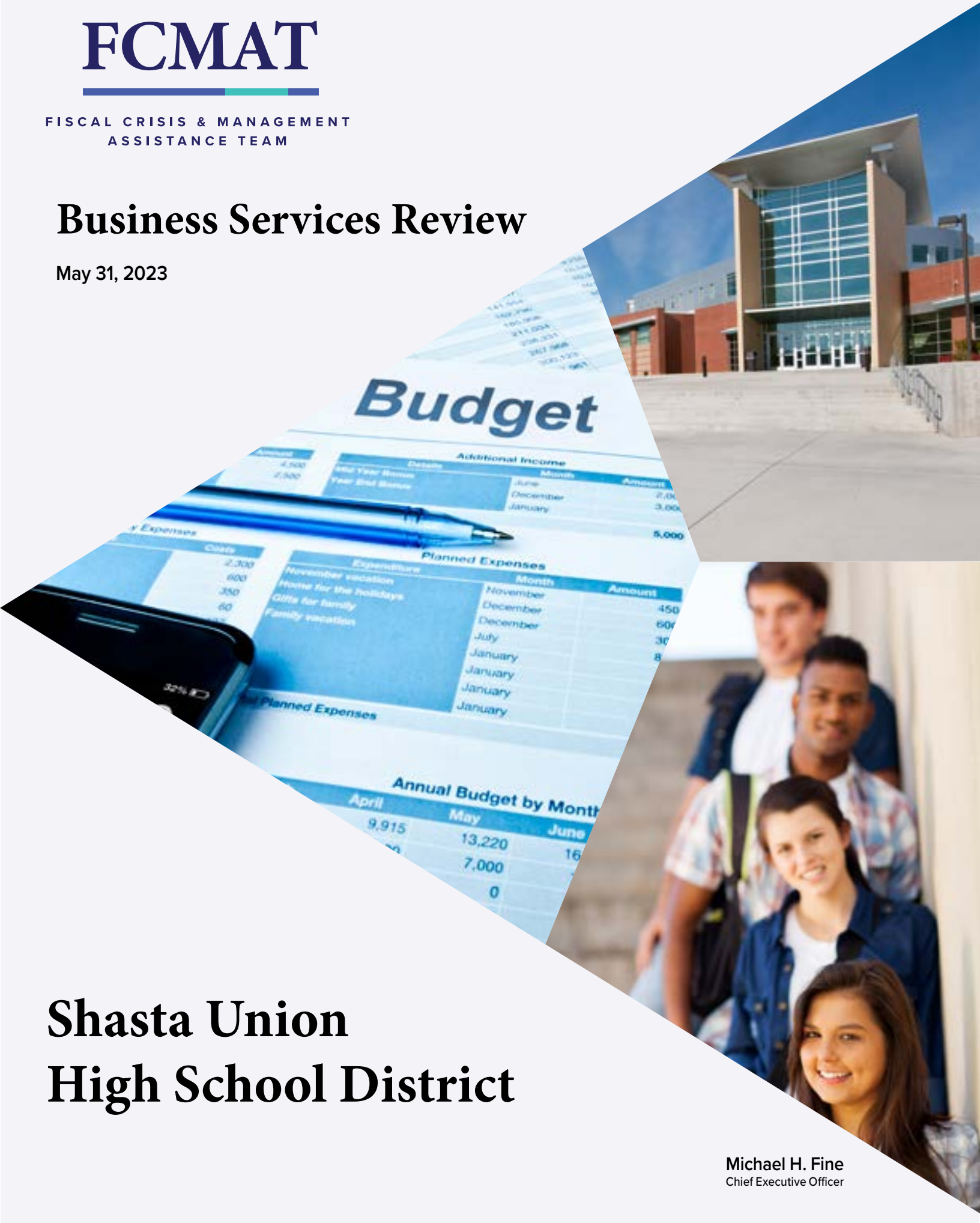
FCMAT

FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM

Business Services Review

May 31, 2023



Shasta Union High School District

Michael H. Fine
Chief Executive Officer

FCMAT FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM

May 31, 2023

Jim Cloney, Superintendent
Shasta Union High School District
2200 Eureka Way, Ste. B
Redding, CA 96001

Dear Superintendent Cloney:

In January 2023, the Shasta Union High School District and the Fiscal Crisis and Management Assistance Team (FCMAT) entered into an agreement for FCMAT to review the district's operational processes and procedures in the Business Services Department, and make recommendation for improved efficiency, if any. The areas identified for review included the following:

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

Additionally, the district asked FCMAT to conduct an organizational and staffing review of its Business Services Department and make recommendations for staffing improvements and organizational restructuring, if any.

This final report contains the study team's findings and recommendations. FCMAT appreciates the opportunity to serve the Shasta Union High 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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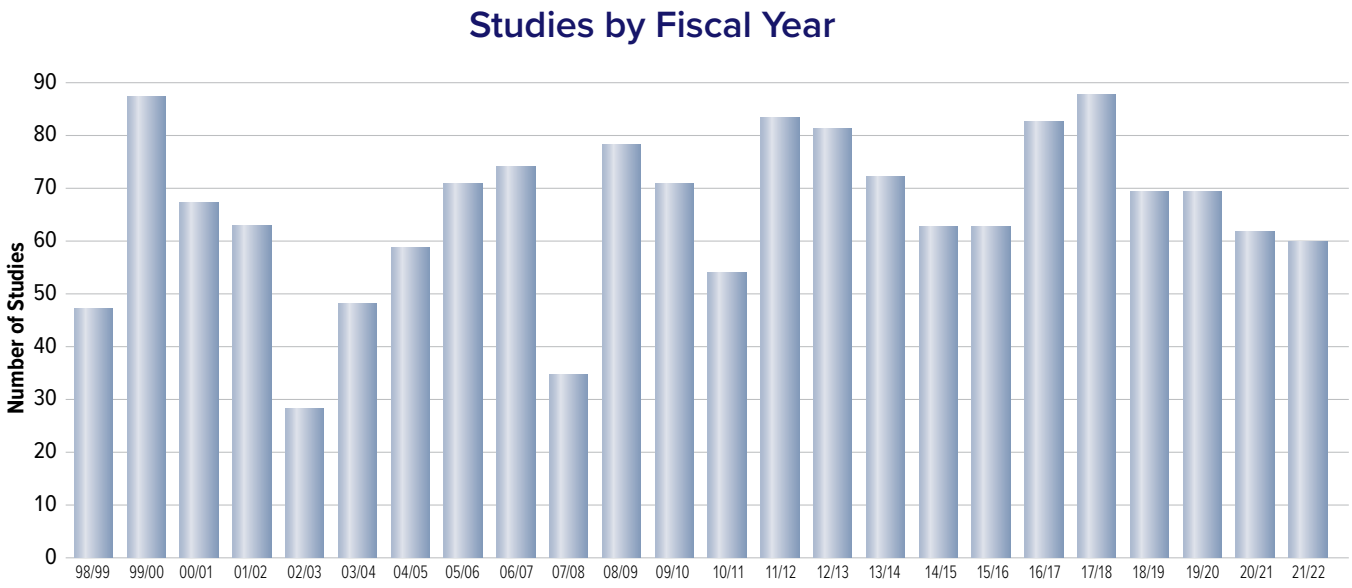
About FCMAT

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 Shasta Union High School District is located in the city of Redding. According to DataQuest, 5,552 students were enrolled in the district and its dependent charter schools in the 2022-23 fiscal year. The district is composed of three traditional high schools including Shasta High School, Foothill High School, and Enterprise High School, which serves students in grades 9-12. The district is the sponsoring local educational agency (LEA) and operating agency of two charter schools: University Preparatory School, a college preparatory school serving approximately 274 students in grades 6-12; and Shasta Charter Academy, serving approximately 1013 students in grades 9-12. The district also operates an alternative education program, a continuation high school program, and an adult school.

In 2009, the district was granted status as a fiscally accountable school district (explained later in this report) and is fully responsible for all of its own financial matters, independent of the county office of education.

Over the past decade, the Business Services Department has experienced turnover in several positions as senior staff retired. The district has also experienced long-term inconsistency in maintaining staff in positions responsible for payroll duties. These circumstances have contributed to a void in technical skill and experience in the positions responsible for payroll-related activities. Additionally, since the COVID-19 pandemic struck in 2020, numerous decisions related to employee compensation have increased the technical burden on payroll staff. This increase in technical demand and the turnover in the accounting department have created an environment that has increased the risk of error in payroll and other accounting functions.

With a desire to improve these conditions and build a roadmap for improving processes and efficiency in the Business Services Department, the district entered into an agreement with FCMAT for a review of the departments' organizational structure, distribution of duties, and processes and procedures.

Study and Report Guidelines

In January 2023, the Shasta Union High School District and the Fiscal Crisis and Management Assistance Team (FCMAT) entered into an agreement for FCMAT to conduct a review of the district's Business Services Department.

FCMAT visited the district on February 6-8, 2023 to conduct interviews with district, school site and county office staff, collect data and review documents. Following fieldwork, FCMAT continued to review and analyze documents. This report is the result of those activities.

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

Study Team

The study team was composed of the following members:

Marisa A. Ploog, CPA, CFE, CICA, CGMA
FCMAT Intervention Specialist

Eric D. Smith
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 Business Services Department has experienced a series of staffing changes over the last several years as senior staff began to retire. Since then, the district has struggled to fill and retain knowledgeable and experienced accounting and payroll staff. Further complicating matters, several complex salary agreements and retroactive payrolls increased the technical complication and processing burden of the payroll functions and have challenged the capacity of payroll staff. As a result, the district has experienced errors and technical issues involving payroll.

The distribution of duties among many staff in the department is inconsistent with industry standards and best practices; in many cases the distribution weakens the district's system of internal control and reduces operational efficiency. When duties are not properly separated the district is vulnerable to an increased risk of processing erroneous, fraudulent and/or unauthorized transactions. The district should change the distribution of duties and job descriptions to ensure proper separation of duties and to protect the district's assets.

In addition to the many other responsibilities assigned to their positions, the CBO, accounting manager, and accountant all provide accounting services for other Shasta County school districts. The additional time required for budget development, fiscal oversight and payroll processing likely stretches the capacity of these positions.

School and department leaders play a minimal role in developing their budgets. Once an initial budget has been developed, school and department leaders are given a draft of their budgets for review. Each is given an opportunity to redistribute the allocated resources to align with anticipated spending plans, but few make changes. When budgets are not properly allocated based on actual anticipated spending, additional work is required to reallocate available budget resources to account lines where actual expenditures are desired. This creates operational inefficiencies. All parties responsible for the district's educational and financial performance should actively participate in developing the district's budget. Budget development should include input from and participation by governing board members, the superintendent, cabinet members, district business officials, school and program directors, and instructional and support staff. Including more personnel in developing the budget results in greater ownership of the budget as a policy document.

The district relies on manual systems for several accounting functions, including those related to procurement and payroll. The district has access to, but does not use, integrated systems in the ESCAPE financial system. The purchase requestion module allows budget managers to process a purchase requisition through a series of hierarchical electronic approvals to initiate the creation of a purchase order. In addition, the hard stop function in the purchasing system prevents anyone from creating a purchase when the budget is insufficient in the account string identified by the requesting party; this is essential for budget control and monitoring. Manual processes reduce operational efficiencies. Purchasing and accounts payable functions are also at high risk for error and fraud. Effective purchasing and accounts payable processes and procedures ensure all expenditures are approved based on available budgeted resources, and only legitimate and accurate invoices are authorized and paid. The district should use the hard stop function in the purchase requisition/purchase order system to prevent anyone from finalizing a purchase against a budget string that has insufficient available budget balances. All required approvals should be obtained electronically.

During FCMAT's interviews, numerous staff members voiced concerns that established processes and procedures, timelines, and due dates for several business functions are often disregarded by staff and not enforced by the district's administration. Processes and procedures are essential to a strong system

of internal control. They provide reasonable assurance that errors, omissions, and other irregularities will be prevented or detected. The lack of accountability and enforcement of established policies and procedures is of great concern. It sends a message that ignoring or circumventing the rules is acceptable, and it reduces the effectiveness of established control activities. It also creates operational inefficiencies because deviations from standard procedures often result in additional work for the business office staff.

The Shasta County Office of Education (COE) granted fiscally accountable status to the Shasta Union High School District in July 2009. Once a district is granted fiscal independence or fiscal accountability, the county office is not responsible for producing reports, statements or other data related to or based on payments of the district's expenses, and the district assumes increased responsibility and accountability. Business office staff in school districts that have been granted fiscal accountability status have increased workloads because they are performing additional duties associated with their increased responsibility. To improve operational efficiency, the district may wish to explore the option of relinquishing its fiscally accountable status. In doing so, the district would transition to the COE's ESCAPE financial system and would eliminate some tasks currently required of district business office staff. A thorough cost-benefit analysis should be prepared that takes into consideration not only the costs of transitioning to the county ESCAPE system, but the savings achieved by the relief of duties. While transitioning financial systems it is a long and somewhat arduous task, greater efficiencies and improved internal control would likely result.

