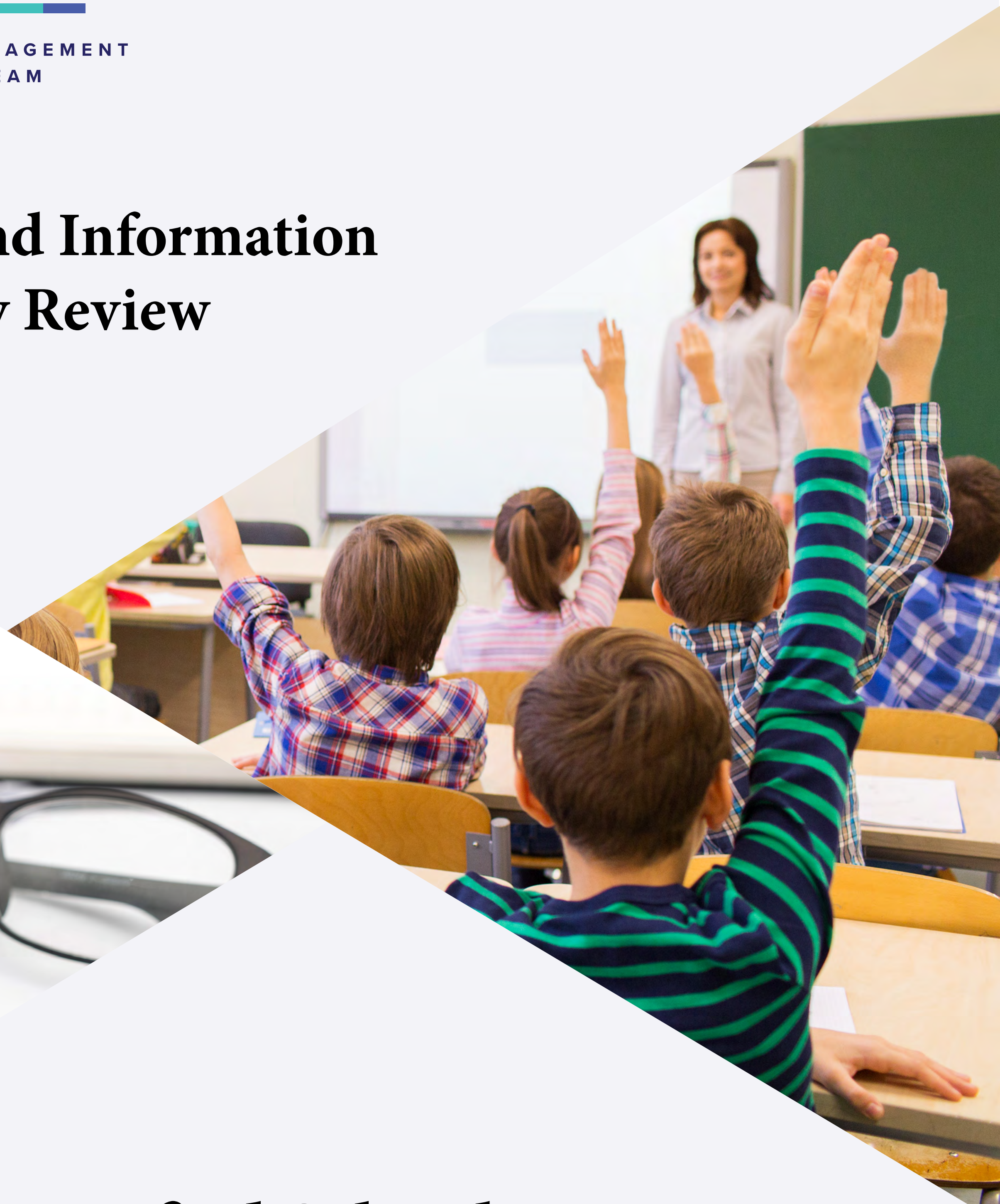
FCMAT

FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM

Business and Information Technology Review

December 7, 2023



Novato Unified School District

Michael H. Fine
Chief Executive Officer

FCMAT
FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM

December 7, 2023

Tracy Smith, Superintendent
Novato Unified School District
1015 Seventh St.
Novato, CA 94945-2205

Dear Superintendent Smith:

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

1. Review operational processes and procedures in the Business Department and make recommendations for improved efficiency, if any, in the following areas:
   - Budget Development
   - Budget Monitoring
   - Position Control
   - Accounts Payable
   - Accounts Receivable
   - Payroll
   - Hiring, orientation and initial training processes for new employees
2. Review operational processes and procedures in the Information Technology Department as it relates to the Business Department and financial data and make recommendations for improved efficiency, if any.
3. Evaluate the workflow and distribution of functions within and between the above departments and make recommendations for improved efficiency, if any.

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

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

Sincerely,

Michael H. Fine
Chief Executive Officer

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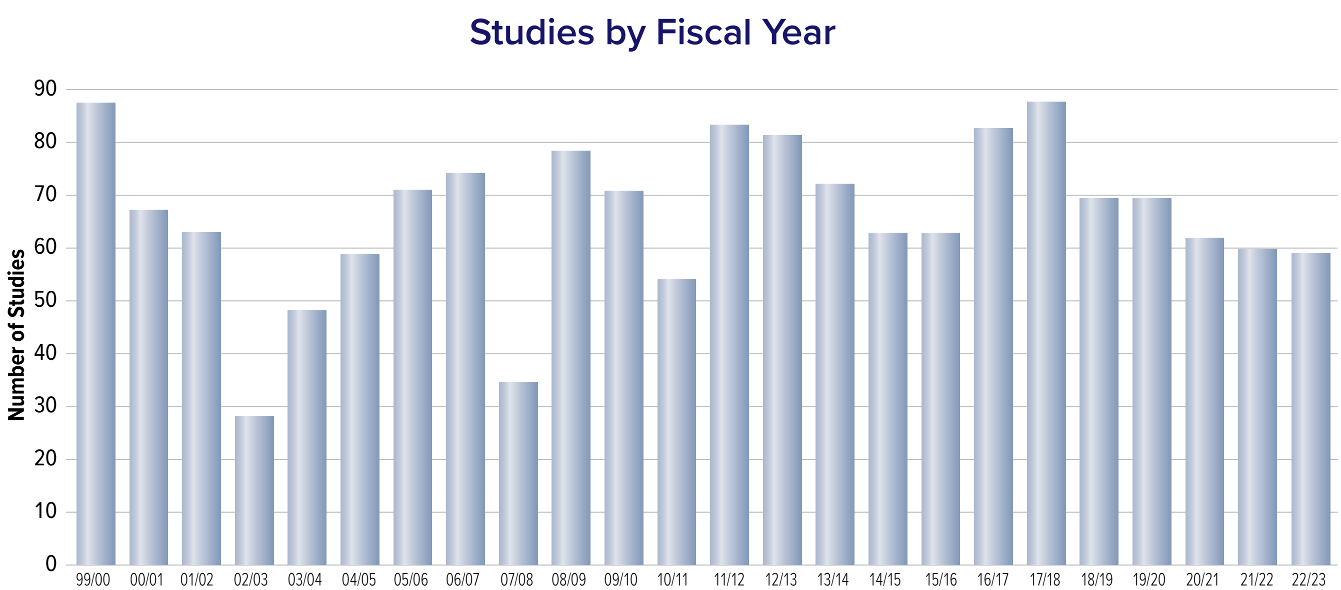
About FCMAT

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

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

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



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 1992 to assist LEAs to meet and sustain their financial obligations. AB 107 in 1997 charged FCMAT with responsibility for CSIS and its statewide data management work. AB 1115 in 1999 codified CSIS' mission.

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

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

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

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

Introduction

Background

The Novato Unified School District is in the city of Novato about 25 miles north of San Francisco and serves approximately 7,474 students, including approximately 2,721 students who are English learners, and/or foster youth, and/or eligible for free or reduced price meals.[1] The district operates 17 schools including a special education preschool, eight elementary schools, two intermediate/middle schools, two comprehensive high schools, a continuation high school, an adult education center, an alternative school of choice, and an elementary charter school. Governed by a seven-member board of trustees elected by trustee area, Novato Unified is the largest school district in Marin County, serving just under 25% of the students in the county.

The district was approved as fiscally independent as of July 1, 1987, and it is one of 10 districts in the state and the only district in Marin County to have this designation. As a fiscally independent district, Novato Unified has a direct relationship with the Marin County auditor and can produce its own warrants for both payroll and vendor payments. Because of this, the district takes on additional responsibilities to ensure it maintains operational stability and compliance.

The district has recently experienced significant change in its leadership team, including its superintendent and its chief business official. In addition, the Business Services and Information Technology (IT) departments have had significant turnover in several key positions in the last few years, raising both concerns regarding stability and opportunities for improvement.

Study and Report Guidelines

In March 2023, the Novato Unified School District and the Fiscal Crisis and Management Assistance Team (FCMAT) entered into an agreement for FCMAT to conduct a review of the district's Business Services and Information Technology departments.

A FCMAT study team visited the district in person on August 1-3, 2023 to conduct interviews with district and school staff, collect data, and review documents. After fieldwork, FCMAT continued to request, review and analyze documents, and held virtual interviews with the Marin County Superintendent of Schools and district technology support vendors. 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.

1. 2022-23 enrollment data from DataQuest.

Study Team

The study team was composed of the following members:

John Von Flue FCMAT Chief Analyst	Jennifer Noga, CFE FCMAT Intervention Specialist
Scott Sexsmith 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 Novato Unified School District requested that FCMAT conduct a review of the operational processes and procedures in its Business Services and Informational Technology (IT) departments. At the time of initial request, the district was in a leadership transition, with changes in its superintendent and chief business official as well as several additional vacancies in the business office.

At the time of FCMAT's visit in August 2023, the district had a new superintendent, chief financial officer, and director of fiscal services, as well as several other new business services staff. The turnover of staff exposed weaknesses in the district's established processes and procedures, but the district also saw the opportunity to review and potentially revise these to improve its systems.

With the 2023-24 fiscal year and a new superintendent, changes to the district's organizational structure also occurred. The director of informational technology and the IT Department were moved from being overseen by the Business Services Department to being overseen by the Education Services Department. Such a move can change a department's orientation and priorities.

As a fiscally independent district, Novato Unified has a direct relationship with the county auditor and is responsible for producing its own warrants for payroll and other payments. It is also responsible for ensuring it has proper support, compliance, and records for each disbursement made, and is solely responsible for maintaining the equipment and software structures to ensure that payments can be made and checks printed.

In reviewing the district's business and technology operations, special considerations were required due to the district's fiscally independent status and its need to maintain internal controls and systems required by that status. FCMAT found opportunities for improvement in each of the areas reviewed. The main opportunities for improvement in each area include the following:

- Budget Development
  The district needs to develop and follow a budget development calendar, create a budget development process that is more inclusive of schools and departments, and improve communication and understanding of the budget.

