



Oakland Unified School District

Financial Management

Comprehensive Review
September 2003

Administrative Agent
Larry E. Reider
Office of Kern County
Superintendent of Schools

Chief Executive Officer
Thomas E. Henry

FINANCIAL MANAGEMENT

Summary of Principal Findings and Recommendations

During 1999, the Oakland Unified School District underwent a comprehensive review of its financial management, the results of which were reported in the Oakland Unified School District Assessment and Recovery Plan, January 31, 2000. At that time, significant deficiencies in the district's financial management policies, procedures, and/or practices were noted in the areas of budget development and monitoring, projection of net ending balances and maintenance of required reserves, closing the books, multiyear financial projections, projecting and funding the cost of collectively bargained contracts, special education encroachment, and management information systems. Also noted were the district's higher-than-average percentage of unrestricted expenditures on salary and benefits, and the need for significant program and staffing cuts to fund proposed salary increases.

Since the January 2000 report, the district has made no significant progress in addressing the deficiencies noted or implementing the proposed recommendations. In several areas, the district's condition has worsened. It is not clear whether the district made any significant attempt to address the problems noted. The district has had three different chief business officials and other staff turnover in the business and personnel areas during this period. This lack of personnel stability may have contributed to the district's inability to address the problems. Nevertheless, it is clear that the district's financial policies, processes, and procedures are inadequate.

The district has taken steps in the last year to hire new business staff and to begin strengthening internal controls and procedures used to manage district assets. The primary challenge the district faces is reducing its expenditures to within the level that revenues will support. In order to meet that challenge, accurate and timely financial information will be necessary. Therefore, it is imperative that the district:

- Complete the implementation of the new personnel system, which will integrate personnel and position control to allow for better identification and monitoring of personnel positions (full-time equivalents or FTEs) and costs.
- Improve the budget development process to accurately project revenues and expenditures.
- Improve budget controls and monitoring to prevent budget overruns.
- Improve the accuracy and timeliness of recording and reporting accounting transactions and information.
- Reduce special education encroachment, which is a significant drain on the unrestricted general fund.
- Implement internal control procedures that will prevent or detect financial irregularities.

Budget Development and Monitoring

The budget is a school district's single most important planning document. In addition, it is the key document that correlates the district's educational goals and priorities with the financial resources available and budgeted to meet those goals. This document is the primary vehicle by which the district explains to staff, parents, and the community its financial plan for meeting educational goals. The budget is also the key document for controlling district finances and ensuring its fiscal solvency. Therefore, the development of the budget and its monitoring during the course of the fiscal year are two of the most important financial management activities that the district performs.

In general, the district's policies and procedures in these areas are minimal and do not meet the applicable professional standards. Therefore, the district will need to take extensive action to bring its policies, procedures, and systems up to standards.

Budget Development

The district's budget department did not actively control budget development or critically evaluate the accuracy and reasonableness of information compiled. To a large extent, the budget office functioned primarily to compile the budget data provided by other departments in order to assemble the actual budget document. The categorical programs office and special education office essentially developed their own budget assumptions and numbers with virtually no assistance or oversight from the budget staff. Further, enrollment projections were completed by an instructional administrator, not by the business or facilities departments, which typically make these projections.

Historically, the district's budgets have not been particularly accurate, but no efforts were made to improve the budget development process or the budget accuracy. One of the primary causes of the district's budget inaccuracies is that the current-year budget is built on the prior year's budget instead of the prior year's actual revenues and expenditures. The second primary cause of the budget inaccuracy was the fact that, although salaries and benefits were projected and loaded into the budget, the budget office, up to 2002-03, created a central office budget account with a negative balance to offset the deficit spending that was occurring.

Budget Monitoring

Given the large variances between budgeted and actual year-end revenues and expenditures, budget monitoring was ineffective. Major issues included:

- Inadequate monitoring of positions and salary and benefits cost during the year, which was exacerbated by the district's lack of integrated budget/accounting and personnel/position control systems. Nevertheless, by the middle of the 2001-02 fiscal year, the district had sufficient financial information to realize that salary accounts would have millions of dollars of expenditure in excess of the budgeted amounts, yet no action was taken to address the issue.
- Overrides of the encumbrance system, which precludes expenditures if sufficient funds are not available.
- Inadequate monitoring and control of special education expenditures.
- Inadequate monitoring and control of the cafeteria and child development funds.

Essentially, the budget office during a three-year period did not function as a control on expenditures, and the lack of budgetary control and monitoring contributed to the gravity of the district's budget problems.

Accounting Policies, Procedures, and Controls

The key to monitoring and controlling the budget is the ability to produce accurate and timely financial information. Accounting policies, procedures, and controls are the tools used by districts to ensure that transactions are processed timely and accurately, financial information is reported appropriately and free from misstatement, and assets are protected from theft or misappropriation. However, with the turnover in the Chief Business Officer position and the instability created

by it, management and supervision of the accounting functions deteriorated, and transactions were not processed timely or accurately or in accordance with Generally Accepted Accounting Principals. Specifically,

- Accounts payable were not processed timely,
- Transactions were not posted to the correct accounts,
- Monthly cash reconciliations were not performed,
- Cash-flow projections were not consistently made,
- Year-end closing was not completed timely,
- Audited financial statements were not prepared timely,
- Journal vouchers were used inappropriately for categorical expenditures.

As a result, periodic financial information used for management purposes was unreliable.

Management Information Systems

The most important tools in managing district finances are appropriate and effectively utilized management information systems. Integrated budget, financial, and personnel systems assist the district in preparing and monitoring its budget, projecting and controlling personnel costs, and recording and reporting accurate financial information in a timely manner. In the past, the district operated with antiquated and ineffective nonintegrated systems. Insufficient management information systems have contributed to the lack of timely and accurate financial information, and undermined budgetary controls.

Although the district has converted to a new financial management system, the staff is not using all the available system capabilities, and controls are still overridden. Also, the district still has not implemented the personnel module, which would provide integrated information with the budget/financial system. As a result, budget controls over personnel expenditures are still a weak area for the district. Further, the district's student information system is outdated and essentially no longer supported by the vendor.

Special Education

Special education is typically one of the largest categorical programs operated by a school district. The legal requirements, unique program needs, and insufficient funding make the financial management of this program problematic. In fact, most districts' special education expenditures exceed their special education revenues. This encroachment of special education costs on unrestricted general fund revenues is virtually unavoidable. Nevertheless, as excess program costs use the district's relatively scarce unrestricted general fund money, minimizing the encroachment is important for all districts.

Special Education Cost Management

The district has historically run a significant deficit in its special education program. This fact was noted in the original Assessment and Recovery Plan. Over the past four years, this trend has continued, and the special education deficit has continued to grow, and in fact, essentially doubled during that period. While a program review was not within the scope of the financial review, factors contributing/potentially contributing to the large growth in special education encroachment include:

- A higher-than-average percentage of students identified for special education,
- Significant numbers of students served through NPS/NPA providers,

- Low staffing ratios and lack of control over personnel costs,
- Poor budget practices,
- Failure to recoup costs for LCI students or charter school students.

In essence, there was no effective cost control exercised for the special education program, and it contributed significantly to the district's financial problems.

Assessment Process

In developing the financial management assessment and improvement plan, the review team performed the following:

1. Reviewed and updated the standards in each area of financial and business management areas. The standards reflect legal and professional obligations, and are intended to comprehensively identify expectations of district delivery.
2. Identified appropriate evaluative tools to be used to evaluate progress toward each standard. Work included:
 - Conducting interviews with staff in the business, personnel, curriculum, and technology divisions, as well as school site personnel;
 - Reviewing manuals, procedures, financial reports, and other program data;
 - Evaluating information obtained in work performed for the district in late 2002 and early 2003.
3. Developed findings regarding the status of the district's implementation of previous recommendations and identified any new findings that developed during the intervening period. In some cases, the findings are very extensive, since they deal with many different facets of the standard, while others are more specifically focused on a narrow standard obligation.
4. Established recommendations that must be implemented to complete the district's improvement plan. The recommendations reflect steps that the district should take in order to meet the district standard and improve financial management and oversight.

The study team will visit the district regarding the implementation of these assessment standards in six-month increments over the course of the next year. Numerous assessment areas are specifically identified for follow-up review, and reviews will be reported in March 2004, and six months thereafter. The follow-up assistance is intended to be helpful to the district in improving its fiscal management.

5.5 Budget Development Process (Policy) – Distribution of Categorical Funds

Professional Standard

Categorical funds are an integral part of the budget process and should be integrated into the entire budget development. The revenues and expenditures for categorical programs must be reviewed and evaluated in the same manner as unrestricted general fund revenues and expenditures. Categorical program development should be integrated with the district's goals and should be used to respond to district student needs that cannot be met by unrestricted expenditures. The State Administrator, instructional administrators, and the business office should establish procedures to ensure that categorical funds are expended effectively to meet district goals. Carryover and unearned income of categorical programs should be monitored and evaluated in the same manner as general fund unrestricted expenditures.

Progress on Implementing the Recommendations of the Recovery Plan

1. The district did not implement the prior recommendation to develop and implement a process for integrating the budgeting of categorical revenues and expenditures within the general budget development process in order to increase analysis and improve accuracy.

The Associate Superintendent for Student Achievement and staff still develop the district's categorical budget on their own. The categorical staff determines:

- Budget assumptions,
- Budgeted revenues, which are projected based on prior year funding, projected changes in enrollment, and any information regarding program modifications,
- Budgeted expenditures, including program costs and central direct and indirect costs.

Total projected revenues and expenditures are then provided to the budget office for inclusion in the budget. It does not appear that the budget office has significant input into or control over the amounts budgeted for categorical programs.

This is a continuation of the historical process where the function has been centralized in the categorical programs office. However, the Associate Superintendent has indicated that the district has established a goal to include input from more individuals, such as categorical program managers, human resources, and categorical budget analysts.

2. The district did not implement the recommendation to analyze its categorical carryover to determine how to most effectively use the funds and reduce balances.

The management of categorical funds has not significantly changed or improved since the prior review. In the last several years, the district has had programs with significant and increasing amounts of carryover, while other programs have overexpended. Further, there does not appear to be any formal process or plan implemented to evaluate these funds and their potential uses in order to utilize them in the most effective manner, reduce the carryover balances, and possibly relieve the unrestricted general

fund of expenditures that it currently supports. With large carryover amounts, the district risks losing funding since some programs can have money carried over for only a limited number of years, while other programs have caps on the amounts that can be carried over. In fact, the 2001-02 closing of the books revealed several grants with unspent funds that had to be returned to the grantor.

3. The district did not implement the recommendation to integrate the utilization of categorical funds based on the overall educational needs and goals of the students, instead of on a program-by-program basis.

The district has consistently discussed the goal of integrating the utilization of categorical funds consistent with its overall educational needs and goals. However, to date a formalized process has not been implemented to achieve this goal. Rather, categorical budgets are still developed in isolation, and the programs operate essentially autonomously from the district's basic educational program.

4. The budgeting of categorical positions, FTEs, and staffing is difficult and subject to errors.

Categorically funded positions/FTEs are budgeted on Excel spreadsheets because the budget and personnel systems are not integrated and do not provide complete information, such as actual position numbers, authorized and filled FTEs, the names of staff filling positions, the various funding sources used to pay the staff, and the actual salary amounts, in a single report. Further, the systems are not regularly reconciled and, therefore, confidence is low regarding the accuracy of the information. This compilation process is a recent undertaking of the categorical office. However, in general, identification, budgeting, and monitoring of FTEs and salary and benefit cost has not been strong. This spreadsheet method is also used to track personnel and FTEs during the year.

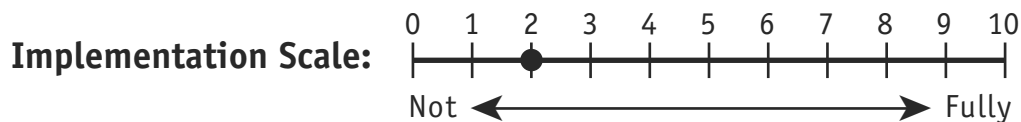
5. The actual management and monitoring of program and site budgets is the responsibility of the principals and program managers, and there has been little oversight from the central office. Historically, not all of these individuals have had access to the budget information on a real-time basis during the course of the year. The level of budget monitoring has been inconsistent. This is evidenced by high carryover amounts in some programs and deficits in others. Further, expenditures do not always appear to be reviewed for appropriateness relative to program requirements. School site personnel interviewed complained of the lack of timely and accurate financial information.
6. Grant/entitlement letters do not consistently go to one person. Letters may go to the Associate Superintendent for Student Achievement, the categorical budget manager, the program manager, or to a school site. This delays the development of program budgets and the utilization of funds. The coordination, management, and monitoring of the categorical funds has not been a strong area.

Recommendations to Address

1. Ensure the district's budget reflect all revenues and expenditures, including categorical revenues and expenses. The balances in the categorical accounts should undergo all of the same analyses and monitoring as the unrestricted funds. The Associate Superintendent for Student Achievement and the Chief Financial Officer should establish a process for integrating the budgets of categorical services into the mainstream of the budget process. The new budget methods should provide for common evaluation, monitoring, and review by both the categorical and business offices.
2. Assign the Associate Superintendent for Student Achievement and the business office to evaluate the millions of dollars in unearned, unused, and carried over income to ensure that all dollars available are used effectively by the departments and sites to respond to the district's needs. The Associate Superintendent should provide a report to the State Administrator on the findings and the availability of any of these funds to be redirected, in order to reduce the carry over and unused balances and ensure that unrestricted general fund monies are not being used for items that could/should be supported with categorical funds.
3. Assign the Associate Superintendent for Student Achievement to develop a process for integrating the categorical budget development process and the use of funds with the entire district financial resources, in order to maximize utilization of both restricted categorical dollars and unrestricted general fund dollars. The goal is to better manage financial resources while developing a more effective student delivery system.
4. Implement the personnel/position control system to integrate personnel data with the budget system. This should allow the district to better budget and monitor its categorical positions and personnel costs.
5. Hold categorical program managers accountable for the appropriate and timely utilization of funds under their control. This should include avoiding overrun budgets and excessive carryover. The management of these funds should be one item considered when evaluations are completed.
6. Designate one location and person as the designee to receive all grant/entitlement letters. This person would then be responsible for timely notifying all the involved parties. The designated location/person could either be the Associate Superintendent for Student Achievement, or the Chief Financial Officer (or his or her designee).

Standard Implemented: Partially

January 2000 Rating: 2
September 2003 Rating: 2



5.6 Budget Development Process (Policy) – Projection of the Net Ending Balance

Professional Standard

The district must have an ability to accurately reflect its net ending balance throughout the budget monitoring process. The first and second interim reports should provide valid updates of the district's net ending balance. The district should have tools and processes that ensure that there is an early warning of any discrepancies between the budget projections and actual revenues or expenditures.