Internal Control

The accounting industry defines the term "internal control" as it applies to organizations, including school agencies, 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." (Internal Control – Integrated Framework , Executive Summary, by The Committee of Sponsoring Organizations of the Treadway Commission, May 2013) The reference to achievement of objectives refers to an organization's work of planning, organizing, directing, and performing routine tasks related to operations, and monitoring performance.

An organization establishes control over its operations 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 the 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 and 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.

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 that all components of internal control are present and functioning; ensures deficiencies are evaluated and corrective actions are implemented.

The five components of internal control are supported by underlying principles that help ensure an entity achieves effective internal control. Each of the five components listed above and their related principles

must be present and functioning in an integrated manner to be effective. An effective system of internal control can provide reasonable but not absolute assurance that an organization will achieve its objectives.

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

Control Environment

The internal control environment establishes the organization's moral tone. Although intangible, it begins with the 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 and transaction 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 with actual expenditures to identify variances and are followed up with budget transfers to prevent overspending.
2. Information processing, which includes the approvals, authorizations, verifications and reconciliations necessary 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 that ensure that no employee or group is placed in a position to be able to commit and conceal errors or fraud in the normal course of duties. In general, segregation of duties includes separating the custody of assets, the authorization or approval of transactions affecting those assets, the recording or reporting of related transactions, and the execution of the transactions. Adequate segregation of duties provides for separate processing by different individuals at various stages of a transaction, and for independent review of the work; these measures reduce the likelihood that errors will remain undetected.

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, including for financial and personnel management, for public school agencies. 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 this tool to conduct periodic self-evaluations to identify and/or monitor areas of potential risk and to help develop best practices for its financial operations. The most recent list can be accessed here: https://www.fcmat.org/PublicationsReports/FCMAT-Standards-for-Comprehensives-3-2019.pdf

Theory of Organizational Structure

School districts should be staffed according to the basic theories of organizational structure used in other school agencies of similar size and type. The most common of these theories are span of control, chain of command, and line and staff authority.

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.

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 an employee to receive 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.

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. A school district's organizational structure establishes the framework for leadership and the delegation of specific duties and responsibilities for all staff members.

Functional Alignment

Organizational charts are important because they show the structure and the relationship of all positions to one another. They are also necessary to identify the chain of command and the functional areas for which each staff member is responsible. For clarity and consistency, titles on the organizational chart should match those on the approved job descriptions.

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

Management positions are typically responsible for supervising employees and overseeing the work of the department for which they are accountable. They must ensure that staff members understand all poli-

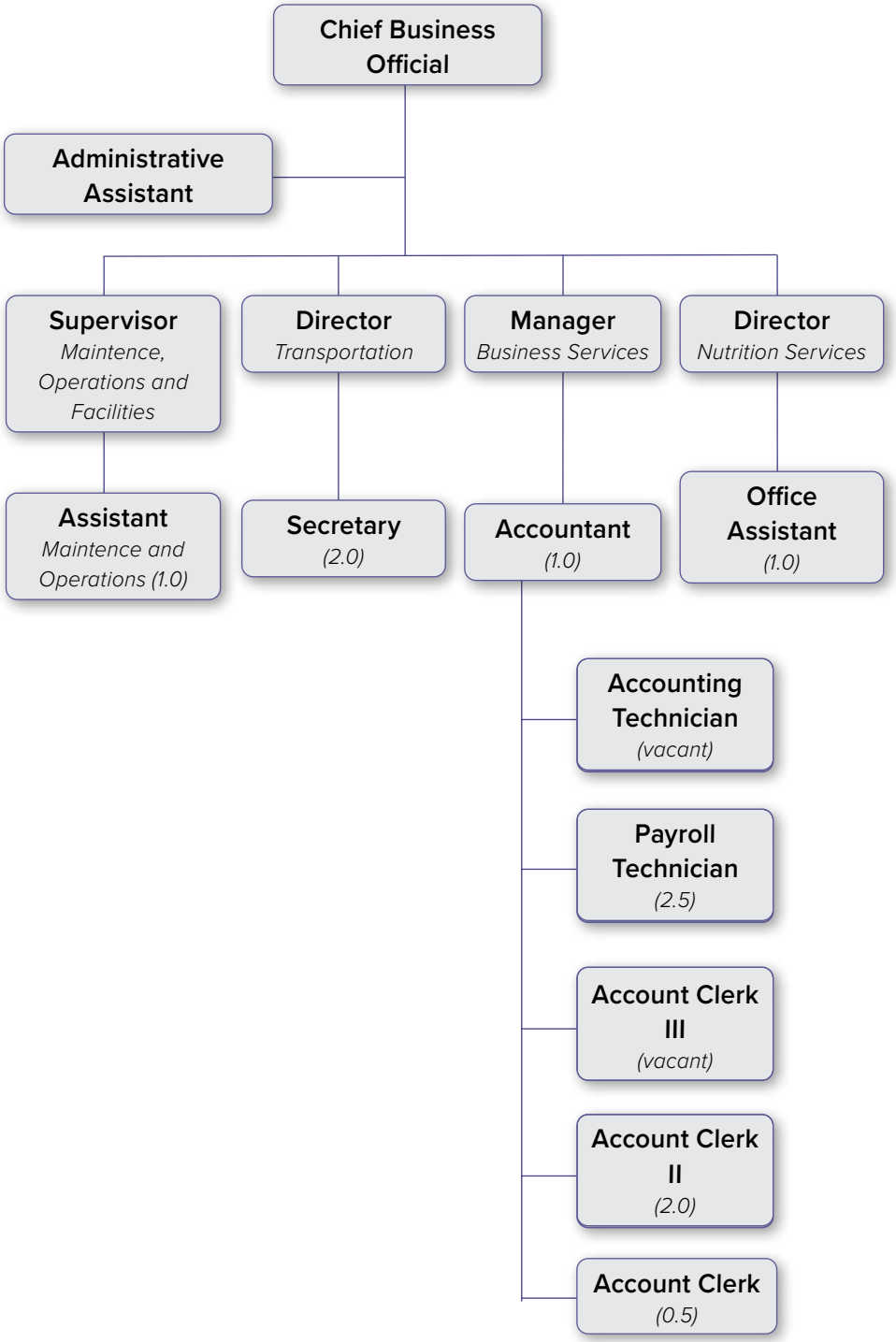
cies and procedures established by the district and perform their duties in a timely and accurate manner. Managers must also serve as a liaison between their department and others to identify and resolve problems and design and modify processes and procedures as needed. Management positions typically should not be responsible for a department's routine daily functions; these should be assigned to department support staff.

Findings and Recommendations

Organizational Structure and Staffing

The district's Business Services Division is composed of four departments: Business Services, Nutrition Services, Transportation and Maintenance, and Operations and Facilities. Each department has at least one administrative support staff member responsible for day-to-day business-related activities including budget management, procurement, and payroll. Business services staff support district office, school, and department administrators and their support staff.

The organizational chart on the following page shows the organizational structure and staffing of the Business Services Division, including ancillary departmental support positions.



The district serves approximately 4,265 students at three comprehensive high schools, one continuation high school, and one alternative education program for students in grades 9-12. The district also operates two dependent charter schools, meaning their fiscal operations are combined with the district's. Shasta Charter Academy has an enrollment of approximately 274 students in grades 9-12, and University Preparatory serves approximately 1,013 students in grades 6-12. Although each charter school is staffed with a CBO, the Business Services Department provides fiscal support services for procurement, accounts payable and payroll.

FCMAT selected three high school districts of similar size and demographics and compared the organizational structure, staffing and general distribution of duties in their business services departments to those of Shasta Union High School District. The table below shows the findings from this comparison.

	Shasta Union HSD*	Hanford Joint UHSD	Centinela Valley UHSD*	Merced Union HSD#
District Composition:				
Grade Levels	9-12	9-12	9-12	9-12
Enrollment	4265	4701	5898	11226
# Charter Schools	2	1 (online)	2	0
Grade Levels	6-12	9-12	9-12	---
Enrollment	1287	166	809	---
# High Schools	3	3	3	8
# Middle Schools	N/A	---	---	N/A
# Elementary Schools	N/A	---	---	N/A
Adult Ed.	Yes	No	Yes	Yes
Continuation/Alt. Ed.	Yes	Yes	Yes	Yes
District Office Business Service Staff:				
Deputy Superintendent - CBO	---	---	---	1
Assistant Superintendent - CBO	1	1	1	1
Administrative Assistant	1		1	2
Director of Fiscal Service	---	1	1	1
Business Services Manager/Supervisor	1	---	---	1
Accounting Supervisor	---	---	1	---
Accountant / Accountant-Budget Analyst	1	1	3	---
Accounting Technician	vacant	---	2	---
Account Clerk (AP, AR)	2.5 + 1 vacant	1	---	3
Purchasing Agent/Buyer/Account Clerk	---	1	1	1
Purchasing Support Staff	---	---	1	Yes
AP separated by alpha and department?	No	---	Yes	Yes
Payroll Supervisor	---	---	1	---
Payroll Technician/Specialist	2.5	2	2	2
Payroll separated by certificated/classified?	No	---	Yes	Yes
Administrative Leadership Over:				
Risk Management	Yes	Yes	No-HR	#
Employee Benefits	No-HR	Yes	No-HR	#
Employee Accruals and Absence Tracking	Yes	Yes	No-HR	#
Retiree Benefits	Yes	Yes	No-HR	#
Food Services	Yes	Yes	Yes	#
Maintenance and Operations	Yes	Yes	Yes	#
Facilities	Yes	Yes	Yes	#
Bond Management	Yes	Yes	Yes	#
Transportation	Yes	Yes	No	#
Technology	No	Yes	No	#

* District operates a center for the arts
# District distributes M&O, Facilities, Child Nutrition and Risk Management under Deputy Superintendent HR & District Operations
All data sourced from DataQuest and individual district websites.

Although comparison data is useful, it should not be considered the only measure of reasonable staffing levels. School organizations are complex and vary widely in business responsibilities and available resources. Careful evaluation of unique circumstances and needs should be performed before making any staffing revisions, as generalizations can be misleading.

The organizational structure of the Business Services Division is reasonable based on the district's size and student enrollment. However, the distribution of duties among the account clerk and payroll technician positions is inconsistent with that of comparable districts. In addition, a few unusual circumstances exist for the district that place additional burdens on the department, including the following:

- The district is classified as a fiscally accountable school district and operates independent of the county office of education.
- The CBO and the business services manager also provide full CBO services to two small school districts in Shasta County
- The district is the authorizer of two charter schools and bears full responsibility for fiscal oversight.
- The district provides fiscal service support to both charter schools.
- The district provides payroll support to North Cow Creek Elementary School District
- The district provides transportation services for its feeder schools in other school districts in Shasta County.

Distribution of Duties

Chief Business Official (CBO)

As a member of the superintendent's cabinet the CBO leads, plans, organizes, directs, controls, and coordinates all functions under the Business Services Division, which includes business services, transportation, food services, and maintenance and facilities. The CBO is responsible for providing direction, supervision, systems development, and monitoring of the district's budget, accounting, payroll, warehousing, purchasing, inventory control, and energy conservation functions. Routine duties include budget development; long-range financial planning; and preparing, justifying and presenting the analyses required to communicate the budget proposal for action by the governing board.

This position is required to work with school administrators to help develop individual budgets, control expenditures, and ensure interrelated internal accounting controls with schools, school clubs, or other organizations involved in financial activities with the school district. The position is also responsible for preparing and administering the budget for maintenance, grounds, security and custodial supplies and equipment.

According to the job description, the CBO is responsible for ensuring that the district's financial records are accurate and comply with county, state, and federal legal requirements and auditor guidelines; preparing financial reports and cost studies (including meeting deadlines for special reports) related to the district's budget and its other financial affairs; and preparing confidential reports for negotiations.

As the administrator of the maintenance, operations and facilities division, the CBO is responsible for implementing capital improvement projects in coordination with the facilities administrator. The CBO serves as

the manager of the district's risk management (insurance), safety, and security systems programs; and is responsible for the comprehensive overall planning and scheduling of its custodial, maintenance and repair, groundskeeping, and security requirements.

The CBO is also responsible for developing policies and administrative regulations in the areas for which they are responsible; interpreting district policies and administrative regulation regarding administrative matters, including mitigation measures; and serving as a member of the district's negotiating team. The CBO also provides CBO services to the Pacheco Union Elementary School District (enrollment of 680) in Shasta County.

