails invoices and statements to customers, receives payments from customers, records customer payments in the invoicing system, deposits the payments in the bank, and reconciles the bank statement. This practice creates an opportunity for fraudulent activity.

	Yes	No	N/A
• **Purchasing and contracts**	☐	✓	☐

Although the district requires a purchase order for all purchases, some staff indicated that district office staff often receive vendor invoices that cannot be matched to an approved purchase order. Unauthorized purchasing puts the district at risk of overspending authorized budget amounts and violating state and federal legal purchasing requirements. School and department staff should be held accountable for following district procedures.

		Yes	No	N/A
	• **Payroll**	☐	✓	☐

The employee who filled in temporarily for several months a year ago when the payroll position was vacant still has access to the payroll system. Staff reported that one former employee received paychecks after they were no longer employed.

		Yes	No	N/A
	• **Human resources (i.e., duties relative to position control and payroll processes).**	☐	✓	☐

One employee has sufficient access to input an employee in the position control system, approve for personnel, approve for budget, and process the final approval. As mentioned earlier in this report, an employee who was no longer working for the district continued to receive a paycheck because the district lacks a process to notify payroll when an employee has separated from employment.

		Yes	No	N/A
15.4	**Are beginning balances for the new fiscal year posted and reconciled with the ending balances for each fund from the prior fiscal year?**	✓	☐	☐
15.5	**Does the district review and work to clear prior year accruals throughout the year?**	✓	☐	☐
15.6	**Has the district reconciled and closed the general ledger (books) within the time prescribed by the county office of education?**	✓	☐	☐
15.7	**Does the district have processes and procedures to discourage and detect fraud?**	☐	✓	☐

The district did not provide evidence of processes and procedures to discourage and detect fraud.

		Yes	No	N/A
15.8	**Does the district have a process for collecting reports of possible fraud (such as an anonymous fraud reporting hotline) and for following up on such reports?**	☐	✓	☐

The district lacks an established process to collect reports of possible fraud or to follow up on such reports.

		Yes	No	N/A
15.9	**Does the district have an internal audit process?**	☐	✓	☐

The district lacks an internal audit process.

16. Leadership and Stability

		Yes	No	N/A
16.1	**Does the district have a chief business official who has been with the district as chief business official for more than two years?**	☐	✓	☐

The former CBO was employed by the district for approximately two years but resigned before the start of FCMAT's fieldwork, during which the district was recruiting for a new CBO.

		Yes	No	N/A
16.2	**Does the district have a superintendent who has been with the district as superintendent for more than two years?**	☐	✓	☐

The former superintendent was with the district for approximately 2.5 years. On July 1, 2023, the district appointed a new superintendent.

		Yes	No	N/A
16.3	**Does the superintendent meet on a scheduled and regular basis with all members of their administrative cabinet?**	✓	☐	☐

		Yes	No	N/A
16.4	**Is training on financial management and budget provided to site and department administrators who are responsible for budget management?**	☐	✓	☐

Interviews indicated that budget training has not been provided to school and department administrators who are responsible for budget management. Some department managers do not have access to their budgets; however, they indicated that they receive budget reports from the business office.

		Yes	No	N/A
16.5	**Does the governing board adopt and revise policies and administrative regulations annually?**	✓	☐	☐
16.6	**Are newly adopted or revised policies and administrative regulations implemented, communicated and available to staff?**	☐	✓	☐

Staff indicated that the district lacks a process to effectively communicate newly adopted or revised board policies and administrative regulations to ensure all employees receive this information.

		Yes	No	N/A
16.7	**Do all board members attend training on the budget and governance at least every two years?**	✓	☐	☐
16.8	**Is the superintendent's evaluation performed according to the terms of the contract?**	✓	☐	☐

17. Multiyear Projections

		Yes	No	N/A
17.1	**Has the district developed multiyear projections that include detailed assumptions aligned with industry standards?**	☐	✓	☐

The district's 2022-23 first interim presentation materials include many of the standard assumptions but are missing CPI, lottery rates per ADA, and Mandate Block Grant rates per ADA. The district's MYFP does not appear to include an increase to expenses for CPI in the subsequent years.

The district's 2022-23 second interim presentation materials include many of the standard assumptions but are missing CPI, lottery rates per ADA, and Mandate Block Grant rates per ADA. The assumptions table was not updated to include the most recent information available from the governor's proposed budget. The district's MYFP does not include an increase to expenses for CPI in the subsequent years.

The district's 2023-24 adopted budget presentation materials include many of the standard assumptions but are missing CPI, lottery rates per ADA, and Mandate Block Grant rates per ADA. The district's MYFP does not appear to include an increase to expenses for CPI in the subsequent years. Contributions are projected to remain the same for all three years of the projection, which is unlikely because costs in restricted programs naturally increase for step and column and CPI.