Progress on Implementing the Recommendations of the Recovery Plan

1. The district did not implement the recommendation to identify the characteristics of the budget overruns that occurred in 1998-99. The district did not establish a task force of budget, personnel, and special education administrators to determine why the district failed to receive early warning that there would be a large increase in special education encroachment. It did not establish written policies to amend the current estimation and closing processes so that there is an assured accuracy in the district's second-, and now third-, interim report.
2. The district did not implement the recommendation to issue an interim report to forecast problems more accurately in the year-end closing so that the district has full advance knowledge of the issues that will be faced in the year-end closing. In fact, the second-interim report for fiscal year 2001-02 indicated that the district was going to end the year with a positive ending fund balance. This was despite the fact that the district's financial system already showed, as of January 31, that most salary accounts were going to be overspent by tens of millions of dollars. When preparing the second-interim report, the Budget Department completely disregarded the actual expenditures to date when projecting the ending fund balance. In 2001-02, despite projecting a positive ending fund balance in the unrestricted general fund, the district deficit spent by more than \$40 million and ended the year with an approximate ending fund balance of negative \$30 million.
3. The district did not provide the Governing Board with training on how to read an interim report or on characteristics that are vital focal points for Governing Board oversight.

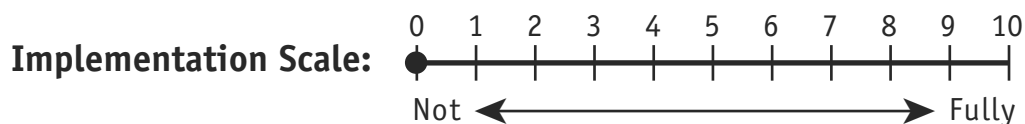
The district has recently reorganized the Business Division and has replaced all the employees who are responsible for projecting the ending fund balance during the interim reporting periods. The new employees responsible for this important task have a clear understanding of the importance of this function for district solvency. The review team will conduct follow-up visits in February 2004, at which time the first interim report will have been completed for 2003-04 and the second interim report will be in process. At that time, this professional standard will be re-evaluated with the new employees.

Recommendations and Recovery Steps

1. Complete the recommendation from the January 2000 review. The district should identify the characteristics of the budget overruns that occurred in 2001-02 and 2002-03. Establish a task force of budget, personnel, and special education administrators to identify the factors that led to the lack of an early warning during the 2001-02 fiscal year, which carried over to the 2002-03 fiscal year. Require the task force to establish written policies to amend the current estimation and closing processes so that there is an assured accuracy in the district's second-interim report and now, a recommended third-interim report.
2. Prepare a third interim report for future fiscal years, using it to forecast problems more accurately in the year-end closing so that the district has full advance knowledge of the issues that will be faced in the year-end closing. Require that the third interim report reflect revenues and expenditures through April 30, and is delivered to the Governing Board in open session no later than May 31. While this third interim report has a shorter deadline than other interim reports, the time line is required in order to give the district advance notice regarding the year-end balances.
3. Provide training for the Governing Board on how to read an interim report and on characteristics that are vital focal points for Governing Board oversight.

Standard Implemented: Not Implemented

January 2000 Rating: 0
September 2003 Rating: 0



6.1 Budget Development Process (Technical) – Technical Methodologies Used to Forecast Preliminary Budget Revenues and Expenditures

Professional Standard

The budget office should have a technical process to build the preliminary budget that includes: the forecast of revenues, the verification and projection of expenditures, the identification of known carryover and accruals, and the inclusion of expenditure plans. The process should clearly identify onetime sources and uses of funds. Reasonable Average Daily Attendance (ADA) and Cost-of-Living Adjustment (COLA) estimates should be used when planning and budgeting. This process should be applied to all funds.

Progress on Implementing the Recommendations of the Recovery Plan

1. The district did not formalize its budget development procedures in a manual, and has not established desk manuals for each position that specify how the various tasks should be carried out. This type of reference material would have helped increase the efficiency and accuracy of preparation of budget data, and also provided a resource to maintain continuity in the event of staff turnover.
2. The district has not fully implemented an integrated management information system that encompasses accounting, budget, purchasing, and personnel. The district has transferred accounting, budget, and purchasing to the Integrated Finance Accounting System (IFAS), however, the conversion of payroll/personnel is still in process. The target date for the final conversion is January 2004.
3. The district has not implemented the recommendation that the Human Resources Department should provide information regarding column movement and retirees to the Budget Department, in order to produce the most accurate budget possible.
4. The district has not implemented the recommendation that the budget office develop and implement procedures that require the Special Education Department to provide budget estimates and staff needs. In addition, the recommendation that the Special Education Department provide supporting worksheets and narratives explaining the assumptions embodied in the budget estimates has not been implemented.
5. The entire budget development process in the district is flawed. The most significant flaw is that the budget is prepared based on the prior year's budget, and actual revenues and expenditures are ignored. The district had salary and benefit projection tools that could have been used for preparing the budget. The district used this tool to load budgets, but created a central office budget where a negative budget number was placed to balance the budget. By plugging the budget with a negative number, it temporarily masked the district's significant deficit spending pattern. This practice was used up until 2002-03.

The Budget Department managers have been replaced with new employees with significant school district budgeting and management experience who have received instructions from senior management to institute policies and procedures that ensure that

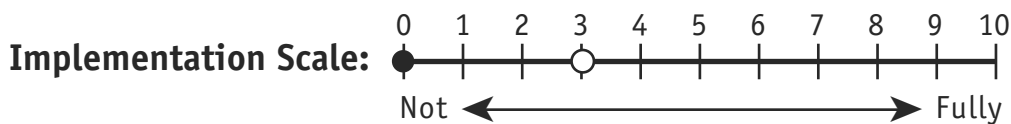
budget processes and procedures are appropriate and that detailed analysis of financial trends are incorporated in the process.

Recommendations to Address

1. Ensure the budget office formalizes its development procedures in a manual, and issue desk manuals for each position that specify how the various tasks should be carried out. This type of reference material helps increase the efficiency and accuracy of preparation of budget data, and also provides a resource to maintain continuity resulting from staff turnover.
2. Continue the effort to implement a fully integrated management information system that encompasses accounting, budget, purchasing, and personnel. Such an integrated system improves the efficiency of processes and helps ensure the accuracy of data produced. The team's visit in February will review the success of the conversion of payroll/personnel planned for January 2004.
3. Direct the Human Resources Department to provide supporting information regarding salary schedule column movement and retirees to the Budget Department, in order to produce the most accurate budget possible.
4. Direct the budget office to develop and implement procedures that require the Special Education Department to provide budget estimates and staff needs. In addition, the Special Education Department should provide supporting worksheets and narratives explaining the assumptions embodied in the budget estimates. The budget office then should review and evaluate the estimates to ensure that they are reasonable.
5. Base the budget on actual revenues and expenditures instead of using the inaccurate prior-year budget.
6. Stop plugging the budget with negative numbers to make it balance. Budget deficits must be immediately and clearly identified so appropriate adjustments can be made to prevent further deficit spending.

Standard Implemented: Partially

January 2000 Rating: 3
September 2003 Rating: 0



8.1 Budget Monitoring – Encumbrance of Overexpenditures

Professional Standard

All purchase orders are properly encumbered against the budget until payment. The district should have controls in place that ensure adequate funds are available prior to incurring financial obligations.

Progress on Implementing the Recommendations of the Recovery Plan

1. The district implemented the previous recommendation and installed a new financial system that allows both online purchasing and budget transfers.

However, the online budget transfer capability, which was a key issue in the recommendation, while enabled in the district's system, is not typically utilized by sites and departments. In addition, sites and departments do not consistently use the online purchasing system to track the status of their pending purchases. While the district has invested the time and expense to implement the new financial system, the controls, error checks, and time-saving features are to a large extent not being utilized.

2. The district did not implement the previous recommendation to implement system controls to prevent accounts from being overexpended.

In the district's new financial system, the purchasing module is integrated with the budget and accounting modules and is intended to verify automatically that there are sufficient funds available in the account and prevent the processing of purchase orders if sufficient funds are not available.

However, in reviewing the accounts, FCMAT noted multiple accounts were overexpended at yearend. Theoretically, the system should not allow an expenditure or purchase to be made unless there are sufficient funds in the account. To the extent that FCMAT observed such overexpenditures, the system clearly is not operating as intended. The following explanations were provided:

- a. The system did not function appropriately.
- b. The system control was deactivated.
- c. The control was overridden at some point during the processing of the transaction.
- d. The expenditure was charged to the account at year-end.

The purchasing, accounting, and budget offices also had no specific answers or explanations. This indicates that the same problems are occurring with the new financial system as were occurring with the old system. Clearly, there is a weakness in the system that allows purchases to be made in excess of the authorized budget.

3. The district partially implemented the previous recommendation to budget and record expenditures for items such as substitutes, stipends, and extra-duty pay at the site level.

Those items still are not consistently budgeted down to the site level. Daily substitutes and overtime and extra-duty pay are typically budgeted and charged by site. However, the district's "stip" substitutes, in-service, and civic center costs are not charged by site. Rather, those items are budgeted/charged to a districtwide account.

The funds in these districtwide accounts are not encumbered. The available balance in any of these accounts is affected only when personnel costs are actually paid.

This process has two basic flaws. First, since the sites do not have their own budget for these items, they have no incentive to minimize the amounts charged to the account. As a result, the process discourages site administrators from being fiscally responsible for their own budgets. Second, since funds aren't encumbered when the additional pay is approved, one of the most fundamental ways to control expenditures is lost and accounts end up being overexpended.

4. When the purchase is processed, Purchasing will generally buy the goods even if the price varies from the requisition amount by as much as 30 percent to 35 percent. However, there is no official policy or procedure established for this situation. Further, sites and departments are not notified of these variances. Rather, principals and managers must track the purchase order and note the change in price.
5. At year-end, the Purchasing Department will enter some purchase orders items as "received" on the system even though the items have not been delivered. As a result, although these items have not been physically received by year end, the amounts cannot be disencumbered. The rationale and authority for this process is not clear. Nevertheless, when this practice is carried out, the system contains inaccurate information and hinders the timely and accurate closing of the books.

Recommendations to Address

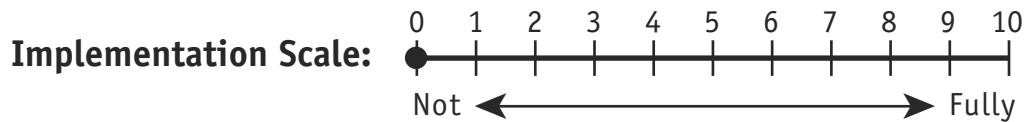
1. Provide training to system users on how to utilize the new financial system to manage their workloads and sites/departments. The district should hold principals and managers accountable for their budgets and emphasize the need to monitor purchases and budgets online through the system. Also, the district should discontinue the practice of processing paper budget transfers unless there is some specific reason that precludes the use of the online system for the transfer.
2. Research those accounts that were overexpended, in order to determine on an account-by-account, transaction-by-transaction basis why the system was overridden. Having identified how and why the transactions were processed, the district should revise or develop policies that prohibit system overrides, except for unusual circumstances. Further, the ability to override the system should be limited to the smallest number of individuals as possible, and those authorized should be at upper management levels. Once the new policies and procedures have been established, the district should provide the staff with training and reference materials in order to ensure that affected staff

are aware of and understand the new or revised policies and procedures. To ensure that the new policies and procedures are being followed during the year, the district should utilize an internal control review process.

3. Budget “stip” substitutes and overtime/extra-duty stipends on a site-by-site basis to encourage sound financial management at sites. The availability of funds should be verified before these types of personnel expenditures are approved, and all approved amounts be should encumbered in order to minimize the risk of overexpenditure.
4. Implement policies and procedures (i.e., limits) on the processing of a purchase order if the amount is greater than the amount identified in the purchase requisition.
5. Discontinue the year-end practice of entering some purchase orders items as “received” on the system even though the items have not been delivered. This process does not accurately reflect the status of transactions and funds, is not supported by accounting principles, and may subject the district to potential liability if it relates to items being purchased with restricted categorical funds.

Standard Implemented: Not Implemented

January 2000 Rating: 0
September 2003 Rating: 0



8.2 Budget Monitoring – Monitoring of Department and Site Budgets

Professional Standard

There should be budget monitoring controls, such as periodic reports, to alert department and site managers of the potential for overexpenditure of budgeted amounts. Revenue and expenditures should be forecast and verified monthly.

Progress on Implementing the Recommendations of the Recovery Plan

1. The district implemented a new financial system, as previously recommended, and is in the process of implementing a new personnel/position control system.

However, the financial system was not implemented until 2002-03 and, to date, the district has not successfully implemented an integrated budget/financial and personnel/position control systems. Therefore, the district still lacks the ability to budget and monitor staff, FTEs, funding sources, and salary and benefits through one comprehensive and integrated system. As a result, the monitoring of positions and personnel costs is more cumbersome, either done on standalone spreadsheets or not at all. Improvement in this area will likely occur only after the new personnel/position control system is implemented.

2. The district's new financial system allows online budget transfers/revisions, consistent with the prior recommendation.

However, these capabilities are not consistently utilized because paper forms are still widely used for budget transfers, and they have not been used to any significant advantage because the district has not had better budgetary control. The district has an ongoing problem with budget overruns and the overriding of budgetary controls.

In the new financial system, Purchasing encumbers funds when processing purchase orders. Theoretically, the purchasing system will not allow a purchase/expenditure that exceeds the available balance in the identified account. Nevertheless, FCMAT noted several instances where account budgets were exceeded.

3. The district has not implemented the prior recommendation to place primary responsibility for monitoring the budget with the budget office.

The primary responsibility for budget monitoring essentially still lies with site and department administrators. This responsibility has been hindered as sites and departments have not had online access to their individual budget information, nor were they receiving periodic budget reports. Rather, these reports are provided only on a request basis, but such reports are not frequently requested. Given that the district has had budget overruns in several accounts, including a very large overrun in special education, the level of control and monitoring is insufficient.

Special Education has continued to operate independently. It performs its own hiring and enters into contracts on its own. Neither the Special Education Department nor the budget office has exercised any control over special education spending, as the program's general fund encroachment has continued to grow.

4. The budget office has not taken any particular steps in providing oversight, information, or other assistance to sites and departments regarding budget development or budgetary control. Until recently, the office operated in a virtual vacuum from the day-to-day operation of the district.
5. The district has recently reorganized the budget office and replaced staff. The new staff has experience in school finance and management. The primary task of the new staff is to implement this standard.

Recommendations to Address

1. Complete implementation of the human resources data system, which will integrate personnel/position control functions with the financial management systems. The district must ensure that the budget and personnel systems are integrated. This would allow the budget office to enter changes directly to the budget accounts. This also would provide for exchange of data that improves the efficiency of work, the accuracy of data maintained, the quality of projections made, and allow more efficient, accurate, and timely processing of budget transactions.

Given the district's history of problems with controls being circumvented or overridden, the district must ensure that there is appropriate segregation of duties, and the access to the system is carefully controlled. The district should also monitor system modifications or implement other measures to identify when security protocols are changed or overridden.