- Budget Monitoring
  The district needs to provide for more frequent and detailed budget revisions and communications.

- Position Control
  The district needs to ensure that all employees are included in position control for use in budget planning, and improve communication with and from schools and departments.

- Purchasing and Accounts Payable
  The district needs to implement proper controls to ensure only authorized vendors and invoices are paid and only authorized and budgeted funds are used.

- Accounts Receivable
  The district needs to ensure adherence to segregation of duties to maintain proper custody, recording, deposit, and reconciliation of all receipts.

- Payroll
  The district needs to ensure that payroll calendars are adhered to and that there is regular communication among the payroll, human resources, and business departments.

- Hiring, Orientation and Initial Training for New Employees
  The district needs to create policies and procedures manuals for each functional area and require regular attendance at trainings.
- Technology
  The district needs to make sure it has sufficient positions, knowledge, documentation, support, and processes to ensure the stability of the equipment and software needed to maintain its financial system and respond to unforeseen emergencies.

Many of the items FCMAT observed are common in many districts throughout California and, while significant, are not unique. However, the district's fiscally independent status amplifies the need for robust systems, processes and procedures in the business and technology departments to ensure proper controls and capabilities are always maintained. Sudden staffing changes, power outages, or other unforeseen events can expose weaknesses in business and technology operations, and fiscally independent districts are exceptionally vulnerable in such situations.

Findings and Recommendations

Organizational Structure

The purpose of an organizational structure is to help a district's administration provide proper oversight and help improve student learning while balancing internal financial resources.[2] The organizational design should outline the management process and its specific links to the formal system of communication, authority, and responsibility needed to achieve an organization's goals and objectives. Authority in a school district originates with the governing board, which delegates its authority to the superintendent, who serves as the employer of record and is responsible for overseeing and superintending the district. Through the superintendent, authority and responsibility is delegated to the district's administration and staff.

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

When staffing school districts, administrators should consider the basic theories of organizational structure used in other school agencies of similar size and type. The most common of these concepts include job specialization and departmentalization, authority and responsibility, chain of command, centralization and decentralization, line and staff authority, and span of control.[3]

Job Specialization and Departmentalization

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

Authority and Responsibility

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

2. *Organization Theory and Design*, Richard L. Daft; South-Western College Publishing; Copyright 2001.

3. *Principles of School Business Management*; R. Craig Wood, David C. Thompson, Lawrence O. Picus, and Don I. Tharpe; Association of School Business Officials International; Copyright 1995.

Chain of Command

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

Centralization and Decentralization

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

Line and Staff Authority

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

Span of Control

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

Organizational Culture

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

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

4. *Organization Theory and Design*; Richard L. Daft; South-Western College Publishing; copyright 2001

Fiscal Independence

County superintendents of schools have certain oversight responsibilities for districts in their respective counties. These responsibilities include reviewing each order on district funds to determine if it is proper and legal. However, Education Code (EC) 42647 provides a process by which a district can become fiscally independent and allowed to process and issue its own warrants for payroll and vendor payments (except debt service payments). In doing so, the district takes on the responsibility of examining all claims to determine if they are legally allowed and ordered paid by the governing board. Once approved, fiscally independent districts also take on the responsibility of ensuring that their internal controls and processes are sufficiently robust to operate without the support and oversight of their county superintendent. This includes auditing their own warrants for vendors and payroll, and providing backup systems to process and print vendor payments and payroll in case the primary systems fail. In addition, some services typically provided by the county superintendent may no longer be performed. These include regular posting of apportionments and new fiscal year transition activities such as posting beginning balances and cash reconciliations.

If at any time the county superintendent of schools determines that the district's accounting controls are inadequate, or if the district has a qualified or negative interim budget certification (EC 42652 (a)) the county superintendent may recommend to the state superintendent of public Instruction that the district's fiscally independent status be revoked.

The district requested and was approved for fiscal independence from the Marin County Superintendent of Schools effective July 1, 1987. Neither the district nor the county superintendent were able to produce the official notification of fiscal independence or documentation of the criteria, results and opinions used to obtain the fiscally independent status. Nonetheless, both entities agree that as of that date, the county superintendent of schools was no longer responsible for the support services described above or for producing reports, statements, or other data relating to or based on payments of the district's expenses. Rather, the district is responsible for keeping all warrants, vouchers and supporting documents for all disbursements. In addition, the district became responsible for maintaining systems for vendor and payroll payment processing and check printing.

2023-24 Organizational Structure

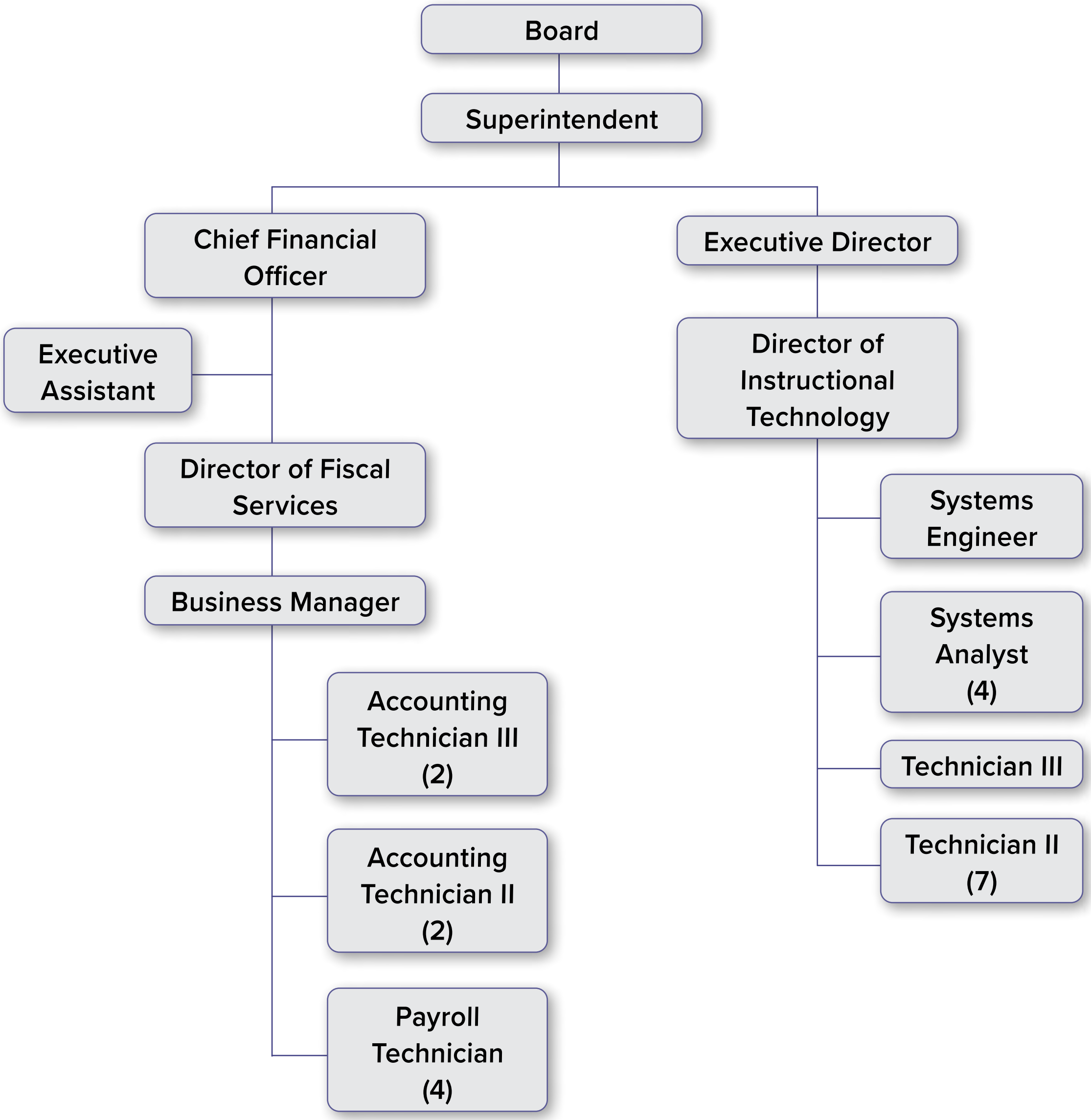
Organizational charts are important to show the organizational structure and the relationship of all positions to one another. In doing so, an organizational chart also identifies authority, the chain of command, span of control, and the functional areas for which each staff member is responsible.

The district's organizational chart for 2023-24 (see Appendix A on page 37) identifies a structure in which five department heads (executive director, chief financial officer of business and operations, executive director of human resources, director of communications and community engagement, and director of staff housing development) and all school principals report directly to the superintendent.

The chief financial officer business and operations oversees the director of fiscal services, who in turn oversees the Business Services Department. The IT Department is led by the director of instructional technology. This position reports to the executive director of education services position, which reports directly to the superintendent.

The chart below shows the 2023-24 structure and staffing of the Business Services and IT departments.