Except for the CBO services provided to Pacheco Union Elementary, the distributions of duties and overall responsibilities assigned to this position are consistent with industry standards.

Business Services Manager

Under the general direction of the CBO, this position oversees and performs accounting and budgeting functions; participates in auditing, processing, and maintaining payroll systems data; maintains financial records and prepares financial reports; and directly supervises and trains the accounting and payroll department staff. Routine duties include, but are not limited to, assisting in all phases of budget development and revision, coordinating with the Human Resources Department to process new employee records; maintaining position control; processing employee benefits, stipends, and extra duty assignments; maintaining budgets for salary and fringe benefit accounts; and ensuring the ongoing maintenance and accuracy of information related to the district's position control system by reviewing and verifying transmittals, contracts, and appointments.

The position is responsible for performing and supervising financial transactions related to all aspects of the general ledger; analyzing and resolving discrepancies in financial data and reports as needed; and conducting internal audits of commercial warrants, payroll, associated student body (ASB) funds and other internal records. The position is responsible for all phases of year-end closing and ensuring the district complies with federal, state and local reporting requirements on the expenditure of funds from various sources.

In addition, the business services manager is responsible for oversight of the district's two dependent charter schools and, at the time of FCMATs fieldwork, was also providing CBO services to the North Cow Creek Elementary School District (enrollment of 256) in Shasta County.

Generally, the distribution of duties and responsibilities assigned to this position are consistent with industry standards. However, the additional time needed to provide budget development and fiscal oversight responsibilities likely stretches the capacity of this position, making it difficult to complete all its responsibilities effectively and efficiently in the normal course of the work week.

Accountant

Under the supervision of the business services manager, this position is responsible for a variety of accounting duties including developing, monitoring, analyzing, maintaining, auditing, reconciling, and adjusting school district budgets, funds, and accounts. General accounting responsibilities include preparing, processing and posting financial and budget transactions including apportionments from state and federal sources, and verifying and resolving discrepancies and adjusting accounts to ensure accuracy and completeness.

This position is responsible for performing accounting for all school district programs and funds; helps prepare and submit required reports to state, federal and local agencies; acts as the district office custodian of cash and fixed asset inventory; transports all deposits to the county treasurer and banks; and reconciles

cash held in county treasury and bank accounts, except ASB accounts, to the general ledger. This position participates in year-end closing, and preparation and filing of various tax reports.

The position also supports and trains payroll technicians and provides information and assistance to employees and the public, including answering questions about policies, procedures, regulations, and the Business Services Department's technical processes.

In addition, the accountant does some work that would be better assigned to the account clerk and payroll technician positions, including processing purchase requisitions, creating purchase orders, and paying direct-pay vendors such as Office Depot and Amazon. The person assigned to this position also prepares and processes all payroll for the North Cow Creek School District.

Many duties assigned to this position are consistent with industry standards. However, some work would be better assigned to the account clerk and payroll technician positions. In addition, processing payroll for North Cow Creek School District takes time away from managing the district's work and may interfere with this staff member's ability to complete all the assigned responsibilities effectively and efficiently during the normal work week.

Account Clerk

This position is responsible for a variety of school and department budget and accounting duties. Procurement-related duties include reviewing, routing for approval, and processing purchase requisitions; scanning purchase requisitions and supporting documents; maintaining vendor lists; creating purchase orders; and mailing purchase orders and/or placing orders with vendors.

This position is also responsible for processing vendor invoices, collecting receiving documents and/or other documents supporting approval for invoice payment, printing vendor checks, and mailing vendor checks. This position also prepares various financial and tax reports.

The position is also responsible for creating and monitoring accounts receivable, receiving and accounting for cash collections, depositing funds received, and recording deposits in the financial system. This position also posts adjustments and corrections to balance sheet accounts and budgets, maintains equipment inventory, issues inventory tags, and modifies inventory records.

Opening and distributing mail is also assigned to this position.

As previously mentioned, no single employee should have control of a transaction from initiation through reconciliation, or have control over an asset. Many of the duties assigned to this position lack appropriate segregation of duties. Interviews indicate that the account clerks are responsible for each step in the procurement and accounts payable processes, and that the duties assigned to this position include creating new vendors in the financial system, processing purchase requisitions, creating purchase orders, placing orders with vendors, processing vendor invoices, and printing and mailing vendor payments. Although some control activities are established, it is a best practice to separate the duties associated with procurement from those associated with vendor payments. Further detail and analysis of this finding is provided later in this report.

Payroll Technician

Duties assigned to this position include preparing and processing district payroll and related reports for assigned schools and departments; collecting and reviewing timecards for completeness and authorization; entering payroll and leave data into the payroll system; and printing and distributing paychecks to assigned schools and departments.

This position is also responsible for maintaining employee health insurance benefit elections, verifying enrollments and deletions, and processing and remitting provider payments. Public Employees' Retirement System (PERS), State Teachers' Retirement System (STRS) and payroll tax reporting, remittance and reconciliations are also performed by this position. This position also manages all aspects of the district's workers' compensation program.

Summary

Details in job descriptions, job responsibility surveys, and interviews with staff indicate a lack of segregation of duties for many functions in the business office. Detailed findings, analyses, and recommendations regarding this are provided later in this report.

Recommendations

The district should:

1. Evaluate all fiscal services provided for other districts in the county including contracted CBO services for budget preparation and management and payroll services. Evaluate the time its business office staff spend providing these services and consider whether it should staff a position in the business office to fulfill these duties. Ensure that any such arrangement is outlined in a contract for services that includes full cost recovery and is reviewed annually.
2. Evaluate the current distribution of duties for the accountant, account clerk and payroll technician positions after careful consideration of the further findings and analyses later in this report.

Budget Development and Monitoring

Budget Development

Budget development coordinates a district's educational goals and objectives with its revenues. A budget is a policy document that allocates limited resources to achieve these goals. It establishes a district's expenditure practices and provides a blueprint for management and staff to follow. Once a sound budget has been developed, the document and resulting actions should reflect the district's educational philosophy, financial priorities, strengths, and needs. To be useful, the budget must be based on the following:

- Accurate data.
- Budget guidelines that embody the district's educational and financial goals and plans.
- Assumptions that reflect the best information available.
- A formal system that realigns the budget during the year to be consistent with actual revenues and expenditures.

Under the leadership of the CBO, budgets should be developed for each department in collaboration with their respective manager and staff. During budget development, position changes should be reviewed and updated in the position control system, and all other expenditure categories should be reviewed for necessary changes from the prior year. All revenues should be estimated, and an organization should prioritize its goals to ensure they are reflected in all expenditures. An annual budget should include revenues and expenditures by school, department, and resource in sufficient detail to identify variances and determine whether financial goals were achieved. Material variances in revenues and expenditures should be promptly and thoroughly investigated.

A district may use any of a number of budget models; however, the most successful models give stakeholders confidence about the district's financial position. During budget development, adoption and monitoring, stakeholders should be given a clear and understandable framework that identifies how funding levels have been determined and the rationale behind the allocation of resources. The most common governmental budget models are the following:

1. Decentralized or site-based budgeting, in which major budgeting and resource allocation decisions are made at the school and department level.
2. Centralized budgeting, in which budget decisions are made in a top-down fashion. This model is often used in periods of fiscal austerity when a district needs to exert greater fiscal control.
3. Blended centralized and decentralized model, which often uses a budget committee to gain broad participation while maintaining control.
4. Zero-based budgeting, in which the entire budget is rebuilt each year from the ground up.
5. Rollover or incremental budgeting, in which the prior year budget serves as the base, and the next year's budget is created by transferring the prior year's budget into the new year and making select revisions to prior year amounts.
6. Enrollment-based budgets, in which demographic information serves as the basis for resource allocation.

7. Program budgeting, in which spending plans are tied to results carried out by organizational units.

The district uses an incremental budget development process in which the current year's budget is used as the base to develop the next fiscal year's budget. This is common in California school districts, where salary and benefit costs easily consume 80% to 90% of the budget and where reductions to these expenditure lines are not easily made. Advantages to the incremental approach include:

- it is simple, relying on the prior year's budget as a baseline.
- It is conducive to funding at a consistent level over multiple years.
- It often results in programs receiving resources on a uniform basis.

Disadvantages of incremental budgeting include the following:

- *It is incremental.* It assumes only minor changes from the preceding period, when in fact there may be major structural changes in the organization that call for much more significant budget modifications.
- *It may foster overspending*. It creates a use it or lose it approach in regard to budgeted expenditures. Staff may feel compelled to spend unnecessarily because a drop in expenditures in one period could mean reductions in future budgets.
- *It diminishes budget oversight*. Incrementalism can lead to complacency among those responsible for developing the budget. When the budget is carried forward with minor changes, there is little incentive to scrutinize the budget in detail. As a result, operational inefficiencies continue into new budgets.
- *It increases variances from actual*. When the incremental budget is based on a prior year budget, there tends to be a growing disconnect between the budget and actual results, frequently requiring budgets to be reallocated to reflect actual expenditures and to reduce variances.
- *It perpetuates the status quo*. Incremental budgeting perpetuates resource allocation to all areas of the budget, even if some areas no longer need as much funding or other areas require more funding.
- *It stifles strategic planning*. Because incremental budgeting allocates most resources to the same uses every year, it stifles the strategic reallocation of resources to support other programs and services that have a greater priority. As a result, incremental budgeting rewards maintenance of the status quo and does not encourage evaluating different approaches to allocating resources to programs or services.
- *It can lack transparency*. Because incremental budgeting does not require input from multiple stakeholders, budget development can rest with a single individual. As a result, this individual controls when, what, and how much budget information is shared.

The CBO is responsible for developing the district's budget The budget process starts by rolling salaries and benefits from position control into a budget model. Only board-approved positions are included in position control; salaries and benefits for substitutes and stipends are not managed in the position control system. As a result, the CBO enters these items into the budget model manually. The remainder of the budget model is populated by moving revenues and expenditures from the current years' budget into the budget model.

The district does not use staffing formulas. The CBO prepares enrollment and staffing projections in consultation with the superintendent and the other cabinet members. The team evaluates current enrollment by school and uses the cohort survival method, combined with feeder school data, to project the subsequent school years' enrollment and staffing needs. The Human Resources Department prepares position request forms (PRFs) for any staffing placement changes, though district staff reported during interviews that these are not always prepared on time. Although the district's enrollment is declining, staff indicate that staffing reductions are typically made through natural attrition, non-reelect employment agreements, and temporary contracts.

School and department leaders play 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. Once the initial budget has been developed, school leaders are given a draft of their budgets for review and an opportunity to redistribute the resources to better align with their anticipated spending plans. However, interviews with staff indicate that few make changes. When the budget is not properly allocated based on an actual spending plan, it creates more work during purchasing because it requires business office staff to identify and reallocate available budget resources to account lines where actual expenditures are desired. Thus, this lack of a well-developed budget creates inefficiencies and places an additional an unnecessary burden on business services staff.

Once the budget has been updated, the CBO uploads the data into the state standardized account code structure (SACS) software and completes the supplemental forms, multiyear projection, cash flow, and criteria and standards. A budget narrative is prepared to supplement the SACS financial reports, and the package is presented to the governing board for formal adoption.

One way to avoid the pitfalls of incremental budgeting is to increase the number of parties involved in budget development. Broader involvement improves results and provides greater oversight during budget development, which may result in a more comprehensive review of existing programs and justification for new initiatives. Although the CBO collaborates with the business services manager, superintendent, cabinet members, and to a limited degree school administrators on budget development, the process does not involve other parties such as board members, department and program managers, and instructional and support staff.

Also, the district does not provide periodic updates on the budget or hold a budget study session with the board during budget development. Board study can increase board members' understanding of the budget and how resources are aligned with the district's goals and objectives.

Staff also reported that the district has a history of obtaining grant funding and managing all aspects of grant programs, including state reporting, outside of the business office. According to staff, this created considerable difficulties in fiscal accountability, and grants the business office knew about have since been returned to be managed under the Business Services Department. It is a best practice for all fiscal aspects of state, federal and local funding be managed under the Business Services Department to ensure fiscal accountability.

All parties responsible for the district's educational and financial performance need to actively participate in developing the district's budget. Budget development also needs to include input from and participation by governing board members, the superintendent, cabinet members, district business officials, school and program directors, and instructional and support staff. Including more personnel in the development of the budget will result in greater ownership of the budget as a policy document.

The district lacks a comprehensive budget development calendar. The best practice is to establish and adhere to a board-approved budget development calendar that lists tasks, timelines, and the position(s) responsible for their completion. A budget development calendar can improve the flow of communication

regarding the budget throughout an organization but has limited effectiveness unless widely distributed and adhered to.