2. Investigate instances where transactions were processed with insufficient funds available in the budget. This will identify who processed the transaction and determine why it was allowed to be processed and the budgetary control overridden. To the extent budgetary controls in the financial system were overridden, the district needs to establish policies and procedures to ensure that system overrides are minimized and can be authorized only by specified management staff.
3. Ensure the budget office takes more responsibility for monitoring and managing the district's budget, and move toward greater central office budget management. The budget office should monitor all budgets monthly for unusual spending patterns. Once identified, the budget office should determine the underlying reasons for the spending patterns and determine whether they are problems that require corrective action.
4. Establish procedures for Special Education that preclude the department from hiring staff or entering into contracts without budget review and approval. Additionally, the budget office should meet monthly with the Director of Special Education, the Assistant Superintendent for Human Resources, and the Chief Financial Officer to review

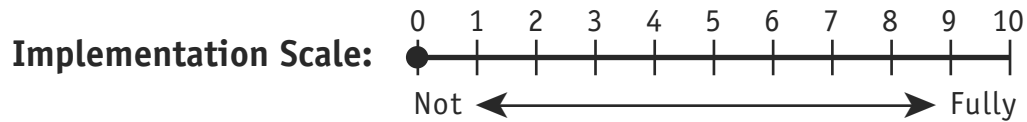
the year-to-date expenditures and budget projections for the rest of the year. The district cannot afford to overexpend in any budget area by several millions of dollars as it has in special education. Special education expenditures need to be controlled, and potential problems identified and addressed as early as possible.

5. Focus the new budget staff's efforts on implementing this professional standard.

Standard Implemented: Not Implemented

January 2000 Rating: 0

September 2003 Rating: 0



8.3 Budget Monitoring – Budget Revision Procedures

Professional Standard

Budget revisions are made on a regular basis, occur per established procedures, and are approved by the board.

Progress on Implementing the Recommendations of the Recovery Plan

1. The Assessment and Recovery Plan of January 2000 had no recommendations and recovery steps for the district on this standard because the district processed budget revisions on an as-needed basis, minimally at the time of state budget adoption, and during the first and second interim reporting periods. All budget revisions were taken to the board for approval.

However, the best practice for a district the size and complexity of Oakland Unified is to revise the budget at least monthly. With the large number of restricted funds and fluctuations in state funding and enrollment, a monthly review and revision is warranted.

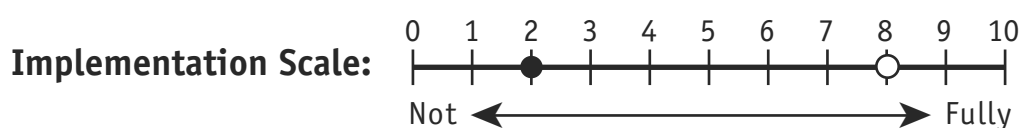
2. Board minutes show that routine actions were taken to approve budget revisions; however, these actions were taken on inaccurate information provided by the Business Division. The budget numbers were presented without the accurate year-to-date actual revenue and expenditure information. This resulted in budget revisions being approved by the board that were not a true reflection of the district's financial status.

Recommendations and Recovery Steps

1. Revise the budget each year at the statutorily required dates. In addition, it is recommended that the district revise its budget more often, possibly monthly, to ensure that the budget accurately reflects the district's financial position.
2. Promote coordination between the accounting and budget staff to ensure that budget revisions include accurate year-to-date actual revenues and expenditures to ensure the board's decisions are based on correct information.

Standard Implemented: Partially

January 2000 Rating: 8
September 2003 Rating: 2



8.4 Budget Monitoring – Position Control

Professional Standard

The district uses an effective position control system, which tracks personnel allocations and expenditures. The position control system effectively establishes checks and balances between personnel decisions and budgeted appropriations.

Progress on Implementing the Recommendations of the Recovery Plan

1. The district did not implement the prior recommendation to move the position control function from the personnel office to the budget office.
2. The district did not implement the prior recommendation to have personnel action forms (PAF) reviewed by the budget office to verify the completeness and accuracy of the form, particularly related to account coding and funding availability. The PAF is used for modifying positions and the Employee Action Form (EAF) is used for the corresponding employee change. The two forms flow through district departments independently and are often out of synchronization.
3. The district did not implement the two prior recommendations and, therefore, the third recommendation is not applicable.
4. The district to date has not implemented integrated personnel/position control and budget/financial systems.

The district is in the process of implementing the personnel/position control module of the Bi-Tech IFAS system. The implementation of this module will provide the district with an integrated system, and should strengthen budget development and monitoring, as well as personnel management and position control. However, the module will not be implemented until January 2004, at the earliest. Therefore, to date, no functional change has taken place regarding how the district manages the position control function. An evaluation of the effects of the new personnel/position control module will be made after implementation.

5. The district did not implement the prior recommendation to assign unique position control numbers to each position to improve the tracking and monitoring of positions and FTEs.
6. The district did not implement the prior recommendation to modify its existing personnel/position control system to adequately reflect salaries budgeted for and charged to positions that are closed during the year.
7. During the year, the budget office does not consistently track changes in FTEs or reconcile variances between the human resources system and budget system. This offline tracking/reconciling process is necessary as the budget and personnel systems are not integrated.

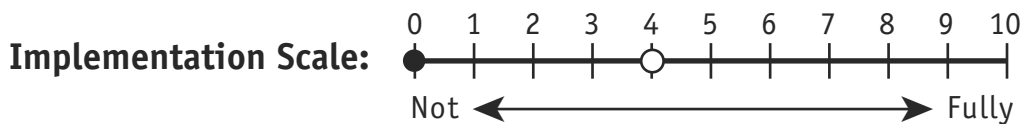
8. When the district fills an existing position, the budget office is not involved in the process. The new employee's pay scale may be higher than the budgeted amount for the previous employee, yet the budget office would be unaware of this. A new budget projection is not run, and the district does not know if it is going to exceed the budgeted amount. As a result, while FTEs may be valid, the bottom-line dollar amount could change.

Recommendations to Address

1. Re-emphasize the implementation of the Bi-Tech IFAS personnel/position control module as the district's highest priority in this area. This will integrate the personnel/position control system with the budget/financial system and provide for more accurate budget development and better monitoring and control of positions, FTEs, and, ultimately, personnel costs.
2. Assign the position control function solely to the budget office. All personnel transactions related to a position should be processed through the budget office first, in order to ensure both the availability of a position and the adequacy of funding. In the current personnel system, the function should be moved from the personnel office to the budget office. Also, when the new Bi-Tech personnel/position control module is implemented, the position control function should be established as a budget office function and not a personnel office function. The district should consider consolidating the PAF and EAF into one form. The district provided a draft copy of such a consolidated form.
3. Transfer the responsibility for verifying the completeness and accuracy of PAFs in the current personnel/position control system from the personnel office to the budget office. Account coding essentially is a budget function. The new personnel/position control system should also be structured so that this function rests in the budget office.
4. Until the new personnel/position control system is implemented, modify the current system to ensure that it accurately reflects budgeted amounts, even if positions are eliminated during the year.
5. In implementing the new personnel/position control system, carefully verify/validate that the current system data that is being transferred is accurate concerning items such as the number of authorized, filled, and available positions and account coding.

Standard Implemented: Not Implemented

January 2000 Rating: 4
 September 2003 Rating: 0



9.2 Budget Communications – Identification of Onetime versus Ongoing Revenues and Expenditures

Professional Standard

Clearly identify onetime source and use of funds.

Progress on Implementing the Recommendations of the Recovery Plan

1. The district did not implement the prior recommendation to establish a formal process to identify onetime revenues and expenditures to be included/excluded from the budget.

The district still does not have a formal process for identifying the onetime revenues and expenditure to be included/excluded from the budget.

The budget office and categorical program office are both responsible for reviewing prior-year budget for onetime items; revenues and expenditures. However, each office's responsibility is not defined, and there are no details on how to identify the onetime items. Further, to the extent that the prior-year budget did not adequately identify/document the onetime items included, it is questionable that those items will be correctly revised in the current budget.

The budget department and categorical program office are also both responsible for reviewing current budget information to identify new onetime items to be added to the current-year budget. Again, this process is not documented formally, the responsibilities are not clearly defined and assigned to the departments or staff (budget and categorical). Formal budget worksheets provide documentation that this review was performed.

There is no assurance, therefore, that this analysis is performed. Neither the formal budget document nor supporting information clearly delineate that this process has been comprehensively performed and the budget properly adjusted for the onetime items.

Recommendations to Address

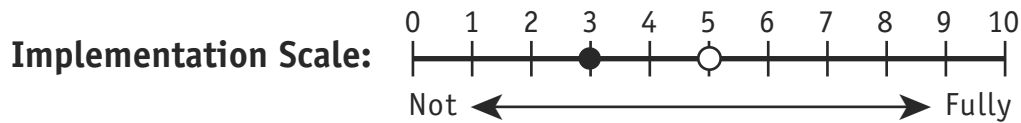
1. Formalize the actual process for identifying and adjusting the budget for onetime revenues and expenditures. The procedures should specify the department and position that is responsible for performing this function, as well as the sources for the necessary information.

In addition, the procedures should address the participation of other departments, such as the categorical programs office, which must be aware of the procedures and its role in the process.

2. Document the process performed and onetime items identified (added/deleted) in the information supporting the budget. This would provide a way to verify that the process was performed and how the items were identified, both the actual onetime items and the related amounts.
3. Ensure that the budget document identifies the onetime items (revenues and expenditures) that were added or deleted in the current budget. These items can be identified globally in a discussion of the basic budget assumptions or in the discussion of the various department/program budgets.

Standard Implemented: Partially

January 2000 Rating: 5
 September 2003 Rating: 3



11.1 Attendance Accounting – Accuracy of Attendance Accounting System

Professional Standard

An accurate record of daily enrollment and attendance is maintained at the sites and reconciled monthly.

Progress on Implementing the Recommendations of the Recovery Plan

1. The district implemented a process to centrally monitor unscanned attendance reports, as previously recommended.

Prior to the 2002-03 fiscal year, the district did not have any effective central monitoring of unscanned attendance rosters, nor did the district centrally run the Unscanned Attendance Roster Reports as recommended in the prior assessment. As a result, the district continued to have problems with the accurate and timely reporting of attendance and ADA.

Beginning in 2002-03, the district made site principals responsible for their staff's timely completion and scanning of attendance rosters. To that end, the district requires all principals to run and sign an Unscanned Attendance Roster Report every two weeks (the SASI Scantron recording cycle), identifying the number of unscanned reports by teacher. This report is forwarded to the principal's Executive Director and, in essence, acknowledges responsibility for any problems at the site. Based on information provided by the Technology Department, this process appears to have reduced the number of unscanned reports districtwide.

2. The district is in the process of implementing the previous recommendation to improve its absence-verification process.

The absence-verification process continues to use an automated calling system that leaves parents a message that their child was absent, but it has a low utilization rate of approximately 20 percent. For the 2003-04 year, sites are required to have a person from the school site contact the parent/guardian on the day a student is absent. However, any evaluation of the program's effectiveness cannot be made until sometime during or after the 2003-04 school year.

3. The district did not implement the prior recommendation to develop a reporting mechanism to identify independent study absences of less than five days to prevent the inadvertent claiming of apportionment.
4. Prior to 2003-04, generally, any parent-approved absence was considered excused for compulsory education in spite of Education Code provisions that clearly delineate justifiable reasons for excused versus unexcused absences. In the current year, the district is making efforts to inform parents as to what constitutes an excused versus unexcused absence.

5. The district uses SASI III for student enrollment and attendance recording and reporting. This Scantron-based system is an older version of the software, is DOS-based, and is not SQL compliant. The vendor essentially no longer supports this version of the software. As such, all maintenance and support functions are the responsibility of the Technology Department.

The district has expanded the number of sites to 100, but SASI III is unable to handle more than 99 sites. Therefore, for recording purposes, several sites have to be combined and then the Technology Department must disaggregate the data so that accurate site information can be recorded and reported. This increases the chance of reporting errors. In addition, the disaggregation function is handled by one staff member, which puts the district in a tenuous position for recording and reporting attendance data if this staff member is not available.

This older version of SASI is only able to store six weeks of data. If attendance information from individual teachers is not scanned timely, either because it was not turned in or because of an error by the attendance clerk, the Technology Department must be contacted to restore the data so the correction can be made. Again, this increases the cost of operating the system, the likelihood of errors, and may decrease the likelihood that staff members will find the errors.

6. Through 2002-03, training for the site staff regarding the SASI III program and attendance laws and regulations has not been formalized. There is no formal SASI training plan in which staff training is scheduled annually. Training in these areas was essentially provided by the Technology Department on an informal or ad hoc basis. Essentially, training was provided only when formally requested. Rather, information was provided to staff through questions submitted to the Technology Department's help desk. Further, most training provided was basic, mostly appropriate for elementary schools, and not really geared to the additional functions/requirements of secondary schools.

For 2003-04, it appears that the district may be moving to a more formalized training process for attendance accounting in which training would be coordinated between the Technology Department and the Student, Family, and Community Services Division. However, it is too early to determine the extent, adequacy, and effectiveness of this potential training.

7. The enrollment process also is automated. New enrollees are added to the attendance lists by teachers, and the list is generated every other week. Teachers manually add the pupil's name to their rosters until the new list is generated by the system.

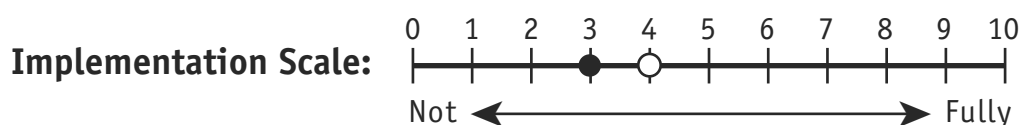
It does not appear that there is a good process to cross-check enrollment to attendance, particularly early in the school year. That is, enrollment monitoring, attendance monitoring, and staffing are not coordinated. Therefore, if students are enrolled, but don't actually attend class, staffing may be based on an erroneously higher number. This could contribute to the district having more staff than it needs and increased salary and benefit expenditures.