2023-24 Business and Technology Organizational Structure

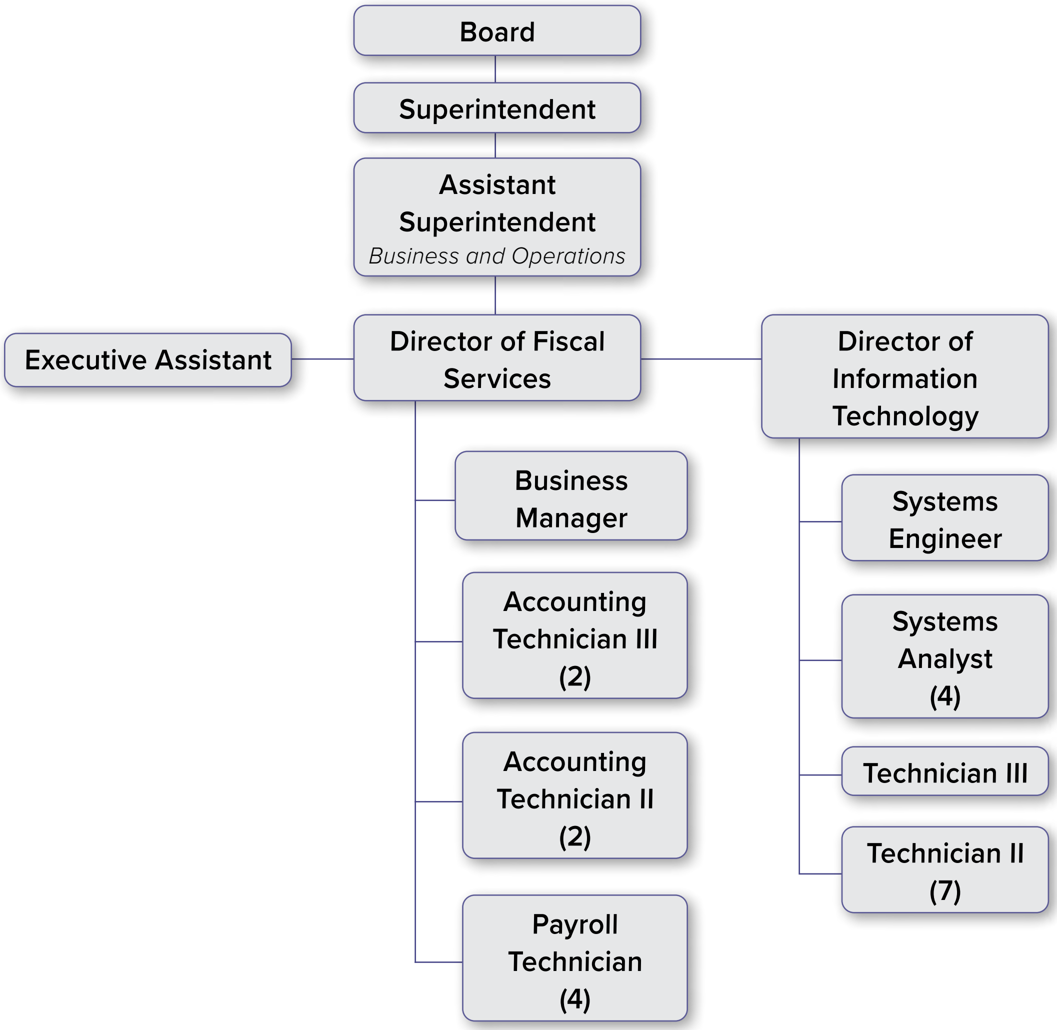


Source: District documents.

2022-23 Organizational Structure

The district's business and technology organizational structure was changed from that of the prior year (2022-23), under which the assistant superintendent of business and operations oversaw both the director of fiscal and the director of technology and their departments.

2022-23 Business and Technology Organizational Structure



Source: District documents.

Comparing the charts for 2022-23 and 2023-24 shows a change in the title and scope of authority for the top business official. The position title was changed from assistant superintendent of business and operations to chief financial officer, and the position is no longer responsible for overseeing technology. In addition, the top position in the technology department was moved from reporting to the assistant superintendent of business and operations to reporting to the executive director (education services) position, and the title was changed from director of information technology to director of instructional technology.

The director of instructional technology job description provided to FCMAT was not dated but continues to state that the position reports to the assistant superintendent of business and operations, in alignment with the 2022-23 organizational chart. For clarity and consistency, titles on the organizational chart need to match those on the approved job descriptions, because discrepancies can lead to individual and organizational uncertainty regarding authority, responsibility and accountability.

Moving the technology department changes the relationship between technology and business. The scope of the top business official's authority over technology is reduced and, even though the director of instructional technology is still responsible for business technology, the department is now aligned to be more instructional- and student-focused. Interviews with the technology director and technicians indicated a focus on service to the classroom and instructional technology. This was validated by instructional staff interviewed, who spoke positively about the response and support they receive for their technology needs. Because the district is fiscally independent and responsible for maintaining its own financial system and producing its own payroll and vendor warrants, sufficient support needs to be provided to business technology to ensure its stability and function.

Recommendations

The district should:

1. Ensure that changes to the organizational structure are well thought out, intentional, and reflect the authority, responsibility and control intended for each department and staff member. Ensure that the organizational structure supports the district's priorities.
2. Ensure that its organizational chart accurately reflects its organizational structure.
3. Ensure that job titles are clear and accurate for each position and align with the organizational chart.

Operational Processes and Procedures

FCMAT's fieldwork at the district was conducted during a time of transition. The superintendent, chief financial officer, and director of fiscal services had only been in their positions for a few weeks and were not involved in developing the district's 2023-2024 adopted budget. Staff turnover and vacancies can be costly, resulting in both a lack of detail and accuracy and a need to outsource certain functions. In response to turnover and vacancies, the district sought support from consultants, retirees and substitutes. For the 2021-22 fiscal year, the district paid more than $51,000 for extra help in the Business Services Department. That increased to $58,000 in the 2022-23 fiscal year. In addition, staff members in the Business Services Department had to manage both their own positions' duties and frequently take on additional responsibilities to cover for vacancies or help train new staff members.

Internal Controls

Internal controls as applied to organizations, including school agencies, are defined as "a process, effected by an entity's board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting, and compliance."[5] The reference to achievement of objectives refers to planning, organizing, directing, and performing routine tasks.

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

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

Internal control provides the framework for an effective fraud prevention program. An effective internal control structure includes the policies and administrative regulations established by the board, operational procedures used by staff, adequate accounting and information systems, the work environment, and the professionalism of employees. The five integrated components of internal control and their summarized characteristics are included in the following table.

5. The Committee of Sponsoring Organizations of the Treadway Commission's 2013 publication, *Internal Control - Integrated Framework, Executive Summary*.

Internal Control Components and Their Characteristics

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

Source: The Committee of Sponsoring Organizations of the Treadway Commission's 2013 publication, Internal Control - Integrated Framework, Executive Summary.

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

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

Control Environment

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

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

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

Control Activities

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

1. **Performance reviews**, which compare actual data with expectations. In accounting and business offices, this most often occurs when budgeted amounts are compared to actual expenditures to identify variances, following which budget transfers may be made to prevent overspending.
2. **Information processing**, which includes the approvals, authorizations, verifications and reconciliations needed to ensure that transactions are valid, complete and accurate.
3. **Physical controls**, which are the processes and procedures designed to safeguard and secure assets and records.
4. **Supervisory controls**, which assess whether the transaction control activities performed are accurate and in accordance with established policies and procedures.
5. **Segregation of duties**, which consists of processes and procedures to ensure that no employee or group is placed in a position in which they can commit and conceal errors or fraud in the normal course of duties. In general, segregation of duties includes separating the custody of assets, the authorization or approval of transactions affecting those assets, the recording or reporting of related transactions, and the execution of the transactions. Adequate segregation of duties provides for separate processing by different individuals at various stages of a transaction, and for independent review of the work. These measures reduce the likelihood that errors will remain undetected.

The district lacks some of the elements noted above, and some elements have been established but are not functioning optimally. Areas of concern are addressed later in this report.

FCMAT has developed an extensive list of management standards for public school agencies, including standards for financial and personnel management. These standards address general functions such as policies and procedures; job descriptions; internal and external communication; internal control; orientation and training; and accounting, payroll and purchasing. The district would benefit from using these standards to conduct periodic self-evaluations to identify and/or monitor areas of potential risk and to help develop best practices for its financial operations.

Internal Controls under Fiscal Independence

As previously discussed, once the district was approved for fiscally independent status, it took on the additional responsibility of ensuring its internal controls were sufficiently robust to operate independently from the county superintendent of schools and maintaining and monitoring its warrant and disbursement controls to ensure ongoing compliance with the requirements in EC 42647.

FCMAT has developed tools that can help evaluate the district's internal controls. They include the Fiscally Accountable/Independent Risk Analysis and section 15 of the Fiscal Health Risk Analysis, both of which are available online at fcmat.org.

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Authority Granted by the Governing Board

By resolution, the governing board authorizes signatories for the district in the following areas: payroll and retirement, cash receipt and disbursement, attendance reporting certifications, and state and federal reporting. The authorized signers are the superintendent, assistant superintendent of business and operations, assistant superintendent of education services, director of human resources, and executive director of facilities (for vendor payments and facilities and construction reporting approvals only). These authorities need to be updated and reauthorized as needed and at least annually. Those provided to FCMAT were approved in June 2022 for the 2022-23 fiscal year, so they had expired and did not accurately indicate the positions or persons at the time of FCMAT's review for 2023-24. Without an active and current authorization by the governing board, power to act on behalf of the governing board is not delegated, and any orders signed by those without delegated authority would not be valid.

The staff member designated as disbursement officer as required under fiscally independent status is the business manager. The business manager's job description states that this position serves as the internal auditor and acts as the liaison between the district and the county superintendent and county treasurer.

Recommendations

The district should:

1. Review FCMAT's list of management standards and assess its risk and alignment with best practices.
2. Regularly assess its internal controls using FCMAT's Fiscally Accountable/Independent Risk Analysis, and the Fiscal Health Risk Analysis, available online at fcmat.org.
3. Ensure its governing board accurately delegates authorized signatories at least annually and clearly designates the disbursement officer as required under its fiscally independent status.

Budget Development

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

School districts are required to adopt their annual budgets within the statutory timelines established by EC 42127. Before July 1 of each year, the governing board of each school district must hold a public hearing on, and adopt, the budget for the subsequent fiscal year. In addition, the budget to be adopted must be prepared in accordance with EC 42126.

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

School district budgets are not static: the estimated revenues, expenses and ending balance of each fund change throughout the year because of revenue items such as the state budget, enrollment, and attendance, and expenditure items such as changes in personnel, and negotiated settlements of employee bargaining agreements. The ability to monitor and adjust budgets throughout the fiscal year is essential for fiscal responsibility and for ensuring that resources are distributed efficiently to support all students' educational needs.

Budget development is a detailed process that typically begins in or before January of the preceding fiscal year. During effective budget development, position control is revised and updated, revenues and expenses are estimated, and each district aligns its budget with its Local Control and Accountability Plan (LCAP), which prioritizes a district's goals and the actions to achieve those goals. Effective budget development also includes using a budget calendar so each staff member is aware of and meets deadlines.

It is considered best practice to establish and follow a board-approved budget development schedule that outlines deadlines, tasks, and the individuals responsible for their completion. A budget development calendar can ensure clear communication and the inclusion of all affected schools and departments in budget-related matters, but its effectiveness is limited unless it is widely distributed and consistently adhered to.

The district provided a budget development calendar that outlined a process that starts with budget advisory committee meetings in September of the preceding year, then in January identifies regular activities through the adoption of the budget and the 45-day revision after the state-adopted budget, and ends with the approval of the district's unaudited actuals in September. The calendar lists due dates, item descriptions, and who is responsible for each item. Items with specific dates tied to statutory requirements and/or board meetings are identified with the specific dates. However, interviews indicated that the district does not use a budget calendar. Staff interviewed from district departments and schools consistently stated that they were not involved in the budget development process and received little information during the process. Department and school leaders stated that they were given their budgets, which were typically rollovers from the prior year. Therefore, although they are responsible for managing their budgets, the department and school heads had little understanding of the budget development process and the resulting budget details.