		Yes	No	N/A
17.2	**To help calculate its multiyear projections, did the district prepare an accurate LCFF calculation with multiyear considerations?**	✓	☐	☐
17.3	**Does the district use its most current multiyear projection in making financial decisions?**	☐	✓	☐

Staff indicated that the district does not use its most current multiyear projection when making financial decisions.

		Yes	No	N/A
17.4	**If the district uses a broad adjustment category in its multiyear projection (such as line B10, B1d, B2d Other Adjustments, in the SACS Form MYP/MYPI), is there a detailed list of what is included in the adjustment amount and are the adjustments reasonable?**	✓	☐	☐

18. Non-Voter-Approved Debt and Risk Management

		Yes	No	N/A
18.1	**Are the sources of repayment for non-voter-approved debt {such as certificates of participation (COPs), bridge financing, bond anticipation notes (BANS), revenue anticipation notes (RANS) and others} stable, predictable, and other than unrestricted general fund?**	☐	☐	✓
18.2	**If the district has issued non-voter-approved debt, has its credit rating remained stable or improved during the current and two prior fiscal years?**	☐	☐	✓
18.3	**If the district is self-insured, has the district completed an actuarial valuation as required and have a plan to pay for any unfunded liabilities?**	☐	☐	✓
18.4	**If the district has non-voter-approved debt (such as COPs, bridge financing, BANS, RANS and others), is the total of annual debt service payments no greater than 2% of the district's unrestricted general fund revenues?**	☐	☐	✓

19. Position Control

		Yes	No	N/A
19.1	**Does the district account for all positions and costs?**	☐	✓	☐

FCMAT reviewed the position control report provided by the district and found that positions were not identified by resource, and that increases in staff added to the 2023-24 adopted budget were not coded to the correct funding source. FCMAT's analysis found that the adopted budget did not include positions that had been added since budget adoption, and none of the position control reports, staffing reports or vacancy reports were updated. None of the supplied data supported the budgeted amounts. In addition, FCMAT's review of the financial reports found significant overbudgeting in benefits; by its nature, the overbudgeted amount was not tied to specific positions.

		Yes	No	N/A
19.2	**Does the district analyze and adjust staffing based on staffing ratios and enrollment?**	☐	✓	☐

The district usually uses ratios to determine certificated staffing. However, it has no staffing ratios for classified positions. Interviews indicate that the superintendent approves staffing levels greater than the ratios. FCMAT found no evidence to indicate that staffing levels have been adjusted based on enrollment.

		Yes	No	N/A
19.3	**Does the district reconcile budget, payroll and position control regularly, at least at budget adoption and interim reporting periods?**	☐	✓	☐

No evidence was provided to show that the district has a process to reconcile its position control report with budget. The position control reports provided lacked the SACS coding data needed to audit them for accuracy.

		Yes	No	N/A
19.4	**Does the district identify a budget source for each new position before the position is authorized by the governing board?**	☐	✓	☐

The district did not provide evidence or documents to indicate that it identifies a budget source for each new position before it is authorized by the board.

		Yes	No	N/A
19.5	**Does the governing board approve all new positions and extra assignments (e.g., stipends) before positions are posted?**	☐	✓	☐

The district did not provide evidence or documents to indicate that the board was aware of all new positions and extra assignments before they are posted.

		Yes	No	N/A
19.6	**Do managers and staff responsible for the district's human resources, payroll and budget functions meet regularly to discuss issues and improve processes?**	☐	✓	☐

The district provided evidence that the relevant managers were all trained by the county office in position control; however, it did not provide documents to show that they meet regularly to discuss and improve processes.

20. Special Education

		Yes	No	N/A
20.1	**Does the district monitor, analyze and adjust staffing ratios, class sizes and caseload sizes to align with statutory requirements and industry standards?**	☐	✓	☐

At the time of interviews, the district was not able to provide 2022-23 Special Education Information System (SEIS) pupil counts, broken down by services provided. The district was also unable to provide a list of special education staff (both certificated and classified) with complete caseload information or that tied to the 2023-24 budget. On June 6, 2023 the district took contracts to the board to procure services for up to 12 positions; however, information provided by human resources in August 2023 indicated that only three vacancies existed, and special education department documents indicated that only three positions were contracted out.

		Yes	No	N/A
20.2	**Does the district access available funding sources for costs related to special education (e.g., excess cost pool, legal fees, mental health)?.**	☐	✓	☐

The district does not track the expenses of high-cost students or apply for extraordinary cost pool reimbursement. Also, the district's special education data on the number of high-cost students in private placement differed from the state-reported CALPADS data.

		Yes	No	N/A
20.3	**Does the district use appropriate tools to help it make informed decisions about whether to add services (e.g., special circumstance instructional assistance process and form, transportation decision tree)?**	☐	✓	☐

The director of special education and school staff indicated that the director determined whether to add aides or transportation. No decision trees were provided.