Recommendations to Address

1. Evaluate the possibility of implementing a new student attendance information system. Clearly, with the district's current financial situation, large-scale capital expenditures will be difficult. However, because student attendance/ADA is the district's primary source of operating revenue, it is imperative that this information be recorded accurately and timely.
2. Implement a more formal and comprehensive training process for the site staff regarding attendance laws, regulations, requirements, and procedures. In addition, the training should enable the site staff to correctly utilize the SASI system and hardware.
3. Establish an evaluation component for principals and teachers related to the accurate and timely completion and submission of attendance reports. These functions are a basic part of their responsibilities and must be successfully completed.
4. Continue the monitoring process for the Unscanned Attendance Roster Reports for the prior period, i.e., the second prior week, to ensure that all sites have scanned the sheets. Follow up with sites that have outstanding attendance rosters.
5. Continue implementing the system that designates a person at each site to verify student absences with the parent/guardian on the same day. Additionally, the district should vigorously pursue its positive student attendance initiative, and place particular emphasis on students with excessive excused and unexcused absences. The district also needs to stress to both parents and the site staff the difference between a parent-approved absence that is excused, by Education Code and board policy definitions, and one that is unexcused and subject to compulsory education legal actions. After the 2003-04 school year, the district should evaluate all aspects of its attendance to determine whether the initiative sufficiently increased attendance and revenues to justify continuing the expenditures associated with this program.
6. Develop attendance reports to identify independent study absences of less than five consecutive school days to ensure no apportionment is inadvertently claimed.
7. Ensure that all attendance hardware, including scanners, is operative. Equipment failures result in late and inaccurate attendance reporting.

Standard Implemented: Partially

January 2000 Rating: 4
September 2003 Rating: 3



12.2 Accounting, Purchasing and Warehousing – Accounting Procedures, Timely and Accurate Recording of Transactions

Professional Standard

The district should timely and accurately record all information regarding financial activity for all programs (unrestricted and restricted). Generally Accepted Accounting Principles (GAAP) requires that in order for financial reporting to serve the needs of the users, it must be reliable and timely. Therefore, the timely and accurate recording of the underlying transactions (revenue and expenditures) is an essential function of the district's financial management.

Progress on Implementing the Recommendations of the Recovery Plan

1. At the time of the initial report in January 2000, the district had substantially implemented this standard. The district was submitting state-required financial reports to the county office in a timely manner. In addition, the reports were properly certified by district officials. The day-to-day accounting functions were also undertaken in a timely manner.

As of this September 2003 review, this professional standard is now not being met at all. For the 2001-02 fiscal year, the unaudited actuals were not completed until November 2002, almost three months late. In addition, the district staff in place at the time did not have the knowledge or skills to properly close the books and had to rely on outside consultants. As of the date of this review, the external auditors have yet to produce a 2001-02 audit report of the district's financial condition that is required by the December after the end of the fiscal year. The audit report is more than nine months late.

Adding to the lack of timeliness in closing the books is the fact that the year-end closing process was not even started until the month of July, and there was no evidence that a year-end closing checklist was followed. This process is typically started two to three months earlier and a year-end closing checklist is followed closely.

The day-to-day accounting functions have not been performed in a timely fashion, including accounts receivable, accounts payable, purchasing, and warehouse. This untimely processing of routine accounting transactions and the lack of balancing general ledger accounts on a monthly basis greatly hampered the closing of the books. The district's practice was to balance general ledger accounts at year end as opposed to monthly.

The district has recently reorganized the Accounting Department. Accounting employees have been reassigned and or terminated to align job skills to specific accounting functions. In addition, there has been a recent change in leadership in the Accounting Department in an effort to create systems, both manual and automated that will minimize mistakes, maximize productivity, and allow processes to produce good products with less manual intervention.

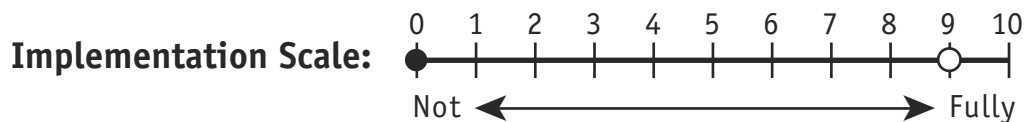
Recommendations to Address

1. Initiate a complete reorganization of positions and employees in the Accounting Department in order to meet this professional standard. Financial systems allow districts to determine program costs, allocate resources, and avoid fiscal surprises. They should provide good internal control and efficiency of operations.
2. Implement processes and procedures to ensure that the general ledger accounts of all funds are balanced monthly. In addition, accounts receivable and accounts payable should be processed in a more timely fashion. This will require close supervision and may require additional staff training.
3. Begin the year-end closing process before the end of the year and follow a detailed year-end closing checklist to ensure that all tasks are completed and in the correct order.

The district is in the process of closing the books for 2002-03. The review team's visit in February 2004 will assess any improvements in the process.

Standard Implemented: Not Implemented

January 2000 Rating: 9
September 2003 Rating: 0



12.3 Accounting, Purchasing and Warehousing – Accounting Procedures: Cash

Professional Standard

The district should forecast its revenue and expenditures and verify those projections on a monthly basis in order to adequately manage its cash. In addition, the district should reconcile its cash to bank statements and reports from the county treasurer on a monthly basis. Standard accounting practice dictates that, in order to ensure that all cash receipts are deposited timely and recorded properly, cash be reconciled to bank statements on a monthly basis.

Progress on Implementing the Recommendations of the Recovery Plan

1. The recommendation that the district carefully monitor its cash flow, given the low reserve maintained by the district, has not been implemented.

In the January 2000 initial report, the district had partially implemented this professional standard. The district prepared a monthly cash flow projection related to revenue and expenditures to manage its cash flow. Cash, along with the other general ledger accounts, was reconciled monthly. Cash reconciliations were handled monthly for all accounts, including the county, cafeteria, clearing account, child care (the food program portion), and self-insurance. In addition, the cash reconciliations for the Associated Student Body funds were reviewed at the district office level.

Since the January 2000 report, the district's implementation of this standard has eroded. Monthly cash reconciliations are no longer being performed. Cash flow projections have become sporadic and, despite their forecasting of cash shortages, little or no action was taken. In fact, it was not known by district top management that there was insufficient cash in the general fund to pay back the Tax Revenue Anticipation Notes (TRANS) that were issued in the 2001-02 fiscal year. The TRAN was paid out of a construction fund. Several of the other funds in the district have had negative cash balances.

In order to properly balance cash, the district needs cash reports from the county office. There was a backlog of a few months of these reports that the district has yet to receive from the county office.

2. The recommendation that the district include all anticipated expenditures in the cash projections has not been implemented.

Most districts, when they project cash flow, base it partly on historical cash receipt and disbursement patterns and what they know about current year budgets and external factors like interest rates, state appropriations, etc. Oakland Unified relied on budgeted expenditures that were unrealistic. Because budgeted amounts were unrealistically low for the actual expenditures that occurred, it gave Oakland an overly optimistic cash flow forecast. Routine analysis should have revealed to district management that year-to-date actuals for cash disbursements was much higher than projected and that an adjustment to the forecasting assumptions was needed.

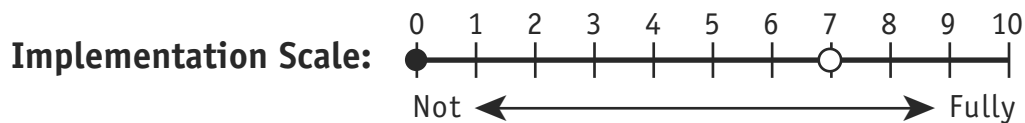
Cash reconciliation and forecasting duties have been reassigned recently to individuals who appear to have a good understanding of cash processes and forecasting techniques.

Recommendations to Address

1. Perform continued monitoring, reconciling, and forecasting of cash needs. These are critical to maintain fiscal solvency. The professional standard for the careful monitoring of cash is especially critical given the district's poor financial condition. The district has recently taken the right first step by reassigning the cash reconciliation and forecasting duties to knowledgeable employees with skills in cash management.
2. Build all anticipated expenditures into the projection assumptions.

Standard Implemented: Not Implemented

January 2000 Rating: 7
September 2003 Rating: 0



12.4 Accounting, Purchasing and Warehousing – Accounting Procedures: Payroll

Professional Standard

The district's payroll procedures should be in compliance with the requirements established by the Alameda County Office of Education, unless fiscally independent (Education Code Section 42646). Standard accounting practice dictates that the district implement procedures to ensure the timely and accurate processing of payroll.

Progress on Implementing the Recommendations of the Recovery Plan

1. The recommendation that the school sites and departments be held accountable for turning in accurate and timely payroll and absence reports has not been implemented. In addition, the recommendation that the district consider withholding the administrator's paycheck if these reports are not submitted in a timely fashion has not been implemented. The untimely submission of payroll timesheets is still a major cause for payroll errors and the need for manual warrants in the district.
2. The strengthening of controls concerning overtime use has not been completely implemented. Budgetary controls and monitoring on a department-by-department basis has been weak, as evidenced by overtime budget cost overruns and published reports of fraud relating to overtime for custodians this past year.
3. The recommendation to acquire an automated timekeeping system to improve efficiency and internal controls has not been fully implemented, but is in process. The district is in the process of converting human resources and payroll onto a new fully integrated payroll/personnel/finance system called IFAS. Finance has already been converted, with an expected conversion date for payroll/personnel of January 2004.
4. The district has not established automated controls over the substitute payroll system by ensuring all substitute timesheets are matched to leave records and using the automated substitute-calling system. The district has an automated substitute calling system used by several large districts throughout the state; however, there is no computer interface between it and the payroll/human resources system.

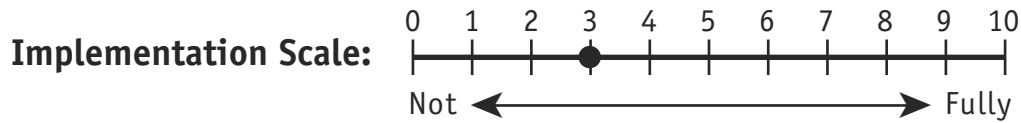
Recommendations to Address

1. Correct the untimely submission of payroll timesheets and leave forms. Incomplete and untimely payroll forms are typically the primary cause of payroll errors in school districts. Usually, incomplete and untimely payroll forms can be traced to the same work sites month after month. Incomplete and untimely payroll forms should be tracked over a period of time to identify the problem work sites. Then district leadership needs to hold those site leaders accountable. Without consequences for those site leaders, poorly prepared timesheets and payroll forms will continue to be a major cause of payroll errors.

2. Properly approve and monitor all employee overtime to ensure that the cost remains within budget and that all time claimed is legitimate. A recent reorganization of the Fiscal Department, including both positions and employees, has occurred. In the past, site and department budgets were not adequately monitored to detect overtime abuse. The upcoming 2003-04 fiscal year will be the first where this monitoring process will be in place for an entire year.
3. Continue to transition to the IFAS Payroll/Human Resources package.
4. Consider interfacing the automated substitute calling system with the payroll/human resources system once the conversion to IFAS is complete. An interface can result in increased efficiencies and reduction of errors. If the two systems can interface, they will automatically pay substitutes, update employee's leave balances, and dock employee's pay as necessary. In addition, the district would be able to reconcile substitute time and pay to the central office system to ensure that only authorized transactions are processed. Using an event number on the substitute calling system would ensure that categorical budgets are charged for substitute pay only when authorized. The district would also be able to reconcile employees' leave time to the substitute pay event.

Standard Implemented: Partially

January 2000 Rating: 3
 September 2003 Rating: 3



12.5 Accounting, Purchasing and Warehousing – Accounting Procedures, Supervision of Accounting

Professional Standard

Standard accounting practice dictates that the accounting work should be properly supervised and work reviewed in order to ensure that transactions are recorded timely and accurately, and allow the preparation of periodic financial statements.

Progress on Implementing the Recommendations of the Recovery Plan

1. There were no recommendations for this standard in the January 2000 report. For this professional standard, the district was rated as substantially implemented. Since January 2000, the implementation status of this professional standard has severely eroded. In fact, this follow-up review has revealed that supervision over accounting processes and transactions has been almost nonexistent the last couple of years. Formerly timely processed transactions are now delinquent, monthly balancing of accounts has stopped and is only performed at year end, and the process of closing the books has become a protracted, cumbersome process with no supervision. The district had a formal organizational structure with working supervisors assigned to each major accounting area. The responsibility of the supervisor includes verification of account reconciliations, adherence to district accounting procedures, and preparation of timely financial reports; however, in practice, none of this supervision occurred.

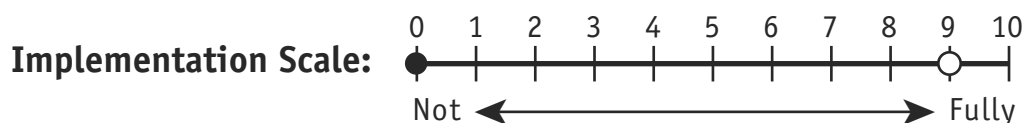
The accounting supervisors in place during the erosion of this professional standard no longer work for the district. New employees with significant school district accounting and management experience have been hired with instructions from senior fiscal management to institute policies and procedures that ensure that accounting processes and transactions are appropriately supervised.

Recommendations to Address

1. Assign the new supervisory staff in the Accounting Department to implement policies, procedures, and other internal controls to ensure that the proper checks and balances are in place so that accounting transactions and processes are timely and appropriate. The reorganization and replacement of supervisory employees is a good first step.

Standard Implemented: Not Implemented

January 2000 Rating: 9
September 2003 Rating: 0



12.6 Accounting, Purchasing, and Warehousing – Accounting Procedures, Categorical, and Program Accounting

Professional Standard

Federal and state categorical programs, either through specific program requirements or through general cost principles such as OMB Circular A-87, require that entities receiving such funds must have an adequate system to account for those revenues and related expenditures.

Progress on Implementing the Recommendations of the Recovery Plan

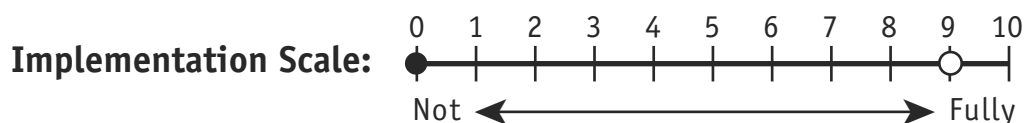
1. The January 2000 report found that this professional standard was substantially implemented. Compliance with this professional standard has severely eroded since that time. During the closing of the books for the 2001-02 fiscal year, many award letters for the categorical funds could not be located to verify budgeted revenue amounts. In addition, the district has a practice of overutilizing journal voucher entries instead of having transactions follow through the normal operating processes. For instance, if funding for a specific categorical program has not been received, but the program manager wants to make an expenditure, he or she will spend it out of another categorical program. When funds are later received for the original program, the loan is handled by transferring the expenditure via a journal voucher. Categorical budgets and files were in such disorder that much more time was needed to close the books in 2001-02.
2. Review of the district's latest CAT Form revealed that the district has substantial carryover balances, many of which are past the expiration date of the grant, thus requiring repayment to the grantor.

Recommendations to Address

1. Route all grants and award letters through the budget office. Grant letters and award letters need to be maintained in one central location and available for review by the budget office. The practice of loaning money between categorical programs should be stopped.
2. Assign the office of state and federal programs and the budget office to analyze restricted general fund categorical programs routinely to ensure that funds are spent within the time lines required by the grant.