Because they were hired just a few weeks before FCMAT's fieldwork, the chief financial officer and the director of fiscal services were not directly involved in developing the 2023-24 adopted budget and therefore could not provide insight into the budgeting process. Based on interviews, the number of full-time equivalent positions is determined, allocated to schools, programs and departments, and discussed during executive cabinet meetings. For the 2023-24 budget, the district reported using a consultant to help develop the budget and perform other necessary tasks including position control reconciliation, general ledger and budget transfer entries, expenditure reporting, and other miscellaneous tasks.

Those responsible for overseeing budget development have historically attended budget update workshops for the governor's budget in January and for the revised state budget in May. In addition, they attended trainings on budget development, position control and other budget planning.

The chief financial officer typically presents budget information to the budget advisory committee, which is composed of teachers, administrators, parents, community members, union representatives and two board members. This committee provides input, advice, and recommendations for consideration by the district's leaders.

Interviews indicated that district staff consistently reported having access to their budget information in Quintessential School Systems (QSS), the district's financial system. However, school and department administrators played a minimal role in developing their budgets. School, department and program budgets are largely consumed by salaries and benefits. Any remaining allocations are assigned to expenditure lines based on prior year spending patterns. In some instances, school leaders resorted to creating separate worksheets to develop and monitor expenditures outside of the financial system, which may not align with the budget data.

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

The district needs to improve communication regarding the budget to ensure that all parties involved gain a better understanding of the budget document and budget development process. Each budget document needs to include a narrative that can be understood easily by a layperson. An effective budget presentation will include a description of budget assumptions and their financial impact, and will illustrate the changes in revenues, expenditures, and fund balance. Because the general fund ultimately determines the financial health of other funds, all other funds also need to be included in all budget presentations to the board.

Recommendations

The district should:

1. Implement a budget development calendar to organize all budget development and interim reporting tasks, including due dates and the individuals or departments responsible for completing each task. Distribute the budget calendar to all who are responsible for completing the listed tasks.
2. Continue to ensure that those responsible for developing the district's budget attend budget workshops to learn about funding amounts to include in the budget.
3. Develop and implement a process to involve school and/or department administrators in budget development.
4. Establish regular communication with school and department staff regarding budget information and status. Use clear narratives and periodic updates.
5. Ensure that those responsible for budgets, and bargaining unit representatives, are kept informed and understand budget information and the budget development process.

Budget Monitoring

Budgets need to be monitored regularly during the fiscal year to ensure that revenues remain appropriately projected, that actual expenditures are not materially different from those budgeted, and that appropriations are not overspent.

Budget adjustment and budget transfer conditions are addressed in EC 42600-42603 and 42610. According to EC 42600:

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

Education Code 42600 also states the following:

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

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

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

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

Some districts submit budget revisions to the board only with interim reports, which is the minimum recommended practice, while others present revisions more frequently, such as monthly. Presenting revisions more frequently is especially important for adjustments that significantly affect the ending fund balance or other key aspects of the budget.

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

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

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

The board establishes policy on how often revisions are submitted and approved; the district's Board Policy 3100 states the following:

> Whenever revenues and expenditures change significantly throughout the year, the Superintendent or designee shall recommend budget amendments to ensure accurate projections of the district's net ending balance.
>
> In addition, budget amendments shall be submitted for Board approval as necessary when collective bargaining agreements are accepted, district income declines, increased revenues or unanticipated savings are made available to the district, program proposals are significantly different from those approved during budget adoptions, interfund transfers are needed to meet actual program expenditures, and/or significant changes occur that impact budget projections.

The policy does not speak to the detail to be provided with the budget amendments. However, best practice dictates that every budget revision needs to be accompanied by a detailed background, the assumptions used, and an explanation of its impact so that it is clear why the budget has changed and the effects of the change. Without this detail, the rationale for and impact of the revision may not be clear, leading to potential misunderstandings, lack of transparency, and challenges in making decisions. Educational partners, including board members, administrators, and the community, may struggle to comprehend the reasons behind the budget adjustments, hindering their ability to make informed judgments about the district's financial health and priorities. Clear documentation is essential for accountability, effective communication, and maintaining the trust of all parties involved in the budget process.

Monitoring budgets during the year includes helping schools and departments effectively use the funds available to them as well as ensuring that budgets are not overspent and that activity is coded correctly. Interviews indicated that schools and departments have online access to the financial system and can review allocations and applicable line items in the budget. If a budget transfer is needed, school and department personnel can start a transfer in the financial software if the transfer is within the same school program. However, transfers between different programs require that a budget transfer request be routed through the Business Services Department, which takes longer because it is hand delivered rather than routed electronically.

Information from interviews indicated that the previous superintendent maintained separate worksheets for monitoring the budget and routinely reviewed school and department budgets during cabinet meetings. During these meetings, proposed budget changes were discussed, and the former assistant superintendent of business services documented the changes; however, not all changes were consistently implemented, possibly because of unclear communication and limited time and resources. This led to budget inaccuracies and discrepancies.

The district's 2021-22 annual audit identified significant variances between the district's final approved general fund budget and the actual revenues and expenditures incurred. These variances, shown in the table below, indicate that the district did not update budget amounts to align with actual revenues and expenditures and/or did not control expenditures, allowing them to exceed approved amounts.

Audit Variances

Fiscal Year 2021-22	Final Approved Budget	Actual	Variances — Final to Actual
REVENUES			
Local Control Funding Formula sources	$ 73,234,476	$ 73,386,342	$ 151,866
Federal sources	$ 6,018,928	$ 4,824,094	$ (1,194,834)
Other state sources	$ 9,393,898	$ 13,606,390	$ 4,212,492

Fiscal Year 2021-22	Final Approved Budget	Actual	Variances — Final to Actual
Other local sources	$ 12,032,372	$ 12,687,915	$ 655,543
Total revenues	$ 100,679,674	$ 104,504,741	$ 3,825,067
EXPENDITURES			
Certificated salaries	$ 40,965,457	$ 43,428,629	$ 2,463,172
Classified salaries	$ 13,723,459	$ 13,951,704	$ 228,245
Employee benefits	$ 23,232,008	$ 22,949,850	$ (282,158)
Books and supplies	$ 6,136,898	$ 3,554,291	$ (2,582,607)
Services and operating expenditures	$ 13,729,379	$ 11,962,980	$ (1,766,399)
Capital outlay	$ 1,065,867	$ 77,993	$ (987,874)
Other outgo	$ 2,804,136	$ 2,550,264	$ (253,872)
Total Expenditures	**$ 101,657,204**	**$ 98,475,711**	**$ (3,181,493)**
Excess (Deficiency) of Revenues over Expenditures	**$ (977,530)**	**$ 6,029,030**	**$ 7,006,560**
OTHER FINANCING SOURCES (USES)			
Transfers In	$ 40,000	$ 40,000	$ 0
Transfers Out	$ (656,169)	$ (842,070)	$ (185,901)
Net Financing Sources (uses)	**$ (616,169)**	**$ (802,070)**	**$ (185,901)**
NET CHANGE IN FUND BALANCE	**$ (1,593,699)**	**$ 5,226,960**	**$ 6,820,659**

Source: 2021-22 Annual Audit.

The 2020-21 annual audit identified similar variances between final actual revenues and expenditures and the district's final approved budget. Further, a review of the district's budget report dated July 23, 2023 indicates similar variances occurred in fiscal year 2022-23.

Budget variances occur because of a lack of monitoring and adjustment of the budget but may also indicate a lack of accountability among those responsible for department and school budgets. The district's budget needs to accurately reflect the approved allocations; its budget details need to be communicated clearly; and each department or school administrator needs to be responsible for managing their budget.

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

Recommendations

The district should:

1. Change its board policy to specify how often budget revisions should be submitted to the board for approval. At minimum, budget revisions should occur with each interim report;

however, in accordance with board policy, revisions should also occur whenever the district learns of a material change in revenues or expenditures.

2. Revise its board policy to require details in budget revisions submitted to the board for approval to ensure all adjustments and their impacts are clearly understood.

3. In months when budget revisions are not submitted to the board for approval, provide the board with budget updates explaining changes in major object codes.

4. Ensure department and school administrators are aware of their budget allocations and accountable for independently managing their budgets.

5. Monitor the entire budget throughout the fiscal year to ensure appropriations are not overspent, revenues remain accurately projected, and actual expenditures are not materially different from those budgeted.

Position Control

Position control is a system that manages the allocation of authorized positions within a district and plays a crucial role in budgeting, staffing and organizational planning. It involves managing the creation, change, and elimination of positions, as well as ensuring that positions are necessary to meet the district's educational goals. Position control is usually managed collaboratively by the Human Resources and Business Services departments, but all school and department leaders have a responsibility to ensure they comply with policies and procedures regarding position control.

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

1. Job Classification
   Position control involves defining and classifying various positions based on factors such as job responsibilities, qualifications, and pay scales. This helps ensure consistency and fairness in how different roles are categorized.

2. Staffing Levels
   This involves determining the optimal number of staff members needed in each position to efficiently run the district's operations; these numbers are typically tied to collective bargaining agreement ratios. This can include teachers, administrators, support staff, and other personnel.

3. Budgeting
   Position control is closely tied to budgeting, as it helps in estimating salaries and benefits accurately. By controlling the number and type of positions, school districts can better allocate their financial resources and avoid overbudgeting or underbudgeting.

4. Recruiting and Hiring
   School districts use position control to identify vacant positions and start recruitment and hiring to fill these positions. This includes creating job postings, conducting interviews, and selecting candidates.

5. Job Changes
   When roles need to be changed or updated, position control helps manage these changes. This could include increases or decreases in hours, funding allocation adjustments, or adjusting salaries and benefits because of collective bargaining agreements.

6. Compliance
   Ensuring that the district complies with its board policies, labor laws, employment regulations, and collective bargaining contracts is an important part of position control. It also helps avoid legal issues related to staffing and employment practices.

7. Data Management
   Position control often involves maintaining a database or system to track information related to positions, staff members, and changes over time. This data is valuable for decision making, reporting and auditing.

8. Strategic Planning
   Position control aligns with the district's educational goals and objectives. It helps district leaders make informed decisions about staffing priorities and available resource allocations.

Position control manages the largest part of a district's expenditure budget: employee salaries and benefits average approximately 87% of the unrestricted general fund expenditures in unified districts statewide for the 2021-22 fiscal year. Therefore, accurately projecting salary and benefit costs is important. A comprehensive position control system also prevents the omission of other annual expenses tied to positions, such as substitutes, stipends, vacation pay, step-and-column changes, and other salary- and benefit-related items that may be in the district's collective bargaining agreements.