Budget Monitoring

A budget is a dynamic document. It changes daily as more current information becomes available and as revenue and expenditure estimates are revised to align with actual income and expenses. The Governmental Finance Officers Association (GFOA) has established best practices for budget monitoring. In doing so, the GFOA has underscored the importance of budget monitoring for all public agencies. In pertinent part, the GFOA states:

> Monitoring the budget is important to ensure that the financial, operational and capital plans that were developed and approved for implementation as part of the budget processes are being implemented. Budget monitoring is crucial for an organization to be able to enforce accountability related to spending. In addition, regular, comprehensive monitoring of the budget allows a government to evaluate service level provision, ensure any new initiatives are making expected progress towards goals/expectations, learn more about trends and other deviations that may impact future operations, and finally demonstrate transparency by sharing findings from this regular monitoring.
>
> Budget monitoring must include examination of a broad set of functions in order to fully inform what actions need to be taken if significant deviations are found. Comparison of budget to actuals is the starting point for budget monitoring, but it should be expanded to include how the organization is performing related to service delivery and other programs/initiatives. To ensure this, governments should clearly articulate not only the elements and who will analyze, but also how the analysis will be utilized. If conducted consistently, thoroughly and effectively, the budget monitoring process will provide information that may lead to corrective action or operational improvement.

To this end, the budget needs to be monitored monthly during the fiscal year to ensure appropriations are not overspent, revenues remain correctly projected, and actual expenditures are not materially different than those budgeted. Budget revisions need to be made during the fiscal year as additional information develops and as needs 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 or updated grant awards or donations.
- Budgeted carryover balances from prior years.
- Adjustments to expenditure appropriations to prevent budget overruns.

The Business Services Department should continue monitoring budgets throughout the year, helping school and department budget managers when needed to ensure budgets are not overspent and activity is coded correctly.

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

FCMAT found that school budget managers have varying levels of skill in using the district's ESCAPE financial system. Although budgets are accessible from the district's financial system, department and school

staff do not access their budgets for routine monitoring or to assess available balances before initiating purchase requisitions. Some budget managers can run financial reports and extract useful information to help them make decisions. However, according to interviews, most choose to rely on the business office to run financial reports, interpret the data, and make budget transfers on their behalf when budget lines are insufficient to cover a submitted purchase requisition. This dependency on business office staff places an unnecessary burden on the department.

All budget managers need to have online access to the financial system and be able to generate financial reports and review applicable line items in the budget. Budget managers will need to receive ongoing training on the ESCAPE financial system until they are proficient at generating and understanding financial reports.

Recommendations

The district should:

1. Expand the number of individuals actively involved in budget development.
2. Require school and department administrators to play an active role in developing their assigned budgets. Ensure that draft budgets serve only as a starting point to provide a historical basis and that budget managers reallocate budget amounts as needed to reflect anticipated program expenditures more accurately.
3. Improve communication regarding budget development through clear narratives, periodic updates with school and department staff, and board budget study sessions.
4. Ensure all grant funding is managed by the Business Services Department.
5. Establish and adhere to a board-approved budget development calendar that includes activities for the current year including year-end closing, and budget development activities for the budget year. A sample budget development calendar can be found in appendix A.
6. Continue monitoring the entire budget throughout the fiscal year to ensure appropriations are not overspent, revenues remain accurately projected, and actual expenditures are not materially different than those budgeted.
7. Hold department and school budget managers responsible for independently managing their budgets, including distributing budget resources to the correct SACS account codes, to meet actual expenditure needs throughout the year.
8. Confirm that all school and department managers have online access to budget reports and to the screens needed to initiate budget transfers.
9. Ensure that school and department budget managers receive ongoing training on the ESCAPE financial system until they are proficient in generating and understanding financial reports and initiating budget transfers.
10. Require budget managers to use the ESCAPE financial system to monitor their assigned budgets and make revisions throughout the year as needed to support actual expenditures.
11. Hold school and department budget managers accountable for independently managing their budgets.

Cash Collections, Accounts Receivable, and Deposits

School districts collect cash for various reasons, including student fundraising, meals and other food served in the cafeteria, 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 funds transfer through the county office of education or other granting authority. Duties associated with accounts receivable and cash collections generally include creating and sending invoices, collecting cash receipts, depositing receipts 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.

Although the district has accounts at local banks for daily deposits of food service sales and ASB collections, most of the district's financial activity is processed through the Shasta County Treasury. The responsibility of collecting cash, preparing, processing, and making deposits, resides mainly with the account clerk position. Food services staff are responsible for documenting and making routine deposits into a local bank for daily food sales.

When cash is collected at a school or the district office, it is receipted and forwarded to the business office. The account clerks are responsible for receiving cash and supporting documents from their assigned schools, preparing deposits, entering deposits into the financial system, and taking deposits to the county treasurer's office. Interviews with staff indicate that some duties of collecting cash, preparing deposits, making deposits and recording deposits are segregated among the account clerks; however, all account clerks have the access and ability to perform all aspects of the process from start to finish. This compromises the segregation of duties and the internal control it provides. Adequate segregation of duties and oversight of essential functions are key factors in creating a strong system of internal control. To ensure sufficient controls are established, the district needs to ensure that the duties associated with custody, recording, depositing and reconciliation of cash transactions are assigned to separate individuals.

During FCMAT interviews, several staff shared details of a recent incident in which the sources and amounts of a deposit made to the county treasury could not be fully identified. This raised concerns about the district's cash handling practices in the business office. Interviews indicate that an account clerk inadvertently commingled cash received from multiple sources when completing a deposit. The original documents supporting the details of the deposit were forwarded to the county treasurer along with the cash for deposit, but no copies of the original documents were retained. As a result, the accounting department could not determine the detailed amount of cash from each individual source to ensure the funds were allocated to the correct account strings. The documents forwarded to the county treasury were not recoverable, and the request for copies of the supporting documents from those who submitted the cash created distrust and concerns among the submitters because the district did not retain copies of the deposit documents.

It is not uncommon to combine cash collected from multiple sources into a single deposit. Cash collections need to be receipted with prenumbered, preprinted triplicate receipts. The original receipt is commonly issued to the party making the payment; the second copy commonly accompanies the deposit; and the third copy is normally retained in the receipt book. All collections need to be consolidated into a single deposit supported by a cash count sheet (see example in Appendix B) that identifies the source(s) of cash collected, the applicable receipts, and the denominations and amounts of the cash and checks included in

the deposit. Copies of the cash count sheet and any other supporting documents need to be retained by the school. The cash count sheet and original supporting documentation need to be taken to the business office and be verified by both the remitting and receiving party, and both parties need to sign indicating that the cash was verified and the documentation was complete. When collections are combined into a single deposit at the district, the details of each amount submitted for deposit need to be separated by the appropriate account codes to differentiate the sources of funds. Sufficient detail needs to be included in the entry to describe each line item. School and department staff need to receive training on these procedures at least annually.

Recommendations

The district should:

1. Evaluate and reassign duties related to cash collections and accounts receivable to ensure the duties of collecting cash, preparing deposits, entering deposits into the financial system, and taking deposits to the county treasurer's office are properly segregated.
2. Develop and document detailed policies and procedures to guide its cash collection and accounts receivable functions.
3. Provide annual training to all school and department personnel responsible for cash receipts to ensure they follow established cash collection procedures.

Purchasing and Accounts Payable

Accounts payable is the business function of accurately tracking amounts owed to vendors, ensuring vendor payments are properly approved, and processing timely payments to vendors. The accounts payable process originates when a purchase is made to obtain supplies or services from a vendor. A purchasing process that uses a purchase order system integrated with the financial system is the best practice because such systems automatically encumber the district's budget when a purchase order is prepared. This is essential to controlling spending and managing and monitoring the budget.

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

Purchasing

School districts use purchase requisitions and/or purchase orders to initiate purchases with vendors. A purchase requisition is most commonly 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 initiated through an integrated financial system, the amount of the purchase order will be encumbered against a specific budget. When used to its fullest, an integrated purchasing system can also be used to document and track the receipt of goods and services and provide information to accounts payable to support the authorization for payment and for auditing purposes.

The district has access to an integrated purchase requisition module in the ESCAPE financial system but makes little use of it. This module allows budget managers to process a purchase requisition through a series of hierarchical electronic approvals (usually based on dollar amount, type of funding, or both) to start creating a purchase order. Although one of the district's schools has reportedly beta-tested the module, and some departments under the Business Services Division use it, most of the district uses manual requisitions instead to initiate a purchase.

School and program staff route the manual purchase requisition and supporting documents for required approvals, then forward the paper documents to their assigned accounting technician in business services. The account clerk creates a purchase order in the ESCAPE financial system, then scans the purchase requisitions and supporting documents and attaches these documents to the electronic purchase order. 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. A hard copy of the purchase order is sent to the requesting party for final approval. Once all approvals are obtained, the account clerk prints the final purchase order and sends it to the vendor. The purchase order and supporting documents are then filed to await receiving documents and the vendor invoice.

Regardless of how a purchase is initiated, identifying a budget account string and getting authorization is required by the supervisor/budget manager for all purchase requestions. During FCMAT's interviews, staff reported that some school and/or department administrators will code purchase requisitions to whatever account string has available budget resources rather than ensure the expenditure is coded to the correct SACS account code. If the miscoding is not detected during the approval process, the expenditures will be misclassified when the invoice is paid. If the misclassification is identified during routine review of general ledger activity, business office staff are burdened with having to prepare reclassification journal entries to move the expenditure to the correct SACS account, which reduces operational efficiency.

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

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

Accounts Payable

The accounts payable process starts when a purchase is made to obtain supplies, materials, or services from a vendor. The district has 2.5 full-time equivalent account clerk positions that are assigned to support and process specific school and department transactions. These account clerks are responsible for adding new vendors and obtaining appropriate new vendor documents, processing purchase requisitions, creating purchase orders, placing vendor orders, collecting receiving documents or other acknowledgment of receipt of goods or services, distributing and tracking asset tags when applicable, collecting vendor invoices, obtaining payment authorizations, processing invoices for payment, and sending payments to vendors. The nature and volume of accounts payable and purchasing functions means this work has an inherently high risk for fraud. As previously stated, the district lacks proper segregation of duties assigned to this position. The distribution of duties should be adjusted to ensure that no one employee or group is placed in a position to be able to commit and conceal errors or fraud in the normal course of their duties.

Effective accounts payable processes and procedures include activities to ensure that only legitimate and accurate invoices are authorized for payment and that they are paid in a timely manner. The duties and processes staff described during FCMAT's fieldwork indicate that the district's system of checks and balances is weak. Interviews indicate that vendor invoices are not always paid in a timely manner, and that established processes and procedures are often ignored by school and department budget managers or overridden by district administrators. For example, during business travel, staff CAL-cards were rejected because the district had not paid invoices for the preceding period, so available cardholder credit was insufficient for new charges. As a result, staff were directed to pay CAL-card invoices even when the cardholder(s) had not provided receipts and statement reconciliations to the business office. This directly violates established policy and violates best practices for processing vendor invoices and permitting use of district credit cards. This type of overriding of established processes rather than addressing the violations of procedures also undermines the integrity of the district's system of internal control. This significantly reduces the effectiveness of internal controls and can result in duplicate payment of invoices, audit exceptions, and an increased risk of errors and fraud.

CAL-Cards

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

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

The district's administration of the Cal-Card program is governed by Board Policy (BP) and Administrative Regulation (AR) 3314.3, District Credit Cards, which is part of the district's Board Policy Manual. This board policy defines the responsibilities of employees who have been issued credit cards. The policy indicates that the superintendent or designee shall develop administrative regulations and credit card use guidelines specifying in part:

1. Those authorized to use credit cards.
2. The type of expenses that can be paid by credit card.
3. Procedures for the proper supervision and use of credit cards.
4. Other relevant guidelines governing use and accountability.
5. A requirement for obtaining a signed and dated cardholder acknowledgement form signifying a cardholder's receipt of their card and acceptance and understanding of guidelines for use.

Each cardholder receives the board policy when cardholders are first issued their card and is required to sign the district's form acknowledging receipt of the CAL-Card and certifying that they have read and understood Board Policy 3314.3. FCMAT found that the guidelines were not available on the district's website and were difficult to access. In addition, the guidelines do not describe the processes and procedures for CAL-Card administration and use. The best practice is to develop and circulate a CAL-Card handbook that explains the administration of the CAL-Card program to users. Most of the information in AR 3314.3 would need to be included in the handbook, which needs to be used by CAL-Card holders as a reference manual and on file in the office of each Cal-Card user. The program coordinator and all CAL-Card holders also need to review the policy annually. The program coordinator will need to evaluate whether cardholders followed district procedures and whether any adjustments should be made to the number of CAL-Card users. CAL-Card users also need to be required to sign the district's form annually acknowledging receipt of their CAL-Card and that they have read and understood BP 3314.3.