Standard Implemented: Not Implemented

January 2000 Rating: 9
September 2003 Rating: 0



12.7 Accounting, Purchasing and Warehousing – Accounting Procedures, Year-End Closing

Professional Standard

Generally accepted accounting practices dictate that, in order to ensure accurate recording of transactions, the district should have standard procedures for closing its books at fiscal year-end. The district's year-end closing procedures should be in compliance with the procedures and requirements established by the Alameda County Office of Education.

Progress on Implementing the Recommendations of the Recovery Plan

1. The district did not implement the previous recommendation that the year-end closing procedures commence in April or May. For fiscal year 2001-02, the last year that the unaudited actuals were completed as of the review date, the year-end closing process was started in July 2002 instead of the recommended April or May. As a result, the district did not meet its statutory deadline of having the unaudited actuals completed and delivered to the county office by September 15. The closing of the books was completed in November 2002, approximately two months late. The late closing of the books and several other factors have resulted in the district not having a final independent audit report for the 2001-02 fiscal year.
2. The district did not implement the recommendation to establish specific deadlines and tasks to be met for year-end closing. However, the recommendation that each position involved in the year-end closing process be held accountable has now been implemented. The individuals who had supervisory roles in the accounting and budget areas that dealt with the year-end closing process are no longer with the district and have been replaced with individuals with extensive school accounting experience.
3. The district did not implement the recommendation to establish a communication system between budget, accounting, and individual program departments to maintain a more accurate budget, especially in areas that encroach on the unrestricted funds.

The January 2000 report indicated an unanticipated increase in special education encroachment of more than \$4 million. The district explained that the increase was unanticipated because of a lack of communication between departments. In the closing of the 2001-02 books, there was another unanticipated increase in encroachment of more than \$10 million that is noted in this review. Again, lack of communication between departments was blamed.

Recommendations to Address

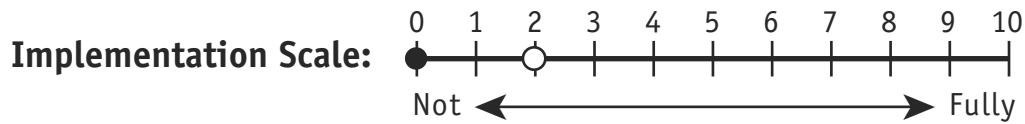
1. Commence discussions about year-end closing procedures in April or May.
2. Establish specific deadlines and tasks to be met, and hold accountable each position involved in the year-end closing process.

3. Establish a communication system between budget, accounting, and individual program departments to maintain a more accurate budget, especially in areas that encroach on the unrestricted funds.

The district has recently undergone a complete reorganization of its fiscal functions, including budget and accounting, to promote better communications in the year-end closing process. By the team's next follow-up review in February 2004, the closing process under the new organization will be able to be evaluated.

Standard Implemented: Not Implemented

January 2000 Rating: 2
September 2003 Rating: 0



12.8 Accounting, Purchasing, and Warehousing – Accounting Procedures, Purchasing, and Warehousing

Professional Standard

The district should comply with the bidding requirements of Public Contract Code Section 20111. Standard accounting practice dictates that the district have adequate purchasing and warehousing procedures to ensure that only properly authorized purchases are made, that authorized purchases are made consistent with district policies and management direction, that inventories are safeguarded, and that purchases and inventories are timely and accurately recorded.

Progress on Implementing the Recommendations of the Recovery Plan

1. The district has not conducted the recommended internal audit of bidding practices to ensure that project managers are not splitting the project requisitions in an attempt to avoid formal bid requirements.
2. The district has not implemented strict new policies to pay personal reimbursement (except for preauthorized requests).
3. Travel and conference expenses are not estimated by the employee nor does the district encumber an amount for budgetary control.
4. The district has not implemented the recommendation to make greater use of piggy-back bid arrangements when there is a high likelihood that the cost of the product will be the same or less than if the district initiated the formal bid process. Piggyback bids save the district money by avoiding formal in-house bid procedures. By consolidating the purchases with other districts, better overall prices can be obtained.
5. The district has a practice of electronically indicating in the financial system that items have been received even though the items have not been physically received. This happens routinely at year end when sites and departments are trying to spend all of their money. The practice results in an expenditure being charged to the current year even though the items are received the subsequent year. This practice is in violation of the Governmental Accounting Standards Board (GASB) guidelines.

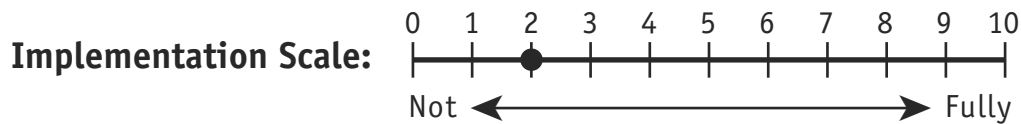
Recommendations to Address

1. Conduct an internal audit of bidding practices to ensure that project managers are not splitting the project requisitions in an attempt to avoid formal bid requirements. Based on the results of the audit, provide instruction and training to project managers on bid requirements and follow up to ensure ongoing compliance.
2. Implement strict policies to prevent the paying of personal reimbursement (except for preauthorized requests). Vendors should also be told that unless the district employee is authorized on a purchase order, no payment for goods will be made.

3. When authorizing travel and conferences, require the employee to estimate reimbursable expenses based on per-diem rates and encumber an amount for budgetary control.
4. Make greater use of piggyback bid arrangements when there is a high likelihood that the cost of the product will be the same or less than if the district initiated the formal bid process. Piggyback bids save the district money by avoiding formal in-house bid procedures. By consolidating the purchases with other districts, better overall prices can be obtained.
5. Immediately cease the practice of electronically indicating in the financial system that items have been received even though they have not been received. Items received by the district need to be accounted for in the appropriate fiscal year.

Standard Implemented: Partially

January 2000 Rating: 2
 September 2003 Rating: 2



12.10 Accounting, Purchasing and Warehousing – System Controls to Prevent and Detect Errors and Irregularities

Professional Standard

The accounting system should have an appropriate level of controls to prevent and detect errors and irregularities.

Progress on Implementing the Recommendations of the Recovery Plan

1. The district did not implement the prior recommendation to periodically review the vendor invoices processed without a purchase order for appropriateness.
2. There is no evidence that the district implemented the recommendation to have an independent review of the warrant listing, with a sample being selected for detailed review for appropriateness and completeness.

The overall control environment in the area of finance is weak. From position control to accounting to budgeting and to purchasing, the district lacks adequate controls. Some areas have good automated controls, but lack management supervision. Other areas with adequate supervision lack automated controls. These weaknesses are outlined in great detail throughout this report.

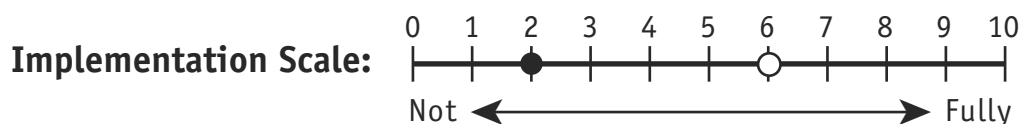
There has been a recent leadership change in the accounts payable section of the Accounting Department. The primary task given to the manager of the department is to institute a control environment that detects and prevents errors and irregularities in the processing of accounts payable.

Recommendations to Address

1. Periodically review the invoices processed without a purchase order for appropriateness. Identify these invoices by running a custom report of invoices paid on nonstandard purchase order number references.
2. During the manager's review of the warrant listing, pick a sample of invoices and review the backup for appropriateness and completeness.

Standard Implemented: Partially

January 2000 Rating: 6
September 2003 Rating: 2



14.2 Multiyear Financial Projections – Projection of Revenues, Expenditures, and Fund Balances

Professional Standard

The district annually provides a multiyear revenue and expenditure projection for all funds of the district. Projected fund balance reserves should be disclosed [EC 42131]. The assumptions for revenues and expenditures should be reasonable and supportable.

Progress on Implementing the Recommendations of the Recovery Plan

1. The district did not implement the prior recommendation to perform multiyear projections for all funds and still only projects the general fund. As a result, both the cafeteria and child development funds required large contributions from the general fund to cover their deficit spending and negative fund balances.
2. The district also did not implement the previous recommendation to prepare projections at a detailed program/resource and object/sub-object level and clearly document the assumptions used.

Many accounts are projected at the prior-year level, again without explanation. In sum, the projections appear to be prepared at a very high level and lack refinement. This makes the projections inherently less accurate and less useful for management planning and fiscal assessment.

3. In addition, the district has not effectively monitored its actual expenditures during the course of its fiscal year against budgeted amounts. Therefore, the district's interim projections for year-end balances have been inaccurate. To the extent that projected year-end balances are materially inaccurate, the district's multiyear projections have been similarly inaccurate. The lack of budgetary control and the inaccuracy of the projections is evidenced by the district's large unanticipated budget deficits in 2001-02 and 2002-03.

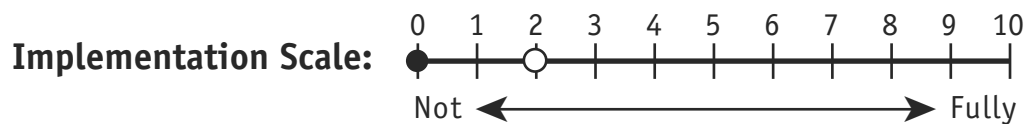
Recommendations to Address

1. Complete projections for all major funds in order to provide a more complete picture of the district's fiscal status. These projections should then be used as a management tool in planning the operations and required budget allocations for expected service levels for the various programs the district operates. The projections should also be used to identify potential fiscal issues and crafting appropriate responses.
2. Build greater precision into the multiyear financial projections by specifically defining the assumptions used to project each program/resource and object/sub-object code category of revenues and expenditures. The assumptions should be determined using information obtained from the budget, finance, categorical, and transportation offices. The resultant assumptions should be described in an attachment to the projections.

3. Improve financial management practices in order to improve the accuracy of district projections. Specifically:
 - Complete implementation of the new personnel system. This system, which integrates the personnel/position control functions with the budget/financial systems, should then be utilized to manage and control personnel and the related salary and benefit costs. Until the district can accurately identify positions, FTEs, funding sources, and the related salary and benefits, it will have difficulty monitoring and controlling these costs. The integrated systems should then be used to project salary and benefit costs based on the specific situations that the district anticipates.
 - Supervise the accounting and budget functions so that transactions are recorded and reported timely. This ensures the accuracy of budget and financial information so that the administration can actively monitor and manage its financial situation. This will allow the district to more accurately project year-end balances and provide the basis for better multiyear projections.

Standard Implemented: Not Implemented

January 2000 Rating: 2
 September 2003 Rating: 0



14.3 Multiyear Financial Projections – Use of Projections in Planning and Decision Making

Professional Standard

Multiyear financial projections should be prepared for use in the decision-making process, especially whenever a significant multiyear expenditure commitment is contemplated. [EC 42142]

Progress on Implementing the Recommendations of the Recovery Plan

1. The district did not implement the previous recommendation to use multiyear projections as a management tool in the decision-making process.

The district still does not appear to use projections as decision-making tools when contemplating major fiscal decisions, such as negotiating labor settlements, opening or closing sites, implementing or terminating a program, hiring or laying off staff. The cost of some major decisions, such as implementing collective bargaining agreements, are quantified on a current basis, but are not computed or evaluated in the broad context of a multiyear financial plan. For other items, such as opening or closing sites, it does not appear that any multiyear evaluation is completed. In addition, when multiyear projections were actually completed, the forecast of deficit spending and large negative ending fund balances was ignored by management.

In general, the district prepares multiyear financial projections only three times a year, at budget adoption and each of the two interim reporting periods.

2. The district's projections of its financial position within fiscal years and for subsequent years, as made in its budget and interim reports, have not been accurate or reliable. The district was not able to identify the large deficits that occurred in 2001-02 and 2002-03, nor use projection information to develop a plan to address its budget problems.

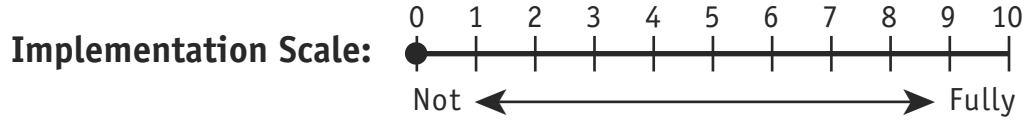
Recommendations to Address

1. Utilize multiyear financial projections to determine the projected fiscal impact on the district's budget any time the district evaluates a significant operational decision that has material financial effects. Only after the current-year and multiyear impacts have been identified and evaluated should the district proceed in making a final decision.
2. Minimally, implement a process to develop accurate multiyear projections at regular reporting periods (budget adoption and the interim reporting periods). All material assumptions used in developing the multiyear projection should be documented. In addition, the projections should include all funds and cover a minimum of three years. However, given the large loan repayment obligation that it has, the district should consider doing five-year projections to ensure that it can meet its repayment schedule and still fund its ongoing operations.

- Use the information gleaned from reasonable projections of the district's current-year and multiyear position to identify potential financial problems and provide the basis for developing plans to address the fiscal issues in both a current-year and multiyear context.

Standard Implemented: Not Implemented

January 2000 Rating: 0
September 2003 Rating: 0



16.1 Multiyear Impact of Collective Bargaining Agreements – Measurement and Evaluation of Agreement Implementation Costs and Assurance of Notice to the Public

Professional Standard

The State Administrator/Governing Board must ensure that any guideline that they develop for collective bargaining is fiscally aligned with the instructional and fiscal goals on a multiyear basis. The State Administrator/Governing Board must ensure that the district has a formal process where collective bargaining multiyear costs are identified and expenditure changes/reductions are identified and implemented as necessary prior to any imposition of new collective bargaining obligations. The State Administrator/Governing Board must ensure that there is a validation of the costs and the projected district revenues and expenditures on a multiyear basis so that the fiscal resources are sufficient to fund collective bargaining settlements on an ongoing basis.

The public should be informed about budget reductions that will be required for a bargaining agreement prior to any contract acceptance by the Governing Board. The public should be given an opportunity to comment.

Progress on Implementing the Recommendations of the Recovery Plan

Because the majority of the management team involved in the negotiations occurring at the time of the prior evaluation is no longer employed by the district, it is difficult to determine what occurred. However, the district was informed that, given its high percentage of expenditures for salaries and benefits, declining enrollment, weak fund balance, problems closing its books, and meeting its required reserves, it would need to make significant expenditure reductions to fund the significant salary increases being considered. Based on the limited available information:

1. It is unclear whether or to what extent the previous recommendation was implemented suggesting that the board, chief negotiator, and fiscal officer discuss in closed session the need for the unions to agree to concessions and expenditure reductions as part of the agreement to increase salaries and benefits. Regardless, sufficient expenditure reductions were not made to accommodate the negotiated salary increases.
2. It is unclear whether or to what extent the previous recommendation was implemented suggesting that a public information packet be developed to disseminate information regarding the current year and multiyear cost of salary increases negotiated and reductions that would need to be made to fund the salary increases.
3. The recommendation that expenditure reductions and/or contract flexibility be made a requirement of the items being negotiated with the unions, or that the district actively attempt to negotiate concessions and expenditure reductions from the employee unions was not implemented.
4. The previous recommendation that the board and district make significant expenditure reductions to fund the salary increases was not implemented.