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

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

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

Suggested Division of Labor for Position Control

Task	Responsibility
Approve or authorize position.	Governing Board or Designee
Input approved position into position control, with estimated salary/budget. Assign a unique number to every position.	Human Resources Department
Review salary/account codes.	Business Department

Task	Responsibility
Enter demographic data, including: Employee name. Employee address. Social Security number. Credential. Classification. Salary schedule placement. Annual review of employee assignments.	Human Resources Department
Update employee benefits. Update salary schedules.	Human Resources or Business Department
Review and update employee work calendars. Update employee step and/or column placement.	Human Resources Department
Assign account codes. Develop the budget. Create budget projections. Create multiyear projections. Create salary projections.	Business Department

The district uses the QSS financial system's position control module to manage employee positions. Oversight and management of this system is shared between the Business Services and Human Resources departments. However, because of recent staff vacancies and turnover in the Business Services Department, the responsibility for maintaining the data has been outsourced to external consultants. Interviews indicated that, for budget development, positions are rolled from one fiscal year to the next and each employee is advanced accordingly; however, the position control module is not used for substitute positions, stipends or extra pay.

In interviews, staff indicated that the district has enlisted the help of a retired employee who previously managed the position control database. FCMAT's review of the job descriptions found that the director of fiscal services position is intended to oversee the daily monitoring and maintenance of the business aspects of position control. However, interviews indicated that these responsibilities may shift to the current business manager role. Because of ongoing challenges as a result of staff turnover and vacant positions, as discussed earlier, the business manager's main duties have been to temporarily take on responsibilities of these vacant positions and train the successor employees while also adapting to their own new responsibilities. Unfortunately, the business manager has not received training on how to properly use position control processes and procedures. In addition, the extra work and responsibilities of position control would be substantial and, if added to the business manager position's duties, will compromise the position's ability to maintain its internal auditor responsibilities, which are essential to the district's fiscally independent status.

When a new position is requested by a school or department, a personnel action form (PAF) is initiated. This form goes through a structured approval process that starts with human resources approving the position's creation, following which the form is routed to the chief financial officer for approval and verification of the funding source.

Once these steps are successfully completed, the new position is officially established in the QSS position control module and human resources can recruit and fill the position.

To formalize this appointment and ensure payroll accuracy, an employee action request (EAR) form is generated. This form is for recording a range of personnel actions and changes pertaining to each employee. It includes essential details such as employee information, the effective date of the action, position specifics, and work schedule adjustments. Payroll staff rely on this document to cross-reference the data in the payroll system with the information on the form.

The district's use of a PAF is appropriate for managing staffing changes and position changes. The PAF serves a multifaceted role, because it helps create new board-approved positions, adjust existing positions, and reassign current employees to different positions. The district's PAF submission process is accomplished via email, which allows for greater efficiency, accessibility, and traceability than a hard copy routing process. By submitting the PAFs via email, the initiator and those authorized to approve them can swiftly transmit the request. This saves time and reduces reliance on paper-based processes, making the systems more efficient.

Interviews indicated that despite the emailing of submissions, requests sometimes get lost in the process. This is because the district does not have a comprehensive electronic form routing system. The district would benefit from using such a system because it can effectively track the progress of each PAF through its various stages of approval and notification. Ideally, this system would also automatically update data in the financial system, which would reduce the need for multiple entry, reduce staff time, and potentially reduce human error. Such a system would also enhance transparency, streamline approvals, and reduce processing times and the risk of errors.

Based on interviews, it is clear that the frequent turnover of staff, ongoing vacancies, and use of external consultants have disrupted the consistency of communication between the Business Services and Human Resources departments. Regularly scheduled interdepartmental meetings are essential to effectively manage salary and benefit expenditures. The business services and human resources staff involved in payroll, position control and budget need to meet at least twice a year to balance all positions with those paid through payroll. The department heads need to meet at least once a month to review interdepartmental issues. Ideally, regular meetings help ensure that all parties are aware of any issues or discrepancies and serve to educate staff on how each area affects the other departments, the district's overall fiscal health, and proper payments to employees.

Reconciling position control with budget and payroll is essential for effective financial management. This reconciliation involves aligning all authorized positions in the district, as managed through position control, with the budget allocation and actual payroll disbursements. It ensures that the district's financial resources are allocated efficiently and accurately to cover personnel costs while adhering to staffing levels. Reconciling this data can prevent overbudgeting and underbudgeting and help improve budget consistency. This enables district leaders to make informed decisions about resource allocations, staffing priorities, and fiscal responsibilities, thus contributing to the district's overall financial health. The district does not have documented procedures for updating position control or how often it should occur. Without such procedures, updating and reconciling position control can be overlooked or not fully completed regularly, which can lead to significant discrepancies in budgeting.

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

The district's previous chief financial officer and business manager both attended training on position control in 2022-23. It is vital that the new staff also attend training and become well-versed in maintaining current and accurate position control. Although FCMAT did not conduct a full review and reconciliation of position control, it found that the position control document dated August 1, 2023 includes staff who are no longer with the district and staff in positions that changed as of July 1, 2023. Because employee compensation makes up most of the district's budget, full accuracy and confidence in position control is necessary;

even the slightest discrepancy can have a significant impact on the current and future budget and the district's fiscal well-being.

Recommendations

The district should:

1. Ensure all positions and salary costs, including those for substitutes, stipends, and extra duty, are included in the position control system.
2. Develop adequate internal controls to separate position control duties between the Human Resources and Business Services departments. Ensure that this includes duties such as the authorization of new positions, budget coding, and tracking employee demographic information.
3. Review and revise job descriptions to reassign duties as needed, and provide applicable training for all staff involved with the position control system.
4. Ensure the business manager's role of internal auditor is given priority and protected to allow review of disbursements as required by the district's fiscally independent status.
5. Implement an electronic routing system for the PAF, and provide training for staff on the automated process.
6. Develop and implement written procedures to update position control for each financial reporting period, including procedures to roll position control from one fiscal year to the next.
7. Ensure that position control is reconciled with budget and payroll regularly, meaning at least during budget development and interim reporting periods.
8. Ensure that business services and human resources staff meet periodically, at least in preparation for each financial reporting period (i.e., budget adoption and interims), to review and reconcile position control with budget and payroll.

Purchasing and Accounts Payable

The district's Board Policy 3311 states, "[The] Board of Education is committed to promoting public accountability and ensuring prudent use of public funds." It further states that the district "shall explore lawful opportunities to obtain the greatest value for its expenditure of public funds."

Having a purchasing process that uses a purchase order system integrated with the financial system is the best practice because such systems automatically encumber a district's budget when a purchase order is prepared. This is essential to controlling spending and managing and monitoring the budget.

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

Because of the nature and volume of purchasing and accounts payable functions, they have a high risk of 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, that only legitimate and accurate invoices are authorized, and that they are paid in a timely manner.

Purchasing

As a best practice, school districts use purchase requisitions and/or purchase orders to initiate purchases with vendors. A purchase requisition is usually used to start a request to make a purchase. Purchase orders are used to complete an approval process before the purchase and to communicate the order to the vendor. When an integrated financial system is used, the amount of the purchase order will be encumbered against a specific budget. When used to its fullest, an integrated financial system can also 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.

At a training in August 2022, the district reminded staff of its purchasing process, which prohibits them from ordering without an approved purchase order, and from initiating a contract before it is approved by administration and the governing board. The process also states that open purchase orders and school budgets should be monitored regularly to verify funds are available, and it outlines the purchase order paper flow to keep all parties (department, vendor, and accounts payable) informed of the approval.

The district uses the QSS financial system to create and approve purchase requisitions; this process begins at the school or department level. District staff initiate purchase requisitions by filling out electronic forms in QSS. An integral part of this process is real-time budget validation: the system checks available funds to ensure the request aligns with the budget. Once the purchase data is entered into the system, it is routed electronically to all parties identified as approvers, which varies depending on the budget source for the purchase. After approvals have been obtained, the accounting technician creates a purchase order and forwards it to the vendor. Materials and supplies are delivered to the school or department that generated the request, and the school or department staff sign a packing slip or a copy of the purchase order to acknowledge receipt of the goods and forward the signed document to the accounts payable department.

The QSS financial system has a hard stop function designed to stop the creation of a purchase order whenever the remaining budget account string provided has insufficient funds to cover the intended purchase. Interviews indicated that the district uses this function; however, FCMAT identified instances in which the accounts payable technician had to initiate a budget change order request during the accounts payable process because of a lack of funds.

Although the district believes it is using the hard stop function to enforce budgetary constraints, the need for change orders because of insufficient funds suggests a more lenient or soft stop approach is used. This discrepancy highlights the importance of not only having such mechanisms in place but also ensuring they are implemented and used effectively to maintain fiscal responsibility and align with budgetary goals.

Accounts Payable

The district's Board Policy 3314 states, "the Board of Education desires to have invoices paid on time in order that the district may take advantage of available discounts and avoid finance charges. The district shall not be responsible for unauthorized purchases."

The accounts payable process starts after the district receives goods. To process the vendor's invoice, it is essential to verify the district's intent to order the goods, which is typically confirmed by the presence of a purchase order. In addition, it is necessary to provide evidence that the goods were received, typically by having a receiver document or packing slip. Interviews indicated that the accounts payable technician often must email schools and departments to seek approval for payment because the required receiving document has not been provided.

This situation underscores the importance of timely communication between schools or departments and the accounts payable desk. A proactive process needs to be implemented in which, once goods are received and verified against the packing slip, a notification of receipt is sent to accounts payable in a timely manner for authorization to pay.

Once documents are received, the accounting technician performs a reconciliation, matching the purchase order with the receipt documentation and vendor invoice. Then the technician enters the payment details into the financial system, which ultimately creates a batch of all invoices that is reviewed by the business manager. For fiscally dependent districts, this batch of invoices is sent to the county superintendent of schools for review; however, because the district is fiscally independent, its county superintendent does not review the payment batches.

If the budget is insufficient to process the payment, it can cause a delay. In this situation, the technician requests a budget change order that must be processed by another technician in the business office.

The district processes accounts payable batches twice a week, and the IT Department prints the checks and sends them to the accounts receivable technician, who prepares them for mailing to vendors.

The district has two account technician positions that are responsible for processing payments for goods and services. Although the duties are split between them, one technician has sufficient access to create new vendors and make changes to vendor information in the financial system. This lack of proper segregation of duties places the district at risk of conflicts of interest and fraudulent activity. Restricting the ability to create new vendors or modify vendor information by segregating these duties is essential to upholding the financial integrity and security of the accounts payable process; it would minimize risk by ensuring that individuals responsible for processing payments and invoices are not also responsible for managing vendor records.

Recommendations

The district should:

1. Enforce the hard stop function in the financial system to prevent a purchase from proceeding unless sufficient funds are budgeted.
2. Assign one specific account technician in the business office to create new vendors or change vendor information in QSS, and assign the other account technician to process payments. Give this second technician read-only access to vendor information so they cannot create and edit vendors.