		Yes	No	N/A
20.4	**Does the district budget and account correctly for all costs related to special education (e.g., transportation, due process hearings, indirect costs, nonpublic schools and/or nonpublic agencies)?**	☐	✓	☐

One clerical support employee who does not support special education was charged to this budget in 2022-23. Salaries and benefits costs in the district's adopted 2023-24 budget appear to be overbudgeted by approximately $297,600, and supplies and contracted services appear to be underbudgeted by $1.3 million.

		Yes	No	N/A
20.5	**Is the district's contribution rate to special education at or below the statewide average contribution rate?**	✓	☐	☐
20.6	**Is the district's rate of identification of students as eligible for special education at or below the countywide and statewide average rates?**	✓	☐	☐
20.7	**Does the district analyze whether it will meet the maintenance of effort requirement at each interim reporting period?**	☐	✓	☐

Staff indicated at the time of the 2022-23 closing that the maintenance of effort requirement may not be met. FCMAT offered suggestions regarding indirect costs and potential changes to the maintenance of effort amount because of the potential absence of high-cost students. Historically, the district has charged special education settlements to special education, and a large percentage of its special education expenses have been for these settlements. During the year, the district does not analyze whether it will meet the maintenance of effort requirement.

Risk Score, 20 numbered sections only:	**55.6%**

Key to Risk Score from 20 numbered sections only:

High Risk: 40% or more

Moderate Risk: 25-39.9%

Low Risk: 24.9% and lower

District Fiscal Solvency Risk Level, all FHRA factors: High

(The existence of any condition from the Budget and Fiscal Status section, and/or a material weakness, will supersede the score above because it elevates the district's risk level.)

Appendices

Appendix A

Onboarding Checklist

Click here to download a Microsoft Word file of the checklist.

Appendix B

Payroll Timeline Process Chart

Click here to download an Adobe Acrobat (pdf) file of the process chart.

Appendix C

Process and Procedure Template

Click here to download an Adobe Acrobat (pdf) file of the template.

Appendix D

Study Agreement

FCMAT

FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM

FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM
STUDY AGREEMENT
May 3, 2023

The Fiscal Crisis and Management Assistance Team (FCMAT), hereinafter referred to as the team, and the Burlingame 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 education 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

1. Review the district's 2023-24 adopted general fund budget and use it as a baseline to develop an independent multiyear financial projection (MYFP) for the current and two subsequent fiscal years. The MYFP will be a snapshot in time of the district's financial status. Make recommendations for expenditure reductions and/or revenue increases to help the district eliminate its structural budget deficit, if any.
2. 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
   - Payroll
   - Accounts payable
   - Accounts receivable
3. Review operational processes and procedures in the Human Resources Department and make recommendations for improved efficiency, if any.
4. Evaluate the current workflow and distribution of functions within and between the above departments and make recommendations for improved efficiencies, if any.

5. Prepare an analysis using the 20 factors in FCMAT's Fiscal Health Risk Analysis and identify the district's risk rating for fiscal insolvency.

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 purpose and schedule of the study.

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 hold 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 – Electronic copies of a preliminary draft report will be delivered to the district's administration for review and comment.

6. Final Report – Electronic copies of the final report will be delivered to the district's administration and to the county superintendent following completion of the review. Printed copies are available from FCMAT 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***
To be determined	***FCMAT Consultant***
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. $800 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

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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 $39,300.

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, located at 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 electronic format.
5. Documents should be provided in advance of fieldwork; any delay in the receipt of the requested documents may affect the start date and/or completion date of the project. Upon approval of the signed study agreement, access will be provided to FCMAT's 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 the receipt of a signed study agreement:

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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 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 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 Burlingame 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.

11. COVID-19 PANDEMIC

Because of the existence of COVID-19 and the resulting shelter-in-place orders, local educational agency closures and other related considerations, at FCMAT's sole discretion, the Scope of Work, Project Costs, Responsibilities of the District (Sections 2, 4 and 5 herein) and other provisions herein may be revised. Examples of such revisions may include, but not be limited to, the following:

A. Orientation and exit meetings, interviews and other information-gathering activities may be conducted remotely via telephone, videoconferencing, etc. References to on-site work or fieldwork shall be interpreted appropriately given the circumstances.

B. Activities performed remotely that are normally performed in the field shall be billed hourly as provided as if performed in the field (excluding out-of-pocket costs).

C. The district may be relieved of its duty to provide conference and other work area facilities for the team.

12. FORCE MAJEURE

Neither party will be liable for any failure of or delay in the performance of this study agreement due to causes beyond the reasonable control of the party, except for payment obligations by the district.

13. CONTACT PERSON

Name: Marla Silversmith
Telephone: (650) 259-3800
E-mail: msilversmith@burlingameschools.org

5/3/23

Marla Silversmith, Interim Superintendent — Date
Burlingame School District

5/3/23

Michael H. Fine, — Date
Chief Executive Officer
Fiscal Crisis and Management Assistance Team

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