5. It is unclear whether the prior recommendation was implemented suggesting that the fiscal officer and Superintendent provide written assurances as to whether the district could or could not afford the salary increases, whether expenditure reductions were needed, or whether specific expenditure reductions were proposed.
6. The settlements were ratified in open sessions of the Governing Board.
7. The prior Superintendent negotiated directly with the custodians' union and signed an agreement without involving the chief negotiator or Business Division.
8. Given that compensation was increased and expenditures were not reduced, it appears that the district did not make any multiyear cost analyses of its collective bargaining agreements, did not accurately analyze the data, or ignored the multiyear implications.
9. The current situation is:
 - The district still does not have formal policies and procedures regarding cost analysis of contract proposals submitted to the State Administrator/Board of Education by the various labor organizations within the district.
 - There is no evidence that multiyear projections are a part of the fiscal analysis provided to the State Administrator/Board of Education either in preparation for negotiations or in evaluating any proposed settlement.
 - The district has negotiated a 4 percent decrease in the teachers' salary schedule. Negotiations are ongoing with the other labor unions.

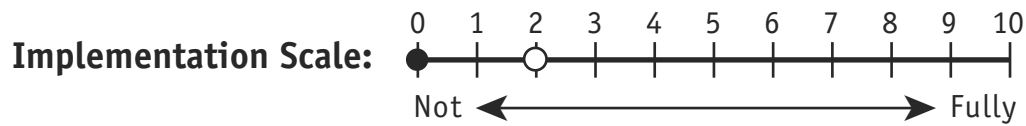
Recommendations to Address

1. Implement policies and procedures that require that potential bargaining positions be identified prior to the start of negotiations, and that all settlement items be analyzed by the budget and accounting offices to identify both current and ongoing costs and the effects on the district's financial position.
2. Involve the financial management staff in the negotiation process to ensure that fiscal issues are clearly delineated for the negotiator, State Administrator/Superintendent, and Governing Board.
3. Assign the budget and accounting offices to analyze any proposed settlements to ensure that the district can fund the obligations on both a current-year and ongoing basis.
4. Decline to agree to any proposed settlement that can be financed only by implementing offsetting expenditure reductions until the necessary reductions have been identified and adopted.
5. Decline to accept and ratify a settlement until the provisions of the agreement and an analysis of the financial impacts have been provided to the county office for review.

6. Concurrent with any final settlement, assign the district Chief Financial Officer to prepare and provide to the State Administrator/Governing Board in public session a multiyear projection that reflects revenues and expenditures that meet all requirements of the multiyear collective bargaining agreement.
7. Ensure that any labor-contract negotiations or agreements undertaken by the Superintendent involve the district's negotiating team.

Standard Implemented: Not Implemented

January 2000 Rating: 2
September 2003 Rating: 0



17.1 Management Information Systems – Planning and Fiscal Input

Professional Standard

There should be a process in place for fiscal input and planning of the district technology plan. The goals and objectives of the technology plan should be clearly defined. The plan should include both the administrative and instructional technology systems. There should be a summary of the costs of each objective and a financing plan should be in place.

Progress on Implementing the Recommendations of the Recovery Plan

1. The district did not implement the previous recommendation to adopt a comprehensive technology plan and actively manage technology initiatives and resources consistent with the plan.

The district has adopted several updated instructional technology plans that address many of the key elements, such as time line, funding sources, and responsibilities. However, the plans address only instructional technology. And while there are a few passing references to administrative technology, there is no plan articulated for administrative systems similar to that on the instructional side. This is particularly noteworthy given the district's recent implementation of a new financial system and the pending implementation of the related personnel/position control module.

2. The district did not implement the prior recommendation to incorporate or develop a separate technology plan for administrative technology.
3. The district did not implement the prior recommendation to establish formalized tracking and reporting plans for technology plans and projects.

While the instructional technology plan identifies activities to be accomplished within given years, it was not clear as to the level of tracking that goes on relative to identified tasks and milestones to be completed during any given year. Also, the technology plan does not provide information regarding goals/projects of the prior year, the status of those items (completed, in progress, cancelled, etc.), and how those items are reflected in the current plan. And again, there is no component related to administrative technology.

4. The district did not implement the prior recommendation to develop a comprehensive financing plan for technology projects, which includes sources of funding, amounts funded to date, remaining amounts to be funded, and cash flow projections.

The district's instructional technology plan does identify amounts by project area and year, and various potential funding sources. However, it does not provide specific amounts by source. Further, cash flow projections are not completed to estimate expenditures and funding, as well as amounts received and spent to date. Again, administrative technology is not addressed.

- The district partially complied with the prior recommendation regarding evaluating policy implications prior to the adoption of the technology plan.

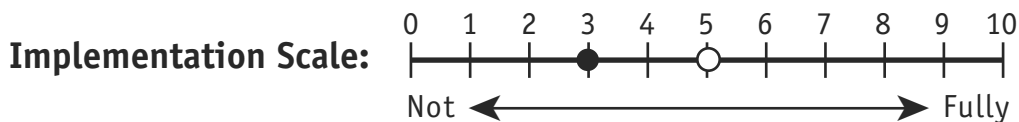
The district utilized a technology survey, received input from site teacher technologists, and had the plan reviewed by central office staff. However, community input was obtained only late in the process and it is not clear that the board ever formally adopted the plan. Further, the plan is an interim plan to be replaced after a comprehensive planning process is implemented in the fall of 2003. Therefore, it appears that significant effort was invested in an interim plan that may become obsolete almost immediately.

Recommendations to Address

- Revise the technology plan to include administrative technology, particularly related to personnel, finance, and student data. These technology areas are critical to the day-to-day administration of the district and appropriate planning and project tracking is essential. The lack of planning for administrative technology is particularly problematic given the difficult implementation of the budget/finance system and the pending implementation of the personnel/position control system.
- Develop a more formal tracking system to assess progress toward major goals. The results should be reported and the goals should be revised periodically.
- Adopt a formal financing plan. The existing technology plan includes estimates of the cost of attaining specific technology and estimates potential sources. However, it does not identify the amounts to be provided by the various funding sources each year or the underlying assumptions. Such a plan does not obligate the district to commit the funds. In fact, given the district's financial condition, unless significant amounts of categorical and grant funds are available, it is unlikely that the district will be able to allocate the amount desired. That is why a realistic financing plan should address total dollars required and the timing of the need for funds. Sources of funding should be identified and cash flow projections supporting the availability of funding should be prepared. Additionally, a mechanism for setting priorities must be devised in the likely event that funding is not sufficient to meet all needs.

Standard Implemented: Partially

January 2000 Rating: 5
September 2003 Rating: 3



17.3 Management Information Systems – Automation and Computerization of Financial Reports and Systems

Professional Standard

Automated systems should be used to improve accuracy, timeliness, and efficiency of financial and reporting systems. Needs assessments should be performed to determine what systems are candidates for automation, whether standard hardware and software systems are available to meet the need, and whether or not the district would benefit. Automated financial systems should provide accurate, timely, relevant information and should conform to all accounting standards. The systems should also be designed to serve all of the various users inside and outside the district. Employees should receive appropriate training and supervision in the operation of the systems. Appropriate internal controls should be instituted and reviewed periodically.

Progress on Implementing the Recommendations of the Recovery Plan

1. The district partially implemented the prior recommendation to finalize, fund, and implement plans to replace the existing administrative systems for personnel, finance, and student information.

The district implemented the Bi-Tech IFAS financial system. However, user training and complete utilization of the system tools is an ongoing process. In addition, the implementation of the personnel/position control module will not occur until sometime in 2004. In the interim, the district continues to operate with a standalone personnel system that is not integrated with the financial system. This is a significant management weakness, as control over salary expenses has been problematic for the district in the past.

The district is still using the SASI III student information system, which was in place at the time of the previous review, and does not currently have any plans to replace the system. The SASI III system is DOS-based, is not SQL compliant, can accommodate information for only 99 sites, while the district currently has more than 100, and has limited data storage capabilities. The system is so old that the vendor basically no longer supports it. As a result, the district Technology Department must invest significant staff time to support the system, and the likelihood of data errors is increased.

For example, since the system cannot accommodate information for more than 99 sites, the district must combine attendance information for multiple sites, and the technology staff must run a custom written routine to disaggregate the data for attendance reporting purposes.

Recommendations to Address

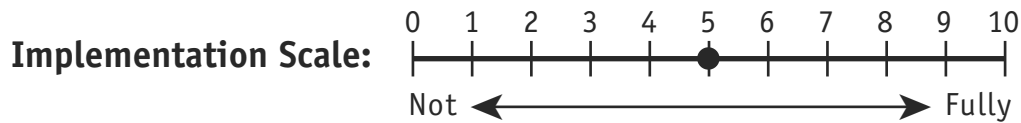
1. Provide additional training to users of the Bi-Tech financial system to ensure that the system is being used appropriately and efficiently. The staff needs to transition to fully using system capabilities to increase work efficiency and help to improve controls over processing transactions.

2. Proceed as quickly as possible with the implementation of the personnel/position control system. The implementation plan should take into consideration the time and cost associated with a comprehensive training plan for user staff.
3. Replace the student information system. In order to select an appropriate system, the district needs to perform a needs assessment and then evaluate potential vendors and software. The evaluation process should be formalized with specific attributes to be evaluated and criteria to be applied in the evaluations. The district will also need to develop a funding and implementation plan to have a successful conversion.

Standard Implemented: Partially

January 2000 Rating: 5

September 2003 Rating: 5



17.6 Management Information Systems – Implementation and Training

Professional Standard

Major technology systems should be supported by implementation and training plans. The cost of implementation and training should be included with other support costs in the cost/benefit analyses and financing plans supporting the acquisition.

Progress on Implementing the Recommendations of the Recovery Plan

1. The district did not follow the recommendation that it continue to develop and utilize implementation and training plans for its technology operations and conversions.

In general, the district's formalized training is presently only for instructional technology, and much of that training is based on specific grant programs. Training on educational technology is discussed in the instructional technology plan. However, there is no separate technology plan for administrative technology, such as the financial and personnel systems. Based on the information provided, there is no process to assess training needs regarding administrative technology, nor does there appear to be a formal plan addressing the implementation and training (initial and ongoing) for administrative technology and staff.

With regard to the Bi-Tech systems being implemented (budget/finance and personnel/position control), the district has hired a trainer. However, it appears that the trainer was hired during the implementation process and the training plan and materials were not developed at the front-end of the project. This appears to have slowed the acceptance and effective utilization of the system by end-users.

With regard to the student information system, the district continues to use the SASI III system. The district has been using this system for several years, but has never developed formal training materials or a formal and comprehensive annual training plan for this system. The district does typically provide a 30- to 60-minute class to the site staff at the beginning of the school year, which is at a very high level. The only other training for SASI is the answering of questions by the help desk or ad hoc training in response to specific requests. However, formal requests are infrequent. In addition, while the Technology Department may get questions regarding the legal aspects of attendance accounting, it does not actively monitor changes in the law.

Formal annual training is necessary as there is significant turnover in school site staff and attendance laws and reporting can change from year to year. This training is particularly important as student attendance is a primary revenue generator for the district.

Recommendations to Address

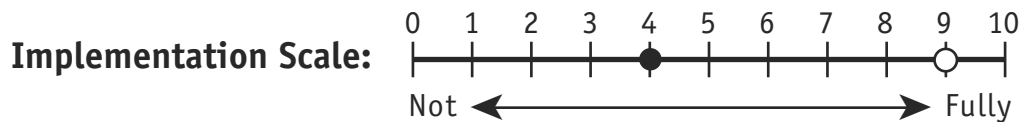
1. Develop a five-year administrative technology plan that identifies plans for implementing and upgrading all systems that are used for administrative support functions. This plan, which should be updated annually to evaluate progress and adjust the plan

accordingly, should provide the basis for the related implementation and training plans.

2. Provide a training-needs assessment for all administrative technology (budget/finance, personnel/position control, student information) in order to identify the level of knowledge, proficiency, and comfort that end-users have with the various systems.
3. Based on the technology plan and training needs assessment, develop a training plan which identifies mandatory, intermediate/advanced, and optional training options for the various administrative job classifications that utilize the administrative technology systems. The plan should be updated annually to address any upgrades/modifications to these systems or the implementation of new systems.
4. Assign the Technology Department to coordinate with the user departments to develop desk manuals for the various user functions to ensure that the staff has access to reference materials that provide both the procedural and technical information necessary to perform their functions.
5. Ensure that the district/Technology Department provides dedicated support for these administrative systems and, to the extent possible, makes training materials available online.

Standard Implemented: Partially

January 2000 Rating: 9
September 2003 Rating: 4



18.1 Maintenance and Operations Fiscal Control—Risk Management

Professional Standard

The district has a comprehensive risk management program. The district should have a program that monitors the various aspects of risk management, including Workers' Compensation and property and liability insurance, and maintains the financial well being of the district.

Progress on Implementing the Recommendations of the Recovery Plan

1. The district did not implement the prior recommendation to consolidate all risk management functions under a single full-time risk manager. Further, the district did not move all the risk management functions back under the Associate Superintendent, Business Services.

Currently, the district still does not have a risk manager overseeing and coordinating these programs, and the risk management function is distributed between three functional areas—the legal office, human resources, and the business office. Until recently, the functions were divided as follows:

- Legal affairs was responsible for managing liability related to environmental and personnel matters;
- Human resources was responsible for the Workers' Compensation program and personnel matters;
- Business services was responsible for property and general liability matters;
- Facilities services was responsible for safety preparedness.

Recently, responsibility for Workers' Compensation was reassigned to the business office. While this is more in alignment with the original recommendation, this still leaves the district without a risk manager and with the functions still in four different departments.

2. The district did comply with the prior recommendation to continue its participation in the Schools Excess Liability Fund (SELF) for excess liability coverage.
3. The district did not implement the prior recommendation to evaluate its self-insurance programs to identify the reasons for increasing claims and costs, and to take measures to attempt to control those costs.

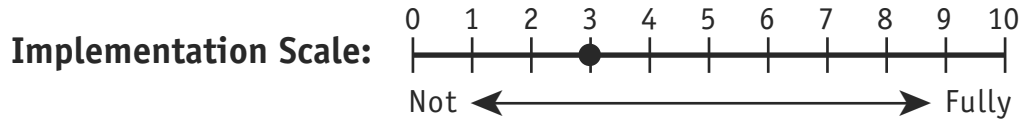
Recommendations to Address

1. Centralize risk management in a single department under a full-time Risk Manager given the specialized demands of risk management and the significant financial exposure that the district has in this area. The manager should coordinate all risk management activities, participate in negotiating insurance coverage and premiums, and develop programs and procedures to reduce the district's exposure and cost. Further, the risk management function should be entirely under the Associate Superintendent, Business Services.