Administrative Regulation 3314.3 lists the records to be maintained by the CBO, which include the cardholder acknowledgement form. FCMAT was given a list of 13 employees who have been issued a total of 14

Cal-Cards. The district was able to provide FCMAT with copies of all CAL-Card holder acknowledgements. In all but one case, the maximum limit on the CAL-Card was $2,000, with a transactional limit of $450, in accordance with AR 3314.3. FCMAT believes that these limits are reasonable. The one exception is the district's CBO, who has been issued two CAL-Cards, one with a maximum limit of $2,000 and a second with a maximum limit of $125,000. AR 3314.3 indicates that this card was intended to pay invoices from local utilities; however, due to a variety of factors, this has not occurred. A CAL-Card with a limit this high places the district at significant risk.

During FCMAT's interviews, staff shared that assigned CAL-Card users often forward receipts for charges to the business office late and sometimes do not forward them at all. District business office staff were instructed to pay the CAL-Card invoices despite missing documents after account balances had reached their limit and further charges were denied.

Administrative Regulation 3314.3, District Credit Cards, states the following:

> A cardholder is an authorized employee issued a credit card that is responsible for committing small dollar purchases for the district in accordance with program guidelines and district policies and procedures. The cardholder ensures that he/she submits a reconciled Statement of Account and forwards all slips/receipts, **within five business days** after receipt, to the billing official in accounting. The cardholder is also responsible for ensuring that his/her statement of account (monthly statement) is forwarded to other budget administrators for signature (in addition to their approving official) when funds are being expended outside of the approving official's authorization. [bold emphasis added]

Because all internal control structures have inherent limitations, they are said to provide reasonable but not absolute assurance that errors, omissions, and other irregularities are prevented or detected. Management override of established policies and procedures is of significant concern. It sends a message that ignoring or circumventing the rules is acceptable and reduces the effectiveness of established control measures. In addition, it creates operational inefficiencies because deviations from standard procedures often result in additional work for the business office staff. Interviews indicate that the credit card policy was revised to accommodate the payment of district utilities of up to $125,000 because of difficulties processing accounts payable in a timely manner. Policies and procedures should not be revised to accommodate a weakness in operational efficiency unless the policy itself is determined to be the cause of the issue. District administrators need to identify the reasons behind the operational inefficiencies and adjust the process; this includes addressing violations of standard processes rather than overriding them.

A sound system of internal control ensures no one individual can control an entire financial process from beginning to end. No one employee should handle each step in a transaction from initiation to reconciliation, nor should any one employee maintain custody and control of an asset (such as cash or inventory) and maintain the records of related transactions.

The district has some internal controls, including review and/or authorization steps in the purchasing and accounts payable process. It requires several layers of authorization on purchase requisitions and purchase orders, and it requires the requisitioning party to confirm in writing the receipt of goods and services. The business manager is also responsible for signing the accounts payable batch prelist before finalizing and printing checks. However, the lack of segregation of duties assigned to the accounting technician position does not adhere to industry standards and best practices. Because this position processes purchase requisitions, prepares purchase orders, places orders with vendors, processes vendor invoices, causes vendor checks to be written, and mails vendor payments, it is involved in the entire transaction process from beginning to end, which significantly increases the risk of both error and potential fraud.

When duties are not properly segregated, the district is at increased risk of paying erroneous, fraudulent, and/or unauthorized invoices. Furthermore, the district's distribution of purchasing and accounts payable duties is different from what is most common in public education. It is a best practice to separate purchasing and accounts payable functions. Larger districts with more staffing capacity separate and balance the volume of accounts payable alphabetically, by vendor. The district needs to change its distribution of duties and job descriptions to ensure proper segregation of duties and to protect its assets.

Recommendations

The district should:

1. Provide school and department personnel with access to and training on the automated purchase requisition module in the ESCAPE financial system. Ensure that all purchases are initiated by the requesting party using this system, and that any documents supporting a request are scanned by the requesting party and attached to the requisition. Ensure that each requisition is routed electronically for appropriate approvals.
2. Discontinue routing paper requisitions and purchase orders for required approvals. Ensure that all required approvals are obtained electronically.
3. Ensure school and department personnel code all purchase requisitions to the correct SACS account when initiating a purchase requisition. Hold budget managers responsible for assigning correct SACS account codes to purchase requisitions. If account code changes or journal entries are needed, ensure the changes are reviewed with budget managers so that they understand where they erred and how to prevent those errors in the future.
4. Activate the hard stop function in the ESCAPE purchase requisition and purchase order system to prevent finalizing a purchase when the budget string has an insufficient balance.
5. Require school and department personnel to initiate a budget transfer when a budget string has an insufficient balance to complete a purchase.
6. Ensure all vendor invoices are paid on time.
7. Require all school and department administrators to follow all established processes and procedures.
8. Develop and circulate a CAL-Card handbook that explains the administration of the CAL-Card program.
9. Require the program coordinator to review annually whether cardholders adhered to district procedures and determine whether any adjustments should be made to the number of CAL-Card users.
10. Require CAL-Card users to sign the district's form annually acknowledging receipt of their CAL-Card and that they have read and understood BP 3314.3.
11. Review whether a second card CAL-Card for the CBO, with a $125,000 limit, is still necessary.
12. Hold cardholders accountable for submitting their statement of account and documents supporting all charges to the business office within the timelines described in the policy.

13. Ensure that the administration upholds and enforces the processes and procedures established for all functions of the business office.

14. Redistribute the duties for purchasing and accounts payable to ensure no individual has control over an entire financial process or transaction from initiation to reconciliation.

Position Control, Payroll, and Benefit Management

Compensating employees accurately and on time for their skills and contributions to an organization is one of the most important factors influencing employee morale and demonstrating accountability in the employee-employer relationship. Consequently, payroll is one of the most important functions overseen by the Business Services Department. The department is responsible for payroll activities for the entire district, including its two dependent charter schools, and for one small school district in Shasta County.

Position Control

Position control is a system of tracking personnel information based on positions rather than employees. Simply put, position control is an accounting of all authorized positions in an organization, regardless of whether an employee is currently in a position. Employees should be hired only into authorized positions. Position control includes creating, maintaining, and monitoring positions and the budgets assigned to them. Position control is usually managed collaboratively by the Human Resources and Business Services departments. Maintaining an effective position control system is essential to managing the cost of salaries and benefits, properly showing those expenditures in a district's budget, and ensuring that every employee assigned to a position is properly compensated based on the assigned salary schedule.

A reliable position control system establishes positions by site or department and helps prevent overbudgeting or underbudgeting of salaries and benefits by ensuring all board-approved positions are included in the budget. A reliable position control system prevents the omission of routine annual changes in expenses for positions such as step and column adjustments and other salary increases. It also accounts for the projected cost of wages associated with substitutes, stipends, and other extra-duty pay, as well as all related statutory benefits, payroll withholding, vacation and sick-leave accruals, and health and welfare plan elections. Position control is also necessary to accurately calculate the cost of step and column, cost savings from attrition, and negotiated salary increases.

To be most effective, a position control system must be integrated with other financial modules such as those used for budget development and payroll. It is essential to segregate duties within and between position control functions to ensure effective internal controls. The controls must ensure that only authorized positions are entered into position control (this is commonly assigned to the business office), that the Human Resources Department hires only for authorized positions, and that the payroll department pays only employees hired by the Human Resources Department into those authorized positions.

The district uses a position requisition form (PRF) to start creating a new board-approved position. The PRF is also used to revise details of an existing position or to change an existing employee assignment. The PRF is a manual paper-based process initiated by human resources or by department or school administrators. Each PRF is physically routed through designated levels of administration for approval, depending on the position. The final approvals rest with the CBO and with the business services manager, who is responsible for creating new positions in ESCAPE and assigning the position number to the PRF. New employee assignments and employee reassignments are made by human resources staff.

Although the district uses the position control module in ESCAPE and properly segregates the duties associated with its functions, interviews with staff indicate that the module is not used for substitute positions, stipends, or extra-duty pay. The district also does not have an established reconciliation process by which all positions, salaries, and benefits are reconciled against the budget and payroll.

Payroll

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

Over the past several years, several senior staff retired and the district experienced turnover in several positions in the Business Services Department. In 2016, one of the longstanding payroll technicians accepted a position in the Human Resources Department; at that time, the duties associated with managing employee benefits were also reassigned to human resources. When the district suffered the loss of its longstanding payroll supervisor in 2018, it decided to redistribute the duties of the payroll supervisor to the business services manager. Since that time, the district has had difficulty retaining qualified payroll technician staff. As new staff members become more proficient, they advance into other positions in the district or to other local educational agencies.

The district divides all payroll-related activities among three payroll technicians who fill 2.5 full-time equivalent positions. The most senior payroll technician has been with the district approximately two years. A second payroll technician has been in the position since March 2022 but was on family medical leave from August through December of 2022 and only recently returned. The third serves as a payroll technician and as an account clerk with 50% of her time committed to each. She was initially assigned to fill in for the payroll technician who was out on family medical leave.

Payroll processing duties are divided and distributed by school and department rather than by certificated and classified payroll. Although this provides good cross-training and helps ensure coverage during absences, it is not how these duties are usually distributed. The payroll technicians report to the business services manager. The three payroll technicians process an average of 331 certificated and 258 classified payroll warrants each month.

Payroll calendars are essential to ensuring employees are compensated accurately and that the payroll process is timely and efficient. The district has an established payroll calendar, but staff report that deadlines are frequently disregarded and that timecards and other payroll documents are often submitted after the payroll has been finalized for the pay period. In addition, interviews indicate that payroll staff frequently receive timecards approved by department and school administrators that are not legible, are incomplete, or contain errors. School and department administrators need to ensure that all timecards they authorize are complete, legible and accurate, and that payroll deadlines are met.

Schools also forward to payroll technicians employee leave forms for certificated staff and a summary spreadsheet that lists the dates of absence and the substitute assigned to fill each absence. Interviews with staff indicate there are inconsistencies in the payroll documents administrative support staff submit to the payroll department. For example, some school secretaries forward leave and period substitute forms (addressed in greater detail below) when they receive them from the individual employee, then forward the summary sheet during the payroll cycle. Others collect all leave and period substitute forms and forward them along with other payroll documents for the entire payroll cycle.

The documentation used to track period substitute teaching is also cumbersome. Teachers submit a leave form for their absence, then each teacher or substitute teacher filling in for them completes a period substitute form. Because there is no consistency in how these forms are forwarded to the payroll technicians, additional time is needed to collect, sort and reconcile all the forms collected. It would be more efficient

and ensure completeness if school secretaries collected all leave and substitute forms and consolidated them each pay cycle, ensuring the period substitute forms and other substitute forms are reconciled to each teacher leave form, then submitting them with all timecards and other payroll-related documents for each payroll cycle. Once all documents are collected, reviewed and questions are resolved, the payroll technicians could sort the timecards alphabetically and input the payroll data into the ESCAPE system.

Interviews with staff indicated that over the past year the timing and implementation of several compensation decisions significantly affected the payroll process. A series of unusual and complex compensation agreements challenged the novice payroll staff. For example, in response to staffing challenges created during the COVID-19 pandemic, the district entered into a complex period substituting agreement with its certificated labor partners. This agreement allowed teachers to either choose, or be assigned, to substitute for a teacher who was absent. Teachers had the choice to earn one day of compensatory time or one day's pay for every five periods they served as a substitute at a rate of $30 per period, or $150 per day. These terms were subsequently changed to four periods equaling one day of compensatory time, or compensation at a rate of $50 per period, or $200 per day.

These agreements increased the workload required to track, monitor, and pay employees for time earned. The already complex task of tracking and accruing compensatory time further complicated year-end tax reporting, because these additional earnings must be recognized for tax purposes in the calendar year in which they are earned. The district has made some changes to help ease the accounting burden associated with the earning and accrual of compensatory time. District staff report that all compensatory time was cleared off the books as of December 2022, either by teachers taking time off or through payment. Now overtime for paid days carries over to December each year, at which time any unused balances are paid out. The duties of documenting, tracking, and compensating for period substituting remain in place.

Payroll processing duties were stressed further when multi-phased compensation agreements were negotiated and settled with a commitment to pay retroactive increases in December, which is already a short month for processing payroll because of the holidays. In addition, subsequent agreements with labor partners were negotiated that increased the amount of the initial settlement, creating a second retroactive pay cycle.