Accounts Receivable

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

At the time of FCMAT's fieldwork, the account technician responsible for accounts receivable had been promoted to another position, and the new person hired for the position had not officially started yet. Interviews indicated that if schools receive cash, they are responsible for completing a cash collection voucher with budget codes. All cash is stored in a safe in the business services office, at which point the office manager or account technician logs the receipt of the deposit.

The account technician position is responsible for verifying and counting the deposits received. Interviews indicated that the technician counts that cash alone at her desk. Because her desk is near a window, she has been instructed to close the window so there are no distractions while counting the money. Both the counting by one person and the counting behind closed doors compromise internal controls and put the individual at odds if there is a discrepancy in the cash count. After counting the money, the technician attaches a spreadsheet that displays the number of denominations in the deposit, much like filling out a deposit slip for a bank. The business manager is currently responsible for taking the deposit to the bank in an unlocked bag and returning it with the deposit slip. However, according to the job descriptions and interviews, the account technician position will be responsible for both the counting and the deposit of the monies once she is fully trained in her position.

When handling cash and deposits, it is essential to maintain internal controls that include segregation of duties and chain of custody. Segregation of duties requires having separate individuals count and verify funds received independently, to include cash tally records, reconciliation reports and deposit transactions. Chain of custody ensures the security of funds in transition from receipt to deposit, and includes measures such as sealed deposit bags, secure storage locations, and documented transfers from one person to another.

Recommendations

The district should:

1. Segregate duties to ensure proper transport, counting, recording, deposit and reconciliation of all funds received.

2. Provide training and enforce adherence to proper cash handling procedures, including a two-person count and deposit verification.

Payroll

The payroll process is extremely detailed and highly technical. The time between payroll cycles is short, so a commitment to established calendars and deadlines is vital. The degree of technical complexity that occurs when new positions are created, employee assignments are revised, salary increases are negotiated, or unusual compensation agreements are put in place is significant and highly subject to error. A lack of stability in payroll staff can exacerbate these challenges and increase the potential for error.

The district maintains a calendar of scheduled payroll dates. The calendar includes two standard pay dates for each month of the year (midmonth and end-of-month), and two additional pay dates in June for summer and end-of-year pay adjustments. The midmonth pay is scheduled for the nearest business day on or before the 15th of the month, and the end-of-month pay is scheduled for the nearest business day on or before the last day of the month. Audit and run dates are scheduled from four to eight days before the scheduled pay dates.

FCMAT found that the district does not consistently adhere to the payroll calendar and that time sheets are not always turned in on time, which disrupts payroll processing and necessitates urgent adjustments so staff can be paid on time. In addition, retirement reporting was delayed on multiple occasions. As a result, the district incurred penalties from the California State Teachers' Retirement System (CalSTRS) on two occasions in 2021-22, which cost the district $495.03, and on three occasions in 2022-23, which cost the district $19,29.84. Delays in reporting also resulted in penalties from the California Public Employees Retirement System (CalPERS) once in 2021-22, which cost the district $200, and three times in 2022-23, which cost the district $1,003.51. The district also received a Notice of Form Delinquency from the Employment Development Department for not filing the quarterly report for unemployment insurance for the period ending September 30, 2022.

The district maintains a payroll production guide that provides the step-by-step process for processing district payroll in its financial system, QSS. However, the guide does not include directions for preparing payroll and verifying its accuracy. As a result, new staff and staff who are temporarily supporting payroll have no written resources to guide their work. Rather, this is achieved through support from coworkers or retirees who have returned temporarily to assist. This lack of documented processes and reliance on people outside the department can cause missed steps and inaccuracies in paying staff.

Payroll and human resources employees held roundtables on January 13 and May 4, 2023 to discuss auditing, timelines, and other topics common to the two working groups. These types of meetings are essential to ensure sharing of information and coordination of efforts and to support an efficient and accurate coordination of payroll. These meetings need to be held consistently, preferably at least quarterly.

Interviewees stated that some duties and assignments were being moved between payroll and human resources staff. As a result, one or more positions that have access to setting up payroll deductions were also reconciling certain deductions such as health and welfare benefits. The ability of any one position (person) to both edit and audit poses a concern regarding segregation of duties and compromises the district's internal controls.

Because the district is fiscally independent, it is required to have an identified disbursement officer (internal auditor) to review and ensure the validity and accuracy of its payroll issuances. Because of position vacancies and training challenges, the business manager whose responsibility it is to audit and review payroll is taking on additional responsibilities, which may detract from the time needed to conduct a thorough review.

Recommendations

The district should:

1. Continue to maintain and communicate a payroll calendar that includes cutoff dates and pay dates.
2. Enforce adherence to timely submission of timesheets and other payroll-related documents.
3. Develop a detailed payroll guide that includes directions on how to prepare payroll and verify its accuracy.
4. Establish regular, preferably at least quarterly, roundtable meetings of payroll, human resources, and business employees to improve communication among the departments, particularly regarding position control management.
5. Ensure a separation of duties between payroll and human resources data management and reconciliation responsibilities.

6. Ensure the business manager's role of internal auditor is protected so that sufficient time is allowed to fulfill the position's audit and review responsibilities.

Hiring, Orientation, and Initial Training for New Employees

As discussed previously, at the time of FCMAT's fieldwork the district had experienced a great deal of turnover in the business office. The district provided FCMAT with a list of current business office staff and the date each started in their current position. Of the 12 positions listed, only three employees had been in their current position for more than two years, and five had been in their positions for less than a year. Among these five were the top two positions, the chief financial officer and the director of fiscal services, who were both new to their positions as of July 2023.

Because of the extensive change in staff, the district has relied on consultants, returning retirees, and substitutes to perform much of its business office work — including budget development, interim reporting, position control reconciliation, general ledger and budget transfers, year-end close, and other tasks — while vacancies are filled and new employees are trained. In addition, staff were required to manage multiple desks and assignments, including supporting temporary and/or new staff members.

During fieldwork, FCMAT observed one example of the stress caused by staff turnover. At that time, the staff member responsible for processing purchase orders had only recently transitioned into this role and was also managing the tasks of her previous position until a replacement was hired, as well as preparing to train the new staff member once hired.

Interviews with newly hired staff revealed that they were provided with desk manuals and that a consultant, staff member or retiree worked with them for a short time to orient them to the work and explain the use of the desk manual, and was continuing to serve as a resource to help them learn their job.

Desk Manuals, Policies and Procedures

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. Operational policies and procedures are also key to establishing and documenting a district's system of internal control.

Policies and procedural manuals allow an organization to plan and diagram internal controls and written standards for its business office, schools and other departments. These manuals help ensure consistent application of internal control activities and designate each position's internal control responsibilities. They allow employees to see where their duties fit into a process, who provides information, where that information goes, and how it is used. Policies and procedures also standardize processes and deter employees from using alternative and possibly less efficient processes.

Written processes and procedures improve operational efficiency and provide valuable guidance and organizational continuity in case of employee absences and turnover; they also document a department's segregation of duties for its external auditors and the county superintendent. Desk manuals are especially helpful for new staff in providing training, helping preserve institutional knowledge, and documenting and monitoring segregation of duties districtwide.

The district lacks desk manuals for most functional areas in the business office. These manuals are needed. They typically include step-by-step procedures for business-related job duties and formally document all processes for initiating, approving, executing, recording, and reconciling transactions. These manuals also typically identify the position responsible for each step and the time needed for completion. Key areas of checks and balances include payroll, purchasing, accounts payable, and cash receipts. The district provided manuals for accounts payable, accounts receivable and payroll. The accounts payable and payroll manuals are instructional guides to using the financial software that show the processes step by step using screen shots from the financial system and brief input instructions. The manuals lack descriptive information on the purpose and objective of the work, laws, policies and parameters of the data to be input, and what information needs to be verified and how to ensure it is valid. The accounts receivable manual is similar but does include narratives about what information is needed to review, the process for verifying the information, and who is involved in the process.

Developing procedure manuals can seem time-consuming and burdensome, but such manuals can increase efficiency and consistency, especially when a position is vacant or there is staff turnover. To start the process, it is often best to have each staff member create written step-by-step procedures for each of their assigned tasks and have another staff member perform the tasks to determine if revisions are needed. Then procedures are typically reviewed by the chief financial officer and the accounting administrators to ensure proper segregation of duties and adequate internal controls.

Public education is a collaborative professional community. District staff have access to dedicated email lists offered through FCMAT to connect with peers in various disciplines. It would benefit the district for the chief financial officer to consider connecting with other LEAs and soliciting copies of already established desk reference manuals that could be used to help develop procedure manuals for the business office. Another option the district may consider is enlisting a third party to help complete procedure manuals. This would help ensure manuals are consistent in format across all sections of a department and allow them to be completed without taking staff time from regular assigned duties.

Once finalized, these procedure manuals would need to be reviewed at least annually, updated as needed, and stored on an electronic shared drive for all support personnel to access. Documented procedures and manuals need to be made available to all staff, including those at the district office, schools, and other district departments, to help them understand and follow established processes for all functions they perform.

The district's administration would need to ensure that all established processes and procedures are fully implemented, followed, and routinely monitored to ensure they are effective.

Training

Staff members need to receive training in all assigned areas of responsibility when they start in a position, and managers need to provide clear direction and ongoing oversight as needed. Many staff reported during interviews that it is difficult to attend meetings and trainings because of schedule conflicts and workloads. Some reported that attempts to attend or participate in online trainings are frequently interrupted by more pressing work matters. Remote access makes meetings and trainings highly efficient and cost effective. The district and staff need to commit to attending these and ensuring that this time is uninterrupted so staff can focus on learning.

Countywide meetings hosted by local county superintendents of schools provide opportunities for information sharing and collaboration with colleagues who perform similar business functions. The Marin County Superintendent of Schools regularly holds countywide meetings and other trainings throughout the year to assist and support district staff with various business functions. Business office staff could benefit from the support and collaboration these opportunities provide.

FCMAT was given a detailed agenda of a two-day training held in August 2022 for office managers throughout the district. The topics covered were extensive and appeared to include a large amount of information for the time allotted. For example, business services was allotted an hour to cover all of the following:

- Contracts.
- Driver authorizations.
- Student and site incident reporting.
- Amazon orders.
- Accounts payable.
- Purchase orders.
- Pay vouchers.
- Expense claims.
- Accounts receivable.
- Attendance.
- Payroll and timesheets.
- Year-end calendar.
- Budget monitoring.

Similarly, information technology was given 20 minutes, maintenance, operations and transportation 25 minutes, and nutrition services 10 minutes, to cover a wide range of topics. However, this training did provide an overview of each department and introduced employees to resources, instructions and forms available to accomplish their tasks, which is a great opportunity for new staff and a good refresher for existing staff. It is unknown if the district intends to repeat this training and, if so, the frequency and content.