2. Assign the Risk Manager to evaluate the district's current risk management practices, the number and types of insurance claims open, and the current prevention programs, and submit a report to the State Administrator identifying trends, issues, and problems with risk management that contribute to high costs. The report should also identify options for addressing the issues identified.

Standard Implemented: Partially

January 2000 Rating: 3
September 2003 Rating: 3



22.1 Special Education – Cost and Quality

Professional Standard

The district should actively take measures to contain the cost of special education services while still providing an appropriate level of quality instructional and pupil services to special education pupils.

Progress on Implementing the Recommendations of the Recovery Plan

1. The district implemented FCMAT's recommendation that the special education department have a program audit.

FCMAT performed a review of the district's special education department during 2000. In that review, FCMAT evaluated operations in six separate areas, as follows:

- Compliance with state and federal law
- Management information systems
- Fiscal management and accountability
- Recruitment and retention of qualified staff
- Implementation of the assessment, referral, and IEP process
- Service delivery

FCMAT had significant findings and recommendations in each area. However, based on discussions with the special education director and information provided, only minimal progress has been made in addressing the findings and recommendations.

2. The district did not implement the prior recommendation to bring the budget and financial oversight of special education under the business office.

The Special Education Department has not established a collaborative process with the budget office to develop and monitor its budget. Rather, the Special Education Department has continued to essentially develop its budget on its own. Communication and interaction between the Special Education Department and the budget and accounting offices has been inconsistent and ineffective. This has resulted in the use of inconsistent and/or inaccurate assumptions by the Special Education Department in developing its budget.

Further, the Special Education Department has had problems projecting and monitoring staffing needs and costs. The Special Education Department has maintained staffing and FTE information on its own, utilizing spreadsheets and/or other standalone databases. However, the Special Education Department has not utilized or reconciled its staffing, FTEs, or projected salary and benefit expenditures with information produced by the budget and accounting offices or with personnel/position reports produced by the human resource system.

As a result, special education expenditures have routinely exceeded budgeted amounts and the amount of special education encroachment has continued to grow over the last four years. The district's special education encroachment increased by approximately \$10 million between 2000-01 and 2001-02.

3. The district appears to have a higher-than-average percentage of special education pupils in its student population. The greater number of special education students increases costs and encroachment on the general fund. It is not within the scope of this review, nor is it clear, whether the greater number of special education students reflects a higher incidence or problems in the assessment and IEP process.
4. The district also appears to have relatively low staffing ratios. It is difficult to evaluate this characteristic since the district's delivery methodology is different than that used in most districts throughout the state. However, based on total special education students not in NPS/NPA facilities and the number of staff, as well as an informal review of teacher assignments and pupil rosters, it appears that the district has a relatively greater number of staff members and/or lower staffing ratios than other districts.
5. The district has significant expenditures for NPS/NPA providers.
6. On occasion, the district has allowed parents to arrange for their children's service provider, and the district has reimbursed the parents for these costs. This circumvents the district's control over the service provided and the entire contracting and payment process.
7. The district is attempting to review many of the various factors identified above that are contributing to the exceedingly large special education encroachment. The district is in the process of evaluating items such as the use of NPS providers, the rates paid to service providers, the placement of students with speech therapists, staffing patterns and ratios, and caseloads. However, these items were not implemented at the time the 2003-04 budget was developed, and the actual implementation and impact is not known at this time.

Recommendations to Address

1. Address the findings and recommendations contained in the FCMAT special education report. In order to effectively implement necessary changes, the district and Special Education Department should review and prioritize the report findings and recommendations. After the findings and recommendations have been prioritized, the task of addressing each item should be assigned to a specific district manager who is responsible for identifying action items and timeframes for action. Periodic progress reports should be made to the State Administrator in order to ensure that the findings and recommendations are addressed adequately and timely. Of specific importance is for the district to address the fiscal management issues and reduce the amount the general fund contributes to the special education program.

At some point, the district should have FCMAT or another provider conduct a follow-up review to evaluate its progress.

2. Assign the special education office to work with the personnel and budget offices to identify and reconcile all its positions, FTEs, and salary and benefit costs.

3. Assign the special education office, in conjunction with the budget office, to evaluate its methods for projecting enrollment to ensure that all students are correctly identified. Once the projected student population has been identified, a critical evaluation of student needs should be undertaken in order to determine the most effective manner for locating and operating the special education programs.

Also, in evaluating the student population, the number of students in NPS/NPA programs should be evaluated to determine if those students still need to be placed in NPS/NPA programs, if the services could be delivered more effectively by district staff, and if there are more cost-effective providers for the services needed.

4. Coordinate staffing in a manner that aligns staffing ratios as closely as possible with legal and contract limits and statewide averages in order to minimize staffing costs. To the extent possible given pupil needs and legal requirements, this should be completed after the actual special education enrollment has been determined and specific program needs are identified. In addition, in determining the number of staff needed, the number of students to be directly served by district teachers should be reduced by the number of students who are being served directly by NPS/NPA providers.
5. Assign the Special Education and Budget departments to work together to develop a realistic budget each year and closely monitor the budget throughout the year. Year-end surprises, such as the ones that occurred in 2001-02 and 2002-03, should be avoided through careful planning and budget monitoring throughout the year.

Standard Implemented: Not implemented

January 2000 Rating: 0
 September 2003 Rating: 0

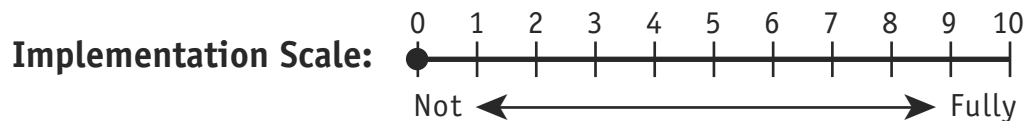


Table of Standards for Financial Management

The ratings of all of the standards initially reviewed and presented in the Oakland Unified School District Assessment and Recovery Plan, January 31, 2000 were reviewed and updated as appropriate to indicate the district's current progress in addressing the recommendations in the initial assessment and recovery plan. Additional standards have been added to the list of standards to reflect changes in legislation and/or regulation since the assessment and recovery plan was first published, and some standards have been reworded for clarity.

In-depth FCMAT reviews were conducted for the standards that appear in bold print in this table of standards. A narrative is provided in this report for each of the standards that appears in bold print, describing the progress made by the district since January 31, 2000, and outlining the recommendations that still need to be addressed to meet these standards.

A sub-set of 30 standards has been identified in this operational area that will be the focus of review in each six-month review period. These 30 standards are identified under the column titled "March 2004 Focus."

Standard to be addressed		Jan. 2000 rating	Sept. 2003 rating	March 2004 focus
1.1	Integrity and ethical behavior are the product of the district's ethical and behavioral standards, how they are communicated, and how they are reinforced in practice. All management-level personnel should exhibit high integrity and ethical values in carrying out their responsibilities and directing the work of others. [Statement Auditing Standards (SAS) -55, SAS-78]	7	4	
1.2	The district should have an audit committee to: (1) help prevent internal controls from being overridden by management; (2) help ensure ongoing state and federal compliance; (3) provide assurance to management that the internal control system is sound; and, (4) help identify and correct inefficient processes. [SAS-55, SAS-78]	0	0	<input type="checkbox"/>
1.3	The attitude of the Governing Board and key administrators has a significant affect on an organization's internal control. An appropriate attitude should balance the programmatic and staff needs with fiscal realities in a manner that is neither too optimistic nor too pessimistic. [SAS-55, SAS-78]	3	0	
1.4	The organizational structure should clearly identify key areas of authority and responsibility. Reporting lines should be clearly identified and logical within each area. [SAS-55, SAS-78]	4	2	
1.5	Management should have the ability to evaluate job requirements and match the requirements to the employee's skills. [SAS-55, SAS-78]	2	0	
1.6	The district should have procedures for recruiting capable financial management and staff, and hiring competent people. [SAS-55, SAS-78]	2	2	<input type="checkbox"/>
1.7	All employees should be evaluated on performance at least annually by a management-level employee knowledgeable about their work product. The evaluation criteria should be clearly communicated and, to the extent possible, measurable. The evaluation should include a follow-up on prior performance issues and establish goals to improve future performance.	3	2	<input type="checkbox"/>
1.8	The responsibility for reliable financial reporting resides first and foremost at the district level. Top management sets the tone and establishes the environment. Therefore, appropriate measures must be implemented to discourage and detect fraud (SAS 82; Treadway Commission).	2	0	

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 Indicates standards targeted for in-depth review for the March 2004 report.

Standard to be addressed		Jan. 2000 rating	Sept. 2003 rating	March 2004 focus
2.1	The business and operational departments should communicate regularly with internal staff and all user departments regarding their responsibilities for accounting procedures and internal controls. The communications should be written whenever possible, particularly when it (1) affects many staff or user groups; (2) is an issue of high importance; or, (3) when the communication reflects a change in procedures. Procedure manuals are necessary to communicate responsibilities. The departments also should be responsive to user department needs, thus encouraging a free exchange of information between the two (excluding items of a confidential nature).	3	2	
2.2	The financial departments should communicate regularly with the Governing Board and community on the status of district finances and the financial impact of proposed expenditure decisions. The communications should be written whenever possible, particularly when it affects many community members, is an issue of high importance to the district and board, or reflects a change in policies.	7	4	
2.3	The Governing Board should be engaged in understanding globally the fiscal status of the district, both current and as projected. The Governing Board should prioritize district fiscal issues among the top discussion items.	8	0	
2.4	The District should have formal policies and procedures that provide a mechanism for individuals to report illegal acts, establish to whom illegal acts should be reported and provide a formal investigative process.	0	0	<input type="checkbox"/>
3.1	Develop and use a professional development plan, i.e., training business staff. The development of the plan should include the input of business office supervisors and managers. The staff development plan should at a minimum identify appropriate programs officewide. At best, each individual staff and management employee should have a plan designed to meet their individual professional development needs.	0	0	
3.2	Develop and use a professional development plan for the in-service training of school site/department staff by business staff on relevant business procedures and internal controls. The development of the plan should include the input of the business office and the school sites/ departments, and be updated annually.	2	2	

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Standard to be addressed		Jan. 2000 rating	Sept. 2003 rating	March 2004 focus
4.1	The Governing Board should adopt policies establishing an internal audit function that reports directly to the Superintendent and the audit committee or Governing Board.	0	0	
4.2	Qualified staff should be assigned to conduct internal audits and be supervised by an independent body, such as an audit committee.	0	0	<input type="checkbox"/>
4.3	Internal audit findings should be reported on a timely basis to the audit committee, Governing Board and administration, as appropriate. Management should then take timely action to follow up and resolve audit findings.	0	0	
4.4	Internal audit functions should be designed into the organizational structure of the district. These functions should include periodic internal audits of areas at high risk for non-compliance with laws and regulations and/or at high risk for monetary loss. (Added since the 2000 Report)	New	0	<input type="checkbox"/>
5.1	The budget development process requires a policy-oriented focus by the Governing Board to develop an expenditure plan, which fulfills the district's goals and objectives. The Governing Board should focus on expenditure standards and formulas that meet the district goals. The Governing Board should avoid specific line item focus, but should direct staff to design an overall expenditure plan focusing on student and district needs.	4	0	
5.2	The budget development process includes input from staff, administrators, board and community.	8	0	
5.3	Policies and regulations exist regarding budget development and monitoring.	6	2	
5.4	The district should have a clear process to analyze resources and allocations to ensure that they are aligned with strategic planning objectives and that the budget reflects the priorities of the district.	6	0	

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Standard to be addressed		Jan. 2000 rating	Sept. 2003 rating	March 2004 focus
5.5	Categorical funds are an integral part of the budget process and should be integrated into the entire budget development. The revenues and expenditures for categorical programs must be reviewed and evaluated in the same manner as unrestricted General Fund revenues and expenditures. Categorical program development should be integrated with the district's goals and should be used to respond to district student needs that cannot be met by unrestricted expenditures. The superintendent, superintendent's cabinet and fiscal office should establish procedures to ensure that categorical funds are expended effectively to meet district goals. Carry-over and unearned income of categorical programs should be monitored and evaluated in the same manner as General Fund unrestricted expenditures.	2	2	
5.6	The district must have an ability to accurately reflect their net ending balance throughout the budget monitoring process. The first and second interim reports should provide valid up dates of the district's net ending balance. The district should have tools and processes that ensure that there is an early warning of any discrepancies between the budget projections and actual revenues or expenditures.	0	0	<input type="checkbox"/>
5.7	The district should have policies to facilitate development of budget that is understandable, meaningful, reflective of district priorities, and balanced in terms of revenues and expenditures. (Added since the 2000 Report)	New	0	
6.1	The budget office should have a technical process to build the preliminary budget that includes: the forecast of revenues, the verification and projection of expenditures, the identification of known carry over and accruals, and the inclusion expenditure plans. The process should clearly identify onetime sources and uses of funds. Reasonable Average Daily Attendance (ADA) and Cost of Living Adjustment (COLA) estimates should be used when planning and budgeting. This process should be applied to all funds.	3	0	<input type="checkbox"/>

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Standard to be addressed		Jan. 2000 rating	Sept. 2003 rating	March 2004 focus
6.2	An adopted budget calendar exists that meets legal and management requirements. At a minimum the calendar should identify statutory due dates and major budget development activities.	8	8	
6.3	Standardized budget worksheets should be used in order to communicate budget requests, budget allocations, formulas applied and guidelines.	7	7	
7.1	The district should adopt its annual budget within the statutory time lines established by Education Code Section 42103, which requires that on or before July 1, the Governing Board must hold a public hearing on the budget to be adopted for the subsequent fiscal year. Not later than five days after that adoption or by July 1, whichever occurs first, the Governing Board shall file the budget with the county superintendent of schools. [EC 42127(a)]	8	8	
7.2	Revisions to expenditures based on the State Budget should be considered and adopted by the Governing Board. Not later than 45 days after the Governor signs the annual Budget Act, the district shall make available for public review any revisions in revenues and expenditures that it has made to its budget to reflect funding available by that Budget Act. [EC 42127(2) and 42127(i)(4)]	5	0	
7.3	The district should have procedures that provide for the development and submission of a district budget and interim reports that adhere to criteria and standards and is approvable by the Alameda County Office of Education (ACOE).	7	0	<input type="checkbox"/>
7.4	The district should complete and file its interim budget reports within the statutory deadlines established by Education Code Section 42130, et seq.	4	0	
7.5	The district should arrange for an annual audit (single audit) within the deadlines established by Education Code Section 41020.	8	8	
7.6	Standard management practice dictates the use of an audit committee.	0	0	
7.7	The district should include in its audit report, but not later than March 15, a corrective action for all findings disclosed as required by Education Code Section 41020.	3	0	<input type="checkbox"/>