According to those FCMAT interviewed, the presentation of earnings and withholdings on employees' paystubs was not clear when retroactive salary increases were paid. Interviewees indicated that employee paychecks had multiple pay lines that did not clearly describe the purpose of the wages presented. For example, the amounts paid for regular pay, extra-duty pay, and retroactive pay were not distinguished from one another and clearly defined. Retroactive pay was commingled with the current month's regular pay, leaving employees questioning the accuracy of their current month, extra-duty, and retroactive pay. It is unclear whether this occurred because of a system limitation or because of the way the pay was entered into the payroll system.

Many staff shared similar frustrations during FCMAT's interviews. The most common of these was that decisions are made by the administration without any consultation with the staff responsible for implementing those decisions. The time required to implement a proposed decision, the existing duties and commitments of staff who will be responsible for implementing the decision, and any other details or circumstances that may affect the time required to implement a decision, always need to be considered before any proposed decision is made.

Payroll technicians are also responsible for managing employee deductions. The district fell victim to an email phishing scam that resulted in a change to an employee's direct deposit information. Errors of this type result from weaknesses in the internal control system. A formal process needs to be established for all changes to employee withholding, deductions, direct deposit, and other pertinent information. Changes

need to be made only through such a process, and be authorized by the employee's signature, before being implemented. No one individual should have the ability to make changes to employee records without at least one layer of review and approval.

Employee Benefits

The ESCAPE financial system has an online employee portal that allows employees to log in and review their payroll and leave information and balances. This portal also allows employees to access their own personal contact information and view their benefit and leave information, pay stubs, reimbursements, W-2 forms, and 1095 statements. Depending on the district's implementation, employees can also submit a request to change federal and/or state withholding, or request a demographic change, such as a change to their home address.

Although this function is available in the district's ESCAPE software, the district does not use it. Implementing this function could increase efficiencies in the business office because employees would have direct access to their personal information, which would reduce the time required for district business staff to research and respond to employee inquiries related to paychecks and leave balances.

During interviews, staff stated that they have encountered numerous difficulties resulting from processing errors by vendors employees have contracted with for voluntary payroll deductions, such as elective supplemental insurance or deferred compensation plans (e.g., 457). Staff indicated that employee deductions remitted on time by the district to some of these vendors were not posted or were delayed in being posted to employee accounts, and that in some cases payroll deductions for compensation deferrals were posted by vendors to employee accounts in the wrong calendar year. Other employees who purchased elective supplemental insurance received notices of benefit termination. The district does not have control over the accounting practices of third-party vendors, nor does it have the ability or responsibility to resolve these matters. According to district staff, the district discontinued using one vendor for employee elections; however, those with accounts were grandfathered, so the district still has withholdings to deduct and remit. An alternative vendor was added as a replacement to ensure employees still had options to purchase the desired product. To help mitigate some of the confusion related to benefits and deductions, the district recently established designated district support personnel to help employees better understand health plan benefit options and elective deductions.

Recommendations

The district should:

1. Consider redistributing payroll processing duties, dividing them by certificated and classified payroll, and using the extra 0.5 FTE payroll technician position to balance the workload difference between certificated and classified payroll.
2. Require school and department support staff to collect, review, reconcile and match to each teacher as needed, and obtain approvals for, all payroll documents including timecards, leave forms and all substitute forms before payroll submission deadlines, then submit them together to the appropriate payroll technician.
3. Ensure all school and department staff understand the established processes, procedures and deadlines for each pay cycle, and hold each accountable for adhering to them.

4. Evaluate the process and forms used to track and report period substitute time to determine if a more efficient process can be implemented. Consider any automated options already available.

5. Consult with staff responsible for implementing any negotiated salary increase, including retroactive payment, before final agreements to ensure there is enough time to produce an accurate and timely payroll.

6. Research the processing of the most recent retroactive salary increase to determine whether the lack of detail on employee pay stubs and warrants resulted from a system limitation or the data entry method used.

7. Establish and routinely monitor formal processes for all changes to employee withholding, deductions, direct deposit, and other pertinent information. Ensure the process includes the acknowledgment by the employee's signature for authorization before any changes are made.

8. Research and consider implementing the online employee portal in the ESCAPE financial system to allow employees to log in and review their payroll and leave information and balances.

Desk Manuals and Training

Operational Procedures and Desk Manuals

Effective policies protect and guide employees when performing their duties. Policies may paraphrase law, explain a procedure, clarify a principle, or express a desired goal. Operational policies and procedures are also key to establishing and documenting the 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 alternative and possibly less efficient processes from being used.

Written processes and procedures also 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 county office. 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 has some documented procedures related to purchasing and biding practices, but it lacks desk manuals for most functional areas in the business office. These manuals are needed and typically include step-by-step procedures for business-related job duties and document in a formal way 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.

Developing procedure manuals can seem time-consuming and burdensome, but it can increase efficiency and effectiveness in the long run. 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 CBO and 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 CBO to consider connecting with other local educational agencies 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 stored on an electronic shared drive for all support personnel to access as needed, reviewed at least annually, and updated as needed. 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 the 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 and Cross-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 meetings and trainings are 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 offices of education provide opportunities for information sharing and collaboration with colleagues performing similar business functions. The Shasta County Office of Education holds regular countywide meetings and other training opportunities throughout the year to assist and support district staff with various business functions. Interviews indicate that district business office staff do not attend any of these meetings or trainings. Business office staff could benefit from the support and collaboration these opportunities provide.

Training is also offered by several organizations including the California County Superintendents (formerly the California County Superintendents Educational Services Association), 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 is beneficial to both employees and the district.

The district will need to continue to encourage staff to attend professional development opportunities and training activities to gain more in-depth knowledge in their assigned areas.

One unique benefit of the district's current approach to assigning duties to account clerks and payroll technicians is that each is trained in all aspects of the functions to which they are assigned. For example, the account clerks are currently responsible for processing purchase requisitions and purchase orders, tracking receipt of goods and services and paying vendor invoices. Although these duties are commonly and should be segregated to ensure a sound system of internal control, as a result of this arrangement all the account clerks have the ability to fill in when another is absent. Cross-training for key job functions is essential to ensuring that the district can provide coverage when employees are absent and when the workload is heaviest. It is important for more than one employee to be able to perform each major function in the district office. When staff members are off duty for any reason, another staff member should be able to perform those duties. It is a best practice to require staff to double-check each other's work in essential areas such as data entry in the position control system, processing purchase requisitions and purchase orders, paying vendor invoices, and preparing payroll. This improves accuracy, workload balance, communication, teamwork, and customer service.

Recommendations

The district should:

1. Create policies and procedures manuals for key functional areas of the Business Services Department. Consider connecting with other local educational agencies 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 CBO and accounting

administrators review them to ensure they include proper segregation of duties and adequate internal controls. Store the manuals on a shared drive 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 district and staff are uninterrupted when attending remote trainings and meetings.
6. Have district business office staff attend countywide meetings and other trainings offered by that county office 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. Continue to ensure cross-training in all key functional areas of the business office.

Operational Efficiencies

Fiscally Accountable School Districts

School districts that wish to manage their finances independent of their county office of education may apply for either fiscal independence (EC 42647) or for fiscal accountability (EC 42650). The table below shows the main differences between fiscal independence and fiscal accountability.

Fiscal Independence (EC42647)	Fiscal Accountability (EC 42650)
Allows district to process all warrants, except debt service payments, independent of the county office of education.	Allows districts to process warrants in categories designated by the county office, such as vendor warrants and/or payroll warrants, independent of the county office, except debt service payments.
Approved by the superintendent of public instruction.	Approved by the county superintendent of schools and the county auditor.
Upon receipt of a written application, the county superintendent shall cause a survey to be made of the district's accounting controls by an independent certified public accountant.	

Education Code 42650 provides the legal basis for a district to issue its own payroll and/or vendor warrants. With the approval of the county office and the county auditor, the governing board of a school district may cause warrants to be drawn on the county treasury against designated funds, except debt service. EC 42650 establishes the procedure for a district to obtain and retain fiscally accountable status:

> In order to obtain the approval of the county superintendent of schools and county auditor for fiscally accountable status, the governing board of a school district shall file a written application with the county superintendent of schools and county auditor having jurisdiction on forms which the county superintendent shall prescribe. Upon receipt of an application from the district, the county superintendent shall cause an audit to be made of the district's management and accounting controls, in accordance with standards prescribed by him, by an independent certified public accountant or public accountant approved by the county superintendent, who shall report his findings and recommendations to the county superintendent and to the applicant district. The audit report may include Department of Finance guidelines and other assessments of fiscal management as required by the county superintendent or the audit may be the report of the annual district audit pursuant to *Section 41020* if that is acceptable to the county superintendent of schools. The cost of the audit required in support of a district's application for fiscal accountability shall be borne by the applicant district.
>
> The county superintendent and county auditor shall review the district's application and report of financial management and control and may approve the application if they find the management and accounting controls of the district to be adequate. If the county superintendent and county auditor determine that such management and accounting controls are inadequate, they shall disapprove the application.
>
> The county superintendent shall provide for a periodic review of the districts' financial transactions and internal control pursuant to Section 1241.5.

The Shasta County Office of Education granted fiscal accountability status to the Shasta Union High School District in July 2009. Once a district is granted fiscal independence or fiscal accountability, the county office is not responsible for producing reports, statements or other data related to or based on payments of the district's expenses. Once the county superintendent of schools grants fiscally accountable status, the district assumes increased responsibility and accountability. The district becomes responsible for the

preaudit function of accounts payable and payroll transactions and the corresponding legal liability typically placed on the county office of education. The district also becomes responsible for cash shortages, garnishments and tax liens, the issuance of duplicate warrants for those lost, stolen or damaged, reconciling warrants issued with bank records, retention of supporting documents, and producing retirement- and payroll-related reports. The county office of education retains responsibility for transferring retirement- and payroll-related reports to STRS and PERS.

Business office staff in school districts granted fiscal accountable status have increased workloads because they must perform additional duties associated with their increased responsibility. Some of these duties include the following:

- Rolling and reconciling budget models into the new fiscal year
- Posting beginning balances in the new fiscal year
- Rolling purchase orders over into the new fiscal year
- Processing and printing district warrants
- Reconciliation/balancing of cash held with the county treasurer
- Posting apportionment and other deposits

As a condition of being declared fiscally accountable, the district is required to have a disbursing officer (sometimes referred to as an internal auditor), who is required to "execute an official bond in an amount fixed by the governing board conditioned upon the faithful performance of his duties." Interviews with the county superintendent's office indicate that the district's superintendent has been designated as the disbursement officer for the district. This arrangement is not recommended because a superintendent has authority over all functions of the district, which provides the greatest opportunity to override internal controls. It is a best practice to designate the CBO as the disbursement officer to ensure at least one layer of oversight for disbursement activities. Inquiries of district staff indicate that the superintendent is not bonded.

Internal auditors provide an additional level of internal control and help improve a district's overall control environment. Internal auditors can also play a valuable role in strengthening internal controls by conducting performance audits, special investigations and studies, and helping management maintain a comprehensive framework of internal controls. A formal internal audit function is particularly valuable for activities involving a high degree of risk (e.g., complex accounting systems, contracts with independent contractors, and an evolving information technology environment). The district does not have a formal internal audit position, nor does it conduct routine internal audits of established processes, procedures and internal controls to ensure they are functioning properly.

Although the county office of education can periodically review the district's internal control environment pursuant to EC 1241.5, in FCMAT's experience such reviews are rarely completed once a district is granted fiscally accountable status. For a district that is fiscally accountable, an evaluation of internal controls should occur at least annually. Staff of the county superintendent's office confirm that the county office relies on the district's annual independent audit to identify any findings regarding internal control weaknesses.

A lack of adequate controls may indicate the need for revocation of a district's fiscally accountable or independent status. Fiscally accountable school districts and independent school districts should continually monitor their accounting controls to ensure ongoing compliance with the requirements specified in EC 42647 and 42650. FCMAT developed a free Fiscally Accountable/Independent Risk Analysis

tool to help county offices perform this function. This tool can be accessed at https://www.fcmat.org/fiscally-accountable

Although a district may be authorized as fiscally independent or accountable, the county office of education remains responsible for complying with Assembly Bill (AB) 1200, county office fiscal oversight, and AB 2756, county office approval of school district balanced budgets in accordance with criteria and standards pursuant to EC 33127. Likewise, Government Code (GC) 3540 and others pertaining to the disclosure and certification of collectively bargained agreements continue to apply. Although the district manages its finances outside the county office's financial system, the county office has view-only access to the district's ESCAPE financial system, which allows it to view financial information and thus review it when needed. County office representatives report that the district complies with disclosure requirements.