Trainings are also offered by several regional and statewide organizations, including the Marin County Superintendent of Schools, California County Superintendents, Association of California School Administrators, California Association of School Business Officials, and School Services of California, Inc. Increasing staff communication and building relationships with other school district professionals through these types of organizations benefits both employees and the district.

As a fiscally independent district, the district has a greater responsibility for maintaining and running its financial system and for internal controls. Staff need to regularly attend and participate in training provided by the financial system vendor to gain knowledge and develop relationships with the vendor, and to develop or improve job-alike resources by networking with peers from other school districts and the county superintendent who also use the system. The district's current financial system, QSS, holds an annual conference as well as seminars and webinars on specific topics, and offers a host of extensive procedural and technical resource and reference materials to its clients. District records indicate that several staff from the business and technology departments attended a portion of the QSS annual conference in March 2023. The district needs to commit to enabling employees to attend and participate in such trainings regularly.

Recommendations

The district should:

1. Create policies and procedures manuals for key functional areas of the Business Services Department. Consider connecting with other LEAs and soliciting copies of their manuals to help develop its own. Consider the costs and benefits of using a third party to develop its procedure manuals.
2. Develop desk manuals that document employees' duties, and ensure that each employee provides step-by-step procedures for all assigned duties. Have the chief financial officer and accounting administrators review them to ensure they include proper segregation of duties and adequate internal controls. Store the manuals on a shared drive that all support personnel can access.
3. Review and update all operational policies and procedures and desk manuals at least annually.
4. Fully implement and routinely monitor processes and procedures for all key accounting functions and processes in the Business Services Department.
5. Ensure employees are not interrupted when attending remote trainings and meetings.
6. Have district business office staff attend countywide meetings and other trainings offered by the county superintendent that are targeted to their assigned functions.
7. Encourage staff to attend professional development and trainings offered through professional organizations to reinforce and broaden knowledge in their assigned areas.
8. Ensure regular attendance at QSS conferences and at job-alike training and networking opportunities.

Information Technology Department

As a district that is fiscally independent from the local county superintendent of schools, it is necessary for the district to take additional steps to support its fiscal software, hardware, staff, and the processes needed to monitor its fiscal health and process payroll and vendor pay warrants. These include, but are not limited to:

- Assigning appropriate staff both within and outside the IT Department to ensure support and training of staff and software updates of the QSS/OASIS application.
- Participating in vendor and/or user group training on the software to ensure up-to-date knowledge of the product.
- Planning, documenting, and repeatedly testing the district's disaster recovery plan (including hardware, software, and user access) to ensure that the integrated financial application is available if a disaster affects the district's IT center.

IT Department Reporting

As previously mentioned, the IT Department was overseen by the Business Services Department until August 1, 2023, when it was moved under the Educational Services Department. Given the IT department's significant responsibilities for the district's integrated financial systems because of its fiscally independent status, the relocation of the department away from business services is a matter of concern because it may lead to some inattention to maintaining the financial systems. A lack of sufficient and proactive efforts to maintain the financial systems can threaten their stability and make them vulnerable to failure, leaving the district unable to meet its payroll and vendor payment obligations. In addition, the identity and priority of the district's technology department is unclear. It is referred to as "IT Department," "Instructional Technology Department," and/or "Information Technology Department," depending on the material being reviewed or the speaker presenting. Without a clear purpose, it can be difficult to know how to prioritize the department's resources.

Recommendations

The district should:

1. Evaluate the transfer of the IT Department from business services to educational services. Keep district priorities for the IT Department foremost in mind when making this decision.
2. Clarify the name of the IT Department, and be consistent with its use in both writing and speaking.

Staff Support Responsibilities

Under the district's IT Department structure, the staff positions listed below are considered essential for meeting the software, hardware, and support needs of other departments and users. However, this is not how those needs are supported currently. At the time of FCMATs fieldwork, only one of the systems analysts was involved in the required support, with limited backup, and the director of IT had only limited knowledge of the system.

Through interviews and documents, including job descriptions and work assignments, FCMAT found the following:

- The director of IT has limited working knowledge of the financial system software and hardware, and therefore likely limited ability to help with the needed support, disaster planning, and future development.
- The systems analysts' responsibilities differ:
    - One systems analyst's responsibilities include installing updates on the servers, maintaining the servers, and assisting departments with questions and requests related to the QSS/OASIS application.
    - A second systems analyst's responsibilities include serving as a backup to the systems analyst position responsible for QSS/OASIS.
    - The third systems analyst's responsibilities include evaluating and assisting with server and application performance, backups, and uptime.

In addition to the IT department, the finance, payroll, and human resources departments need staff to support their respective uses of the financial system These include reviewing all update notes from the vendor before installing updates to the live applications, and signing off on the vendor-supplied update notes. This sign-off indicates to the first systems analyst that the department has reviewed the notes and understands the implications of installing the new software version. Without engaging the departments in this way, their unique needs may not be met, and updates or changes to the applications may cause disruptions or inefficiencies in accomplishing their responsibilities.

The assignment of these responsibilities to departments' staff needs to be clear, included in their job descriptions, and supported with appropriate training.

Recommendations

The district should:

1. Review all IT positions and update job descriptions as needed to appropriately assign the responsibilities of reviewing, updating, maintaining, and supporting the district's integrated financial system.
2. Review all positions in the finance, human resources and payroll departments, and update job descriptions as needed to appropriately assign the responsibilities of reviewing and supporting the district's integrated financial system.

Use Of Consultants

FCMAT requested but the district did not provide any contracts with outside consultants the district is using for technical support. The only documents provided were from fiscal year 2022-2023, and those contracts have expired. The contracts were for the Development Group Incorporated for support of network infrastructure, and with the Marin Superintendent of Schools for support of QSS/OASIS, Aeries (the district's student information system), the California Longitudinal Pupil Achievement Data System (CALPADS), and other systems as needed. The lack of current contracts indicates that the district is not using any outside contractors for support other than Harris School Solutions, the parent company of QSS.

Training

Staff responsible for the above-listed services need to regularly attend training and educational opportunities to maintain their knowledge of the system. The systems analyst attended all three days of the annual QSS Users Group conference held in Sacramento in 2023. Four payroll employees attended the conference for one day each. No evidence was provided that any other staff have attended any other trainings recently.

Recommendations

The district should:

1. Ensure that both the systems analyst responsible for QSS/OASIS and assigned backup support personnel from IT attend the annual QSS Users Group conference and other trainings as often as possible to better understand the system's technical and support needs. Consider seeking more immediate and direct training from QSS that is specific to the district's staffing and system needs.
2. Consider using consultants and/or vendors to ensure consistent technical support and maintain the stability of the district's network infrastructure, integrated financial, student information and other essential technology systems.
3. Have staff outside of the IT Department who have assigned support roles attend the annual QSS Users Group conference as often as possible, as well as other specific training as needed to better understand the most efficient use of the system and associated support needs.

Disaster Recovery Planning and Testing

A fully detailed, vetted, documented, and tested disaster recovery plan is essential for any district that needs to recover access to critical systems in a short time and to maintain the functionality of its systems and data. Typically, such a plan includes a detailed list of procedures needed to continue functions such as procuring and paying vendors and running payroll for staff. The plan will list the specific individuals involved and their roles; information regarding system types and software to include contract and district login information; and contact information for staff, vendors and other partners potentially needed to help restore and recover the system or to establish an alternative system from which to operate. The district needs a disaster recovery plan that has been thoroughly tested, especially given its responsibilities as a fiscally independent district.

The IT Department provided FCMAT with a copy of an undated document titled, "Novato Unified School District Instructional Technology QSS/HSS Disaster Procedures." This document is only three pages long and contains little specific information regarding the steps to be taken; rather, it appears to be an outline of what type of services can be offered in a disaster recovery situation. The contact names of IT staff members are listed, but no specific contact information such as phone numbers or e-mail addresses is included. This is also the case for various vendors and products that will be used in recovery. Usernames, passwords, and checkpoints needed to ensure each step is successful are not included, nor are specifics such as which responsibilities are assigned to which staff members. In addition, the document lacks any dates of publication, revision, or past testing schedules with their results and corresponding modifications to the document. Therefore, it is not possible to identify if this is the most current recovery plan or if it is valid.

FCMAT believes that, because this document lacks significant details, it could only be used by certain IT Department staff who have an established understanding and working knowledge of the systems and processes. If these individuals are not available after a disaster strikes, it is unlikely that other staff members could restore services, let alone quickly. Further, no specifics are mentioned regarding restoring data communications for critical users, and there is also no mention of data communication hardware accessibility.

There is an enormous amount of information available on the internet that can help the district and its IT department develop a comprehensive technology disaster recovery plan, including details regarding developing, testing and revising such a plan. For example, the nonprofit organization California Information Technology in Education (CITE) and the Technology Steering Committee of the California County Superintendents have a suite of disaster recovery resources specific to California school districts and county superintendents of schools offices. These resources were developed to help districts create and evaluate their disaster recovery plan.

Recommendations

The district should:

1. Ensure the disaster recovery document contains well-documented procedures, contact information for both staff and vendors, and other critical information.
2. Ensure the disaster recovery plan is current, valid, and clearly identifiable as the plan in effect.
3. Seek and implement necessary components of a robust recovery plan, and consider bringing in an experienced vendor or consultant to help draft a plan and provide training on its use.

Hardware and Software to Support the Financial System

The operating environment for the QSS/OASIS system requires two servers: one to host the QSS/OASIS software and another to host the database for use with the QSS/OASIS software.

Hosting Server

This district's hosting server runs on a Linux operating system (OS) named "Software und Systems Development." This is open-source software that was released commercially by a German company in 1994, hence the "und" instead of "and" in the product's name. The QSS/OASIS application runs on this Linux OS.

The vendor, Harris School Solutions, has strongly encouraged the district to replace the current Linux OS with a different Linux offering from Red Hat. This recommendation has been in place for approximately five years. This product is widely known as Red Hat Enterprise Linux (RHEL) and is recommended by the vendor to avoid potential problems, including possible cyberattacks. It is also necessary to run the upcoming version of QSS/OASIS Web software, which is in development.

The current version of the QSS/OASIS software is 1.76, but the district is behind on updates and so is running version 1.75. This can leave the district more vulnerable to problems with the application, lacking new features, and exposed to bugs in the software that may have been resolved with the latest release.

Database Server

This server contains the district's application database. The database version used on the district's database server is PostgreSQL 9.4, but the most current version available is PostgreSQL 13.0. Being several updates behind on the version of the database server could lead to performance issues, security vulnerabilities, and incompatibilities with vendor requirements. The vendor, Harris School Solutions, has been strongly encouraging the district to upgrade to PostgreSQL 13.0.