To improve operational efficiency, the district may wish to explore the option of relinquishing its fiscally accountable status. In doing so, the district would transition to the county office's ESCAPE financial system. A thorough cost-benefit analysis would need to be prepared that takes into consideration both the costs of transitioning to the county ESCAPE system and the savings achieved by the relief of duties. The transition would eliminate some tasks currently required of district business office staff including processing and printing all warrants; posting apportionment, property taxes and other countywide deposits to the appropriate funds and resources; review and approval of all interfund transfers; assisting with any other year-end closing activities, including interest allocations; and establishing year-end accruals for countywide funding. The county office also supports districts on their ESCAPE system in many other routine budget and accounting functions as needed because they can easily access and help review issues districts are experiencing. Common areas of support include the following:

- Help payroll staff with assignment issues.
- Provide training and support on balancing health and welfare liability and expense accounts.
- Help payroll staff with processing retroactive or other payroll-related corrections.
- Run payroll error reports for PERS and STRS and review for errors.
- Review and help resolve account code issues.
- Complete payroll tax reporting and remittance.
- Help payroll staff resolve negative gross/net pay amounts.
- Complete PERS and STRS reporting and remittances.
- Perform a risk-modified review focusing on high-risk object codes.
- Review for district approval, process, and print accounts payable vendor warrants.

Districts that are hosted on the county office ESCAPE system receive greater and more detailed one-on-one support. These districts can contact the county office for help in various areas including resolving employee assignment issues, balancing health and welfare liability and expense accounts, and processing retroactive and payroll corrections.

The county office also assists by running and reviewing error reports for PERS and STRS, resolving account code issues and providing guidance on all matters related to payroll including payroll taxes, negative gross/net amounts and other items. Because the district is fiscally independent, the county office does not see any of the district's payroll reports, nor does it review the district's payroll as it does for other districts.

The district reports directly to PERS; for STRS; the only thing the county office does is upload the district's report into the county system so one countywide file can be submitted for STRS reporting and payment.

Although it can be a long and somewhat arduous task to transition financial systems, greater efficiencies and improved internal controls would likely result. As discussed in other sections of this report, the district has struggled to enforce its own timelines and deadlines for payroll. If the district were to transition to the county office's ESCAPE system, it would be subject to the county office's process and procedures, including timelines and deadlines for all accounting activities. This would establish greater accountability and dramatically improve the system of internal control. In addition, the district would gain back the time it now spends maintaining and updating its financial system and troubleshooting issues as they occur.

Automated Workflow

FCMAT noted that the Business Services Department is highly dependent on manual processes, including manual signatures on most control documents. Although manual processes may give users a greater sense of security when processing documents, automated procedures, including electronic document routing and signatures of authorization, would benefit the district in the following ways:

- It saves time and reduces unnecessary processing delays.
- It greatly reduces the risk of lost or misplaced paperwork.
- It is more efficient and greatly reduces the tedium of getting multiple signatures.
- Electronic signatures are legally binding, and, with few exceptions, e-signatures are legally admissible in court.
- Electronic documents are easily archived.

The district uses two systems for tracking employee time and attendance. For certificated employees, the district uses the Frontline absence tracking system to track certificated employee absences and substitute assignments, but it is not used for all employees and it does not integrate with the financial system. Classified staff submit manual timecards. FCMAT's interviews with staff indicated that the practices for tracking classified employee absences often vary by department and school. Most rely on administrative assistants or secretaries to record reported absences on a calendar. When employees submit timecards for the pay period, the assistant or secretary verifies that the absences noted in the calendar match the time reported on the timecard.

The district uses the ESCAPE financial system. ESCAPE Technology was acquired by Frontline Education in August 2019. Frontline offers a module for managing employee absences, substitutes, and time and attendance. The Frontline Absence and Time module integrates with the ESCAPE financial system. In interviews, district administrators indicated that the district has been exploring this module; however, the administrator of the Information Technology Department, who is also responsible for maintaining the district's ESCAPE financial system, indicated that the district had not looked into this application. This raises concerns about a lack of collaboration and/or communication between departments. It would be expected that any exploration of technology solutions would involve the technology department.

Planned Abandonment

It would benefit the district to implement the management principle known as planned abandonment in its business office. Under this principle, tasks are evaluated systematically to determine whether they are still

needed. For example, staff indicated that the procurement process is largely paper-driven and does not use the automated purchase requisition and electronic routing functions in the district's financial system. This is time consuming, wastes district resources, and is not the best practice for a business office. Implementing planned abandonment can help ensure that the tasks performed are necessary and still benefit the organization.

Recommendations

The district should:

1. Review the original conditions of approval for fiscal independence and ensure all requirements are met. Reevaluate the assignment of the superintendent as the disbursement officer, and ensure the disbursement officer is bonded.
2. Use the free Fiscally Accountable/Independent Risk Analysis tool on the FCMAT website to independently review and monitor its compliance with requirements specified in EC 42650.
3. Consult with the county office and explore the option of relinquishing its fiscally accountable status. Thoroughly evaluate all related costs and benefits of such a decision.
4. Revisit processes in the business office that require a manual and/or paper component and determine if an automated process is available and is cost effective. If systems are already available, discontinue manual paper processes and implement the electronic process. If the district remains fiscally accountable, consider using existing functions in the ESCAPE system or consulting with other LEAs that use the Time and Attendance system offered by Frontline, which integrates with ESCAPE.
5. Ensure any exploration of automated systems and technology solutions is a collaborative effort that includes representatives from the Information Technology Department as well as other staff members whose duties would be affected by the changes.
6. Systematically evaluate tasks assigned to each position in the business office and the processes established to complete them, and determine whether they are still needed.

Organizational Culture, Policy, Communication and Transparency

Organizational Culture

Organizational culture is broadly defined as the customs, rituals, and values shared by an organization that must be accepted by new members. These shared values strongly influence the people in the organization and dictate 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 leaders' actions over time.

Tone at the top is a phrase often used to mean the behaviors, actions and attitudes expressed by an organization's leaders. When the administrators and other managers override or otherwise dismiss the importance of established processes, procedures, and deadlines, it sends a message that they are not important, necessary, or required. Management override will quickly compromise the effectiveness of a district's internal control system. Failure to establish, implement and monitor control activities and enforce them consistently places a district at increased risk for fraud, misappropriation of funds and/or other illegal fiscal practices.

A pervasive theme in the district's organizational culture is that the needs of employees always come first. Although noble in intent, this has inadvertently weakened the district's system of internal control. The district allows employees and supervisors to ignore established processes and procedures, including established deadlines; bend rules in favor of employees when they forget or refuse to follow district procedures; and allow employees and supervisors to circumvent established processes seen as cumbersome. All these actions weaken the internal control system and greatly reduce staff productivity and the efficiency. As a result, the systems designed to ensure operations are efficient, hold employees accountable, and protect the district's assets have been undermined and are no longer effective. Examples include the following:

- The submission of incomplete, illegible and/or late employee timecards, and the subsequent acceptance and approval for payment of these late submissions by supervisors and/or administrators.
- Supervisors authorizing incomplete or illegible timecards for payment without correction.
- Failure to submit and/or collect receipts to support charges made using district CAL-Cards within a reasonable time after charges have been made.
- Failure to reconcile CAL-Card receipts with the statement of account and failure to submit these items to accounting before established deadlines and payment.
- Allowing purchases to be made through Amazon and/or other vendors that do not conform to the district's purchasing guidelines.

Policy

Board policies and administrative regulations are based on numerous legal codes including the Education Code, Government Code and Public Contract Code, as well as federal regulations, case law, and individual district practice. They are the basis for the guidelines and directives used by a school district and its personnel to operate. A proper system of internal control includes board policies and administrative regulations that are current, well communicated, and monitored for consistent implementation.

The district uses GAMUT, an online service offered by the California School Boards Association to help districts manage and update board policies and administrative regulations; however, the district's board policies are not available on the district's website.

Communication

Effective communication is essential to providing a sense of stability and effective leadership. Without open and regular communication, inaccurate information may circulate and be assumed accurate. During interviews, many district staff members indicated that there is a lack of communication within and between departments in the district office. Staff interviewed described a lack of collaboration and communication between the Business Services and Human Resources departments. This has eroded employee confidence in support from administrators within and between departments.

The staff in the Business Services and Human Resources departments have a significant responsibility to ensure that board policies, administrative regulations, operational processes and procedures, program compliance requirements, and numerous laws and other legal statute are implemented and adhered to. Because of this, they are often perceived as making rules or saying no or making things difficult. It is essential that these staff have a strong system of support from district administrators; when the authority of department staff is questioned or challenged, the administration needs to reinforce the importance of the established processes and procedures. This does not mean that procedures cannot or should not be questioned; in fact, they should be reviewed and evaluated regularly and revised when necessary.

It is imperative for the Human Resources and Business Services departments to work together as a team because many essential tasks and functions require the work of both departments. Although these departments meet regularly, staff indicate that matters discussed frequently go unresolved. The two departments need to regularly discuss ongoing issues and develop solutions to common problems as well as discuss current and upcoming projects. Improved communication would make it easier to plan for projects individually and by department to avoid delays in completion time, make payments, and meet deadlines.

One important method for discussing and exploring questions and/or challenges to established procedures is through department meetings. Once workflow, functions, and operational processes and procedures are defined for the Business Services and Human Resources departments, ongoing regular meetings are needed to improve communication between the departments and increase understanding of the responsibilities of each staff member and how their work affects the work of other employees. During these regular meetings, staff will need to discuss procedures related to employee leave, resignations, salary placement, differential pay, and other related subjects. These meetings can also be a forum for discussing specific employee situations that may involve more than one department, addressing any issues with interdepartmental procedures, learning about potential effects of interdepartmental issues, and helping both departments ensure that employees are served properly and that deadlines and statutory requirements are met.

To promote collaboration, a draft agenda needs to be created in advance of each meeting and distributed a week ahead of time to request topics from all participants. Topical areas need to clearly identify a question to be resolved. This allows for a measurable outcome or decision. The staff members who attend the meetings need to be able to add items to the agenda, with other departments included as appropriate. This proactive approach should result in increased efficiencies and better outcomes in the long run. Staff attending need to be prepared to discuss the items that may be their responsibility. The agenda should also relate in some way to board policy, administrative regulations, established processes and procedures, laws, and other compliance requirements to emphasize their importance and demonstrate how the topic of discussion is directly related. Questions from staff can often be answered in the meetings, which can also

communicate essential information. This is also an efficient and effective way to train new staff and build trust among leaders and staff.

Public Information and Transparency

Public transparency demonstrates a commitment to maintaining open and honest communication with stakeholders and keeping them informed of the decisions made. Fiscal transparency includes making public the information about how an organization manages its public resources including tax revenues, expenditures, borrowing, and assets. Transparency also demonstrates how well a district's administration and board uphold their responsibilities of governance. They are expected to be as open as possible concerning discussions and any decisions that will be made on behalf of the district. Community members are unlikely to trust a board or superintendent if they suspect that any public business is conducted behind closed doors.

Before fieldwork, the FCMAT study team looked to the district's website to gather any easily accessible documents that might be needed to complete this study, including the following:

- Organizational charts
- Board-approved budgets and interim reports
- Independent audit reports
- Board policies and administrative regulations
- Board agendas and minutes
- Committee meeting agendas and minutes
- Bond documents including ballot measure information, project lists, bond audits, and citizens oversight committee bylaws, annual reports, meeting agendas and minutes.

The district's website lacked many of these items including board policies and administrative regulations, current financial reports including adopted and interim budgets, and independent audits. Policy choices and decisions made by the board affect students and parents, employees and the public. District governing board agendas, supplementary documents and minutes are scanned and made accessible from the district's website. Board agendas include scanned documents supporting agenda items rather than links to the actual documents. Although not required, making them accessible on the website promotes transparency and allows all to be informed and educated about the board's and superintendent's policies. A link on the district website to board policies would allow interested parties to view and download those documents and would significantly improve transparency.

Recommendations

The district should:

1. Hold all administrators and employees accountable for following district procedures, including adhering to established deadlines and not overriding established controls.
2. Ensure authority is delegated through the chain of command, and give employees responsibility for outcomes under their control.
3. Improve transparency by ensuring board policies, administrative regulations and other key documents are accessible to the public on its website.

4. Ensure that all district administrators support district staff responsible for implementing processes and procedures that comply with board policies, administrative regulations, program compliance requirements and laws.

5. Continue interdepartment meetings between business services and human resources. Meet at least monthly to improve communication. Ensure that the supervisors in both departments work together to create a written agenda before each meeting and allow staff to propose agenda items in advance.

6. At a minimum, provide clearly identifiable access to board policies and administrative regulations on its website. Consider posting other documents including organizational charts, board-approved budgets and interim reports, independent audit reports, committee meeting agendas and minutes, and bond documents.

Appendices

Appendix A: Sample Budget Calendars

Appendix B: Sample Cash Count Sheet

Appendix C: Study Agreement

Appendix A: Sample Budget Calendars

My Sample Unified School District 2022 Budget/Local Control Accountability Plan (LCAP) Calendar		
Fiscal Deadline	**Activity/Event**	**Meeting/Responsibility**
JANUARY		
Jan TBD	Attend Governor's Budget Conference	Business Services
1/26/2023	Regular Board Meeting	Regular Board Meeting
1/26/2023	Adopt Budget/LCAP Calendar	Regular Board Meeting
1/26/2023	District reviews audit report	Regular Board Meeting
1/26/2023	Annual Developer Fee Report	Regular Board Meeting
1/26/2023	Annual OPEB Report (Other Post-Employment Benefits	Regular Board Meeting
1/31/2023	End of Second Interim period for examination of district financial conditions	Business Services
1/31/2023	Federal Cash Management Data Collection Reporting Deadline	Business Services
FEBRUARY		
2/16/2023	Regular Board Meeting - Review LCAP	Regular Board Meeting
2/16/2023	LCAP Supplement	Regular Board Meeting
2/16/2023	Possible Board approves Second Interim Report on district financial conditions	Regular Board Meeting
2/24/2023	CARS Applications Due (Title I, II, III & IV)	Business Services and Superintendent
MARCH		
3/9/2023	Board approves Second Interim Report on district financial conditions	Regular Board Meeting
3/9/2023	If necessary, district provides county with plan for corrections to audit report	Business Services
3/15/2023	Second Interim report on district financial conditions district must submit to County Office of Education	Business Services
3/30/2023	Parent Advisory Group - LCAP feedback	Superintendent
APRIL		
4/11/2023	Budget Planning with Administrative Team in Extended Cabinet	Business Services
4/27/2023	Regular Board Meeting	Regular Board Meeting
TBD	DELAC/ELAC - LCAP feedback	Superintendent
4/30/2023	Federal Cash Management Data Collection Reporting Deadline	Business Services
MAY		
5/11/2023	Parent Advisory Group - LCAP feedback	Superintendent
TBA	Governor's May Revisions on Budget	Business Services
5/1/2023	All Stakeholder LCAP feedback survey	Superintendent
5/25/2023	Measure G Citizens' Oversight Committee Annual Report	Regular Board Meeting
5/25/2023	Measure B Citizens' Oversight Committee Annual Report	Regular Board Meeting
5/25/2023	Resolution for Authorized Signers	Regular Board Meeting
5/25/2023	Resolution on Education Protection Act Fund	Regular Board Meeting
JUNE		
6/13/2023	District Board Holds Public Hearing for Proposed 2022-2023 LCAP and Budget	Regular Board Meeting
6/15/2023	Board adoption of Proposed 2022-2023 LCAP and Budget	Regular Board Meeting
6/30/2023	CARS Applications Due (Title I, II, III & IV)	Business Services and Superintendent
JULY		
7/1/2023	School District Budget due to County Office of Education	Business Services
7/31/2023	Federal Cash Management Data Collection Reporting Deadline	Business Services
AUGUST		
8/24/2023	Regular Board Meeting	Regular Board Meeting
8/31/2023	CARS Update Reporting	Busines Services
SEPTEMBER		
9/15/2023	District Files prior-year financial Report (Unaudited Actuals) with County	Business Services
9/22/2023	Present Unaudited Actuals to School Board	Regular Board Meeting
TBD	School Site Councils - LCAP feedback	Superintendent
OCTOBER		
10/26/2023	Regular Board Meeting	Regular Board Meeting
10/31/2023	End of first interim period for examination of district financial conditions	Business Services
10/31/2023	Federal Cash Management Data Collection Reporting Deadline	Business Services
NOVEMBER		
11/16/2023	Regular Board Meeting	Regular Board Meeting
DECEMBER		
12/14/2023	Board approves First Interim Report on district financial conditions	Organization/Regular Board Meeting
12/12/2023	DELAC/ELAC LCAP feedback	DELAC
12/15/2023	First Interim report on district financial conditions district must submit to County Office of Education	Business Services

[redacted] Union High School District

2022 BUDGET CALENDAR

Fiscal Deadline	Activity/Event	Meeting/Responsibility
JANUARY		
1/14/2022	The CARES Act Reporting	Fiscal Services
1/19/2022	Governor's Proposed Budget Workshop - [redacted]	Business Services
1/20/2022	Regular Board Meeting	Regular Board Meeting
1/21/2022	Governor's Proposed Budget Workshop - Webinar	Fiscal Services
1/31/2022	Finalize Position Control for Position Budgeting	Fiscal Services
1/31/2022	End of Second Interim period for examination of district financial condition	Business Services
1/31/2022	Federal and State Program Reporting Q2	Fiscal Services
1/31/2022	Federal Cash Management Data Collection Reporting Deadline	Fiscal Services
FEBRUARY		
2/1/2022	Approval of Budget Calendar	Cabinet
2/1/2022	Charter School Special Education Encroachment Schedule	Business Services
2/8/2022	Regular Board Meeting	Regular Board Meeting
2/15/2022	Budget Workshop Presentation	Special Board Meeting
2/28/2022	CARS Applications Due (Title I, II, III & IV)	Fiscal Services and Categorical Programs
MARCH		
3/1/2022	Position Budgeting Kick-Off	Fiscal Services
3/4/2022	Charter School Buyback of Services Schedules to the Charter Schools	Business Services
3/7/2022	Present Projected Enrollment (Pre-Choice) for Review	Cabinet
3/8/2022	Regular Board Meeting	Regular Board Meeting
3/8/2022	Boards Approves Second Interim Report on District Financial Conditions	Regular Board Meeting
3/14/2022	Tentative Staffing Allocation "T1" (Pre Choice)	Business Services
APRIL		
4/1/2022	Budget Planning with Administrative Team	Business Services
4/5/2022	The CARES Act Reporting	Fiscal Services
4/11/2022	Present Projected Enrollment (Post-choice) for Review	Cabinet
4/18/2022	Tentative Staffing Allocation "T2" (Post Choice) and Unrestricted Dollar Allocation Distribution to Site Principals	Business Services
4/26/2021	Regular Board Meeting	Regular Board Meeting
4/29/2022	Finalize School Sites Budget Development	Fiscal Services
4/29/2022	Federal and State Program Reporting Q3	Fiscal Services
4/29/2022	Federal Cash Management Data Collection Reporting Deadline	Fiscal Services
4/29/2022	Finalize District Salary Projection for Budget Development	Fiscal Services
MAY		
5/10/2022	Public Hearing/Resolution on Education Protection Act Funds	Regular Board Meeting
5/10/2022	Regular Board Meeting	Regular Board Meeting
5/6/2022	Finalize Department Budget Development	Fiscal Services
5/13/2022	Finalize All Categorical Budget Development	Fiscal Services
5/16/2022	Governor's May Revisions on Budget	Business Services
5/27/2022	Balanced Budget DRAFT	Business Services

[redacted] Budget Calendar 2022 Rev 2022 01-04

[redacted] Union High School District
2022 BUDGET CALENDAR

Fiscal Deadline	Activity/Event	Meeting/Responsibility
JUNE		
6/13/2022	District Board Holds Public Hearing for Proposed 2022-2023 LCAP and Budget	Regular Board Meeting
6/13/2022	Regular Board Meeting	Regular Board Meeting
6/16/2022	Board Adoption of Proposed 2022-2023 LCAP and Budget	Special Board Meeting
6/30/2022	CARS Applications Due (Title I, II, III & IV)	Fiscal Services and Categorical Programs
JULY		
7/1/2022	School District Budget Due to County Office of Education	Business Services
7/5/2022	The CARES Act Reporting	Fiscal Services
7/7/2022	Regular Board Meeting	Regular Board Meeting
7/29/2022	Federal Cash Management Data Collection Reporting Deadline	Fiscal Services
7/29/2022	Federal and State Program Reporting Q4 Final	Fiscal Services
AUGUST		
8/5/2022	Finalize School Sites Year-End Close	Fiscal Services
TBD	Regular Board Meeting	Regular Board Meeting
TBD	Special Board Meeting if Necessary	Special Board Meeting
8/29/2022	Final Third Week Enrollment	Rick Roberts, ETS
8/31/2022	Fiscal Year-End Closing (Unaudited Actuals) Review	Business Services
SEPTEMBER		
9/13/2022	Present Unaudited Actuals to School Board	Regular Board Meeting
9/14/2022	District Files Prior-Year Financial Report (Unaudited Actuals) with County Office of Education Due 9/15/2022	Business Services
OCTOBER		
10/4/2022	The CARES Act Reporting	Fiscal Services
10/11/2022	Regular Board Meeting (August Revise)	Regular Board Meeting
10/31/2022	Federal and State Program Reporting Q1	Fiscal Services
10/31/2022	Federal Cash Management Data Collection Reporting Deadline	Fiscal Services
NOVEMBER		
11/1/2022	First Interim Kick-Off	Fiscal Services
11/15/2022	Regular Board Meeting	Regular Board Meeting
DECEMBER		
12/13/2022	Board approves First Interim Report on district financial conditions, submits to county	Organization/ Regular Board Meeting
12/13/2022	Final Audited Financial Statements/Annual Audit Report	Regular Board Meeting
12/15/2022	First Interim report on district financial conditions, district must submit to county	Business Services

[redacted] Budget Calendar 2022 Rev 2022 01-04

Appendix B: Sample Cash Count Form

(click here to download an Excel version)

APPENDIX A

Cash Count Form

_____

Name of School

_____

Name of Club (if applicable)

_____

Fiscal Year

Name of Person Completing Form: _____

Date Completing this Form _____

(A) Denominations		(B) Number of Bills or Coins	(A times B) Total Amount Collected			
Pennies	.01					
Nickels	.05					
Dimes	.10					
Quarters	.25					
Half dollars	.50					
Dollar coins	1.00					
Dollar bills	1.00					
Five dollar bills	5.00					
Ten dollar bills	10.00					
Twenty dollar bills	20.00					
					Totals from Receipt Adding Machine Tape	
		Total amount of all cash	$ -	(D)	$ -	Total Cash Receipts
		Total amount of all checks	$ -	(E)	$ -	Total Check Receipts
		Total amount of all cash and checks	$ -			
(Pre-record amount and initial the amount of change funds received)		LESS START UP CHANGE FUND AMOUNT	$ -	1		**Initial upon receiving change funds**
		Total net amount of all cash and checks	$ -			

1. The person(s) receiving start-up change fund cash should initial that they agree to the amount received prior to taking custody of the cash box containing the start-up change.

		Bookkeeper	
Note: Confirm that total "cash & coin" receipts equals total amount of all cash.	**(D)**		**initial**
Confirm that all check receipts agree to attached receipts.	**(E)**		**initial**
Confirm that all check payee's individually agree to attached receipts.			**initial**
Confirm that all receipt numbers are sequential with none missing.			**initial**

Follow up on ANY differences…

Cash count form prepared by: _____
Signature, Title and Date

Signature of fundraiser staff counting the cash: _____
(if applicable) Signature and Date

Signature of fundraiser staff counting the cash: _____
(if applicable) Signature and Date

Verified by ASB bookkeeper: _____
(if applicable) Signature, Title and Date

Submitted and Approved by:

Student Club Representative _____
(if applicable) Signature, Title and Date

Club Advisor: _____
(if applicable) Signature, Title and Date

_____
Principal/School Administrator Signature, Title and Date

_____
Recorded in ASB Student Council Minutes on: Date
(if applicable)

_____
Signature, Title and Date

Supporting documentation: (MUST be included when this form is turned in)

Cash register: Report of ticket sales form
Unused tickets returned

Prenumbered receipt books:
Cash register tape
Copy of each receipt issued

Tally Sheet: Copy of each receipt issued
All receipt books returned
All receipt books accounted for
Completed tally sheet/sheets

Appendix C: Study Agreement

FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM
STUDY AGREEMENT
December 8, 2022

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

1. BASIS OF AGREEMENT

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

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

2. SCOPE OF THE WORK

A. Scope and Objectives of the Study

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

   Budget development

   Budget monitoring

   Position control

   Accounts payable

   Accounts receivable

   Payroll

2. Conduct an organizational and staffing review of the above department and make recommendations for staffing improvements and organizational restructuring, if any.

1

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.

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 $22,100.

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

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 Shasta Union High 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 2, 4 and 5 herein) and other provisions herein may be revised. Examples of such revisions may include, but not be limited to, the following:

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

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

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

12. FORCE MAJEURE

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

13. CONTACT PERSON

Name: Jim Cloney
Telephone: (530) 227-2908
E-mail: jcloney@suhsd.net

12/6/22

Jim Cloney, Superintendent
Shasta Union High School District
Date

12/14/22

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