Recommendations

The district should:

1. Develop and implement a plan and timeline to upgrade the Linux OS on the hosting server to RHEL to improve performance and security.
2. Develop and implement a plan and timeline to upgrade the QSS/OASIS application from version 1.75 to 1.76 to access new features and bug fixes.
3. Develop and implement a plan and timeline to upgrade the PostgreSQL database from version 9.4 to version 13.0 to address potential performance issues, security vulnerabilities, and incompatibilities with vendor requirements.

Information Technology Department Procedures and Processes Related to the Business Department

Process Documents

FCMAT reviewed a sample of five IT documents that IT staff use to run requested jobs for the functions listed below. Each function and document is listed, followed by FCMAT's observations regarding it.

1. **Changing Fiscal Year in QSS/OASIS:** This document is out of date (last updated 2019).
2. **Setting up QSS/OASIS Users**: This has minimal documentation without any contact information if the user has questions.
3. **Creating STRS tape/data**: This document is out of date (last updated 2016) and lacks any contact information if the user has questions.
4. **Running Payroll**: This document is out of date (last updated 2019) and lacks any contact information if the user has questions.
5. **Running AP Warrants**: This document is detailed, thorough, and was last updated in 2022. It could be used as a template for documenting other processes.

Job Submission and Tracking

Requests from business users for the IT Department to run QSS/OASIS jobs such as payroll or accounts payable warrants often have multiple steps and include physical paperwork, phone calls, and emails. This makes it difficult to track the status of the job depending on the staff submitting or receiving the request. Many agencies use workflow tools to automate this process and allow tracking of requests to ensure that the jobs are run in a timely manner.

Recommendations

The district should:

1. Evaluate the feasibility of using a workflow application to submit and track job requests, and consider using an automated process.

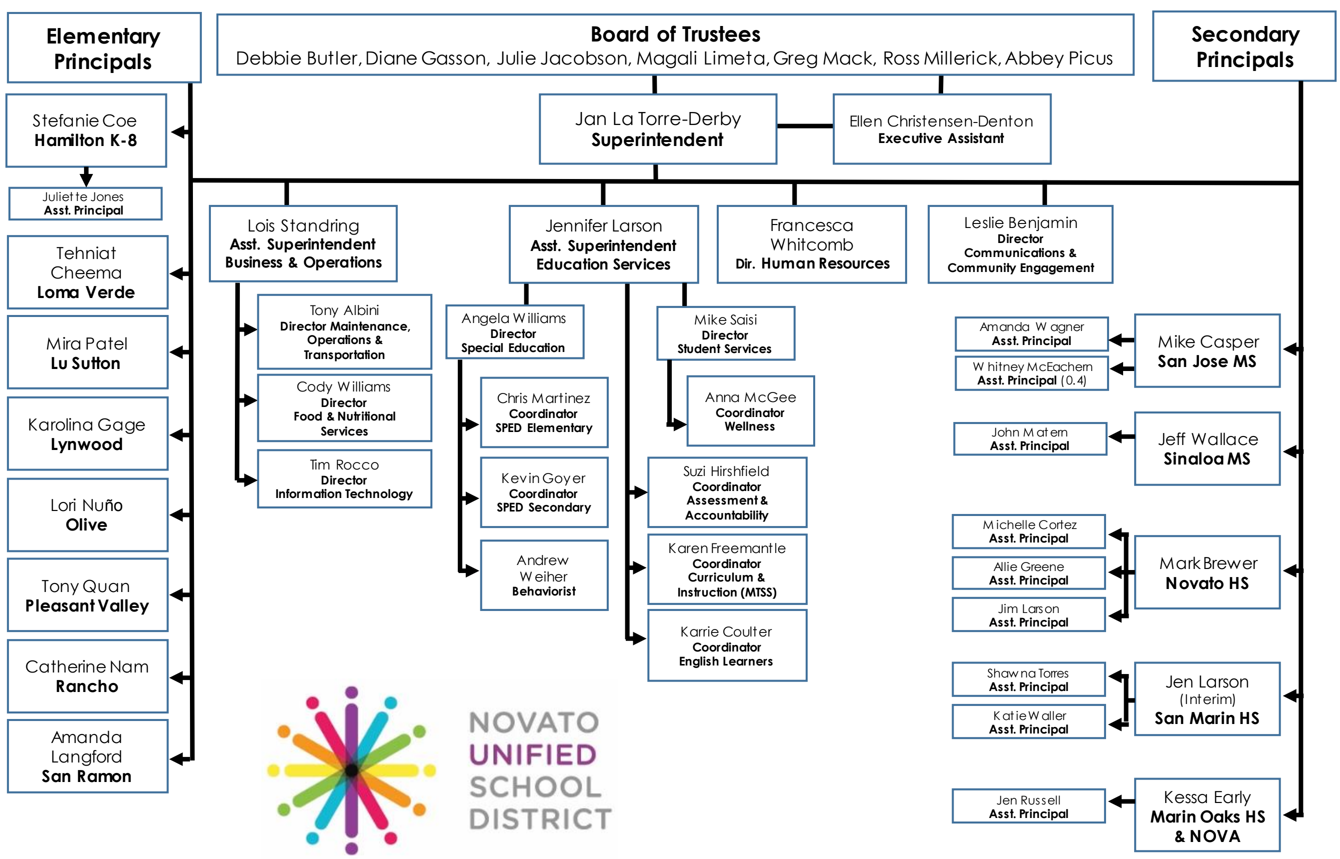
2. Review all procedural documents used by the IT department for consistency and accuracy. Update documents as needed and annually to include any needed changes. Include contact information relevant to each process being documented.

Appendices

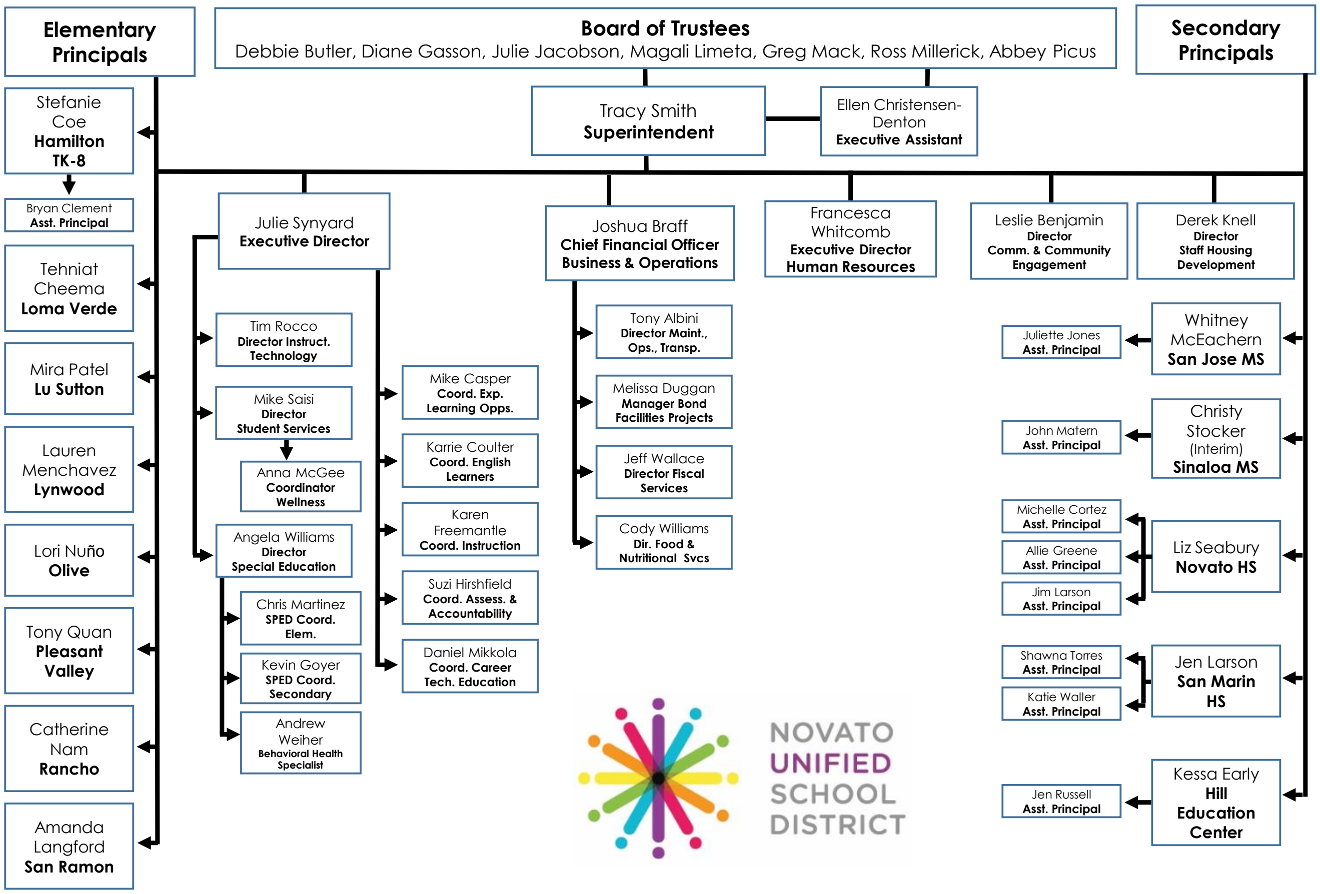
Appendix A

Novato USD Organizational Charts, 2022-23 and 2023-24

Novato Unified School District Organizational Chart, 2022-2023



Novato Unified School District Organizational Chart, 2023-2024



Appendix B

Study Agreement

FCMAT

FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM

FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM
STUDY AGREEMENT
February 28, 2023

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

1. **BASIS OF AGREEMENT**

The team provides a variety of services to local 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

The scope and objectives of this study are to:

1. Review operational processes and procedures in the Business Department and make recommendations for improved efficiency, if any, in the following areas:

   - Budget Development
   - Budget Monitoring
   - Position Control
   - Accounts Payable
   - Accounts Receivable
   - Payroll
   - Hiring, orientation and initial training processes for new employees

2. Review operational processes and procedures in the Information Technology Department as it relates to the Business Department and financial data and make recommendations for improved efficiency, if any

3. Evaluate the workflow and distribution of functions within and between the above departments and make recommendations for improved efficiency, if any

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***

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 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.

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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 $25,600.

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:

Orientation:	to be determined
Staff Interviews:	to be determined
Exit Meeting:	to be determined

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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 Novato Unified School District named as additional insured, indicating applicable insurance coverages.

10. **HOLD HARMLESS**

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

11. COVID-19 PANDEMIC

Because of the existence of COVID-19 and the resulting shelter-at-home 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 I, IV and V 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: Francesca Whitcomb, Director of Human Resources
Telephone: (415) 493-8817
E-mail: fwhitcomb@nusd.org

Jan La Torre Derby 3/8/23

Jan La Torre-Derby, Ed.D., Superintendent Date
Novato Unified School District

Michael T. Fine 3/8/23

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

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