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Standard to be addressed		Jan. 2000 rating	Sept. 2003 rating	March 2004 focus
7.8	The district must file certain documents/reports with the state as follows: <ul style="list-style-type: none"> • J-200 series - (Education Code Section 42100) • J-380 series – CDE procedures • Interim financial reports - (Education Code Section 42130) • J-141 transportation report (Title V, article 5, Section 15270) 	3	2	
7.9	The district must comply with Governmental Accounting Standard No. 34 (GASB 34) for the period ending June 30, 2003. GASB 34 requires the district to develop policies and procedures and report in the annual financial reports on the modified accrual basis of accounting and the accrual basis of accounting. (Added since the 2000 Report)	New	0	<input type="checkbox"/>
7.10	The first and second interim reports should show an accurate projection of the ending fund balance. Material differences should be presented to the board of education with detailed explanations. (Added since the 2000 Report)	New	0	<input type="checkbox"/>
7.11	Education Code Section 410209(c)(d)(e)(g) establishes procedures for local agency audit obligations and standards. Pursuant to Education Code Section 41020(h), the district should submit to the county superintendent of schools in the county that the district resides, the State Department of Education, and the State Controller’s Office an audit report for the preceding fiscal year. This report must be submitted “no later than December 15.” (Added since the 2000 Report)	New	0	
8.1	All purchase orders are properly encumbered against the budget until payment. The district should have controls in place that ensure adequate funds are available prior to incurring financial obligations (Reworded since the 2000 Report)	0	0	<input type="checkbox"/>
8.2	There should be budget monitoring controls, such as periodic reports, to alert department and site managers of the potential for overexpenditure of budgeted amounts. Revenue and expenditures should be forecast and verified monthly.	0	0	<input type="checkbox"/>

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Standard to be addressed		Jan. 2000 rating	Sept. 2003 rating	March 2004 focus
8.3	Budget revisions are made on a regular basis and occur per established procedures and are approved by the board.	8	2	
8.4	The district uses an effective position control system, which tracks personnel allocations and expenditures. The position control system effectively establishes checks and balances between personnel decisions and budgeted appropriations.	4	2	<input type="checkbox"/>
8.5	The routine restricted maintenance account should be analyzed routinely to ensure that income has been properly claimed and expenditures within the guidelines provided by the State Department of Education. The district budget should include specific budget information to reflect the expenditures against the routine maintenance account. (Added since the 2000 Report)	New	1	<input type="checkbox"/>
8.6	The district should monitor both the revenue limit calculation and the special education calculation at least quarterly to adjust for any differences between the financial assumptions used in the initial calculations and the final actuals as they are known. (Added since the 2000 Report)	New	0	
8.7	The district should be monitoring the site reports of revenues and expenditures provided. (Added since the 2000 Report)	New	0	
9.1	The district budget should be a clear manifestation of district policies and should be presented in a manner that facilitates communication of those policies.	2	0	
9.2	Clearly identify onetime source and use of funds.	5	3	
10.1	The Governing Board must review and approve, at a public meeting and on a quarterly basis, the district's investment policy. [GC 53646]	0	0	<input type="checkbox"/>
11.1	An accurate record of daily enrollment and attendance is maintained at the sites and reconciled monthly.	4	3	<input type="checkbox"/>
11.2	Policies and regulations exist for Independent Study, Home Study, inter/intradistrict agreements and districts of choice, and should address fiscal impact.	5	5	
11.3	Students should be enrolled by staff and entered into the attendance system in an efficient, accurate and timely manner.	7	7	

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Standard to be addressed		Jan. 2000 rating	Sept. 2003 rating	March 2004 focus
11.4	At least annually, the district should verify that each school bell schedule meets instructional time requirements for minimum day, year and annual minute requirements.	6	6	<input type="checkbox"/>
11.5	Procedures should be in place to ensure that attendance accounting and reporting requirements are met for alternative programs, such as ROC/P and adult education.	8	6	
11.6	The district should have standardized and mandatory programs to improve the attendance rate of pupils. Absences should be aggressively followed-up by district staff.	0	3	
11.7	School site personnel should receive periodic and timely training on the district's attendance procedures, system procedures and changes in laws and regulations.	4	3	
11.8	Attendance records shall not be destroyed until after the third July 1 succeeding the completion of the audit (Title V, CCR, Section 16026).	4	4	
11.9	The district should make appropriate use of short-term independent study and Saturday school programs as alternative methods for pupils to keep current on classroom course work.	8	6	
12.1	The district should adhere to the California School Accounting Manual (CSAM) and Generally Accepted Accounting Principles (GAAP) as required by Education Code Section 41010. Furthermore, adherence to CSAM and GAAP helps to ensure that transactions are accurately recorded and financial statements are fairly presented.	9	0	
12.2	The district should timely and accurately record all information regarding financial activity for all programs (unrestricted and restricted). Generally Accepted Accounting Principles (GAAP) require that in order for financial reporting to serve the needs of the users, it must be reliable and timely. Therefore, the timely and accurate recording of the underlying transactions (revenue and expenditures) is an essential function of the district's financial management.	9	0	<input type="checkbox"/>

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 Indicates standards targeted for in-depth review for the March 2004 report.

Standard to be addressed		Jan. 2000 rating	Sept. 2003 rating	March 2004 focus
12.3	The district should forecast its revenue and expenditures and verify those projections on a monthly basis in order to adequately manage its cash. In addition, the district should reconcile its cash to bank statements and reports from the county treasurer reports on a monthly basis. Standard accounting practice dictates that, in order to ensure that all cash receipts are deposited timely and recorded properly, cash be reconciled to bank statements on a monthly basis.	7	0	<input type="checkbox"/>
12.4	The district's payroll procedures should be in compliance with the requirements established by the Alameda County Office of Education, unless fiscally independent (Education Code Section 42646). Standard accounting practice dictates that the district implement procedures to ensure the timely and accurate processing of payroll.	3	3	<input type="checkbox"/>
12.5	Standard accounting practice dictates that the accounting work should be properly supervised and work reviewed in order to ensure that transactions are recorded timely and accurately, and allow the preparation of periodic financial statements.	9	0	<input type="checkbox"/>
12.6	Federal and state categorical programs, either through specific program requirements or through general cost principles such as OMB Circular A-87, require that entities receiving such funds must have an adequate system to account for those revenues and related expenditures.	9	0	<input type="checkbox"/>
12.7	Generally accepted accounting practices dictate that, in order to ensure accurate recording of transactions, the district should have standard procedures for closing its books at fiscal year-end. The district's year-end closing procedures should be in compliance with the procedures and requirements established by the Alameda County Office of Education.	2	0	<input type="checkbox"/>

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Standard to be addressed		Jan. 2000 rating	Sept. 2003 rating	March 2004 focus
12.8	The district should comply with the bidding requirements of Public Contract Code Section 20111. Standard accounting practice dictates that the district have adequate purchasing and warehousing procedures to ensure that only properly authorized purchases are made, that authorized purchases are made consistent with district policies and management direction, that inventories are safeguarded, and that purchases and inventories are timely and accurately recorded.	2	2	
12.9	The district has documented procedures for the receipt, expenditure and monitoring of all construction-related activities. Included in the procedures are specific requirements for the approval and payment of all construction-related expenditures.	8	2	
12.10	The accounting system should have an appropriate level of controls to prevent and detect errors and irregularities.	6	2	<input type="checkbox"/>
13.1	The Governing Board adopts policies and procedures to ensure compliance regarding how student body organizations deposit, invest, spend, raise and audit student body funds. [EC 48930-48938]	5	5	
13.2	Proper supervision of all student body funds shall be provided by the board. [EC 48937] This supervision includes establishing responsibilities for managing and overseeing the activities and funds of student organizations, including providing procedures for the proper handling, recording and reporting of revenues and expenditures.	5	5	
13.3	In order to provide for oversight and control, the California Department of Education recommends that periodic financial reports be prepared by sites, and then summarized by the district office.	0	0	
13.4	In order to provide adequate oversight of student funds and to ensure the proper handling and reporting, the California Department of Education recommends that internal audits be performed. Such audits should review the operation of student body funds at both district and site levels.	0	0	
14.1	A reliable computer program that provides reliable multiyear financial projections is used.	3	0	<input type="checkbox"/>

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Standard to be addressed		Jan. 2000 rating	Sept. 2003 rating	March 2004 focus
14.2	The district annually provides a multiyear revenue and expenditure projection for all funds of the district. Projected fund balance reserves should be disclosed. [EC 42131] The assumptions for revenues and expenditures should be reasonable and supportable.	2	1	<input type="checkbox"/>
14.3	Multiyear financial projections should be prepared for use in the decision-making process, especially whenever a significant multiyear expenditure commitment is contemplated. [EC 42142]	0	0	
15.1	Comply with public disclosure laws of fiscal obligations related to health and welfare benefits for retirees, self-insured workers compensation, and collective bargaining agreements. [GC 3540.2, 3547.5, EC 42142]	2	2	
15.2	When authorized, the district should only use nonvoter approved, long-term financing such as certificates of participation (COPS), revenue bonds, and lease-purchase agreements (capital leases) to address capital needs, and not operations. Further, the general fund should be used to finance current school operations, and in general should not be used to pay for these types of long-term commitments.	0	0	
15.3	For long-term liabilities/debt service, the district should prepare debt service schedules and identify the dedicated funding sources to make those debt service payments. The district should project cash receipts from the dedicated revenue sources to ensure that it will have sufficient funds to make periodic debt payments. The cash flow projections should be monitored on an ongoing basis to ensure that any variances from projected cash flows are identified as early as possible, in order to allow the district sufficient time to take appropriate measures or identify alternative funding sources.	6	3	

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Standard to be addressed		Jan. 2000 rating	Sept. 2003 rating	March 2004 focus
16.1	The State Administrator/Governing Board must ensure that any guideline that they develop for collective bargaining is fiscally aligned with the instructional and fiscal goals on a multiyear basis. The State Administrator/Governing Board must ensure that the district has a formal process where collective bargaining multiyear costs are identified and expenditure changes/reductions are identified and implemented as necessary prior to any imposition of new collective bargaining obligations. The State Administrator/Governing Board must ensure that there is a validation of the costs and the projected district revenues and expenditures on a multiyear basis so that the fiscal resources are sufficient to fund collective bargaining settlements on an ongoing basis. The public should be informed about budget reductions that will be required for a bargaining agreement prior to any contract acceptance by the Governing Board. The public should be given an opportunity to comment. (Reworded since the 2000 Report).	2	0	<input type="checkbox"/>
17.1	There should be a process in place for fiscal input and planning of the district technology plan. The goals and objectives of the technology plan should be clearly defined. The plan should include both the administrative and instructional technology systems. There should be a summary of the costs of each objective and a financing plan should be in place.	5	3	
17.2	Management information systems must support users with information that is relevant, timely, and accurate. Needs assessments must be performed to ensure that users are involved in the definition of needs, development of system specifications, and selection of appropriate systems. Additionally, district standards must be imposed to ensure the maintainability, compatibility, and supportability of the various systems. The district must also ensure that all systems are compliant with the new Standardized Account Code Structure (SACS), year 2000 requirements, and are compatible with county systems with which they must interface.	5	5	

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Standard to be addressed		Jan. 2000 rating	Sept. 2003 rating	March 2004 focus
17.3	Automated systems should be used to improve accuracy, time liness, and efficiency of financial and reporting systems. Needs assessments should be performed to determine what systems are candidates for automation, whether standard hardware and software systems are available to meet the need, and whether or not the district would benefit. Automated financial systems should provide accurate, timely, relevant information and should conform to all accounting standards. The systems should also be designed to serve all of the various users inside and outside the district. Employees should receive appropriate training and supervision in the operation of the systems. Appropriate internal controls should be instituted and reviewed periodically.	5	5	
17.4	Cost/benefit analyses provide an important basis upon which to determine which systems should be automated, which systems best meet defined needs, and whether internally generated savings can provide funding for the proposed system. Cost/benefit analyses should be complete, accurate, and include all relevant factors.	9	5	
17.5	Selection of information systems technology should conform to legal procedures specified in the Public Contract Code. Additionally, there should be a process to ensure that needs analyses, cost/benefit analyses, and financing plans are in place prior to commitment of resources. The process should facilitate involvement by users, as well as information services staff, to ensure that training and support needs and costs are considered in the acquisition process.	9	6	
17.6	Major technology systems should be supported by implementation and training plans. The cost of implementation and training should be included with other support costs in the cost/benefit analyses and financing plans supporting the acquisition.	9	4	
17.7	Food service software should permit point-of-sale transaction processing for maximum efficiency. (Added since the 2000 Report)	New	0	

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Standard to be addressed		Jan. 2000 rating	Sept. 2003 rating	March 2004 focus
17.8	Administrative system users should be adequately trained in the use of administrative systems and should receive periodic training updates to ensure that they remain aware of system changes and capabilities. (Added since the 2000 Report)	New	0	
17.9	Business office computers, computer screens, operating systems, and software applications used for administrative system access should be kept up to date. (Added since the 2000 Report)	New	2	
18.1	The district has a comprehensive risk management program. The district should have a program that monitors the various aspects of risk management including workers compensation, property and liability insurance, and maintains the financial well being of the district.	3	3	
18.2	The district should have a work order system that tracks all maintenance requests, the worker assigned, dates of completion, labor time spent and the cost of materials.	5	5	
18.3	The district should control the use of facilities and charge fees for usage in accordance with district policy.	4	3	
18.4	The maintenance department should follow standard district purchasing protocols. Open purchase orders may be used if controlled by limiting the employees authorized to make the purchase and the amount.	0	0	
18.5	District-owned vehicles should only be used for district purposes. Fuel should be inventoried and controlled as to use.	3	3	
18.6	Vending machine operations are subject to policies and regulations set by the State Board of Education. All contracts specifying these should reflect these policies and regulations. An adequate system of inventory control should also exist. [EC 48931]	2	2	
18.7	Capital equipment and furniture should be tagged as district-owned property and inventoried at least annually.	7	7	

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Standard to be addressed		Jan. 2000 rating	Sept. 2003 rating	March 2004 focus
18.8	The district should adhere to bid and force account requirements found in the Public Contract Code (Sections 20111 and 20114). These requirements include formal bids for materials, equipment and maintenance projects that exceed \$50,000; capital projects of \$15,000 or more; and, labor when the job exceeds 750 hours or the materials exceed \$21,000.	0	0	
18.9	Materials and equipment/tools inventory should be safeguarded from loss through appropriate physical and accounting controls. (Added since the 2000 Report)	New	0	
19.1	In order to accurately record transactions and to ensure the accuracy of financial statements for the cafeteria fund in accordance with generally accepted accounting principles, the district should have adequate purchasing and warehousing procedures to ensure that: <ul style="list-style-type: none"> • Only properly authorized purchases are made consistent with district policies, federal guidelines, and management direction. • Adequate physical security measures are in place to prevent the loss/theft of food inventories. • Revenues, expenditures, inventories, and cash are recorded timely and accurately. 	3	3	
19.2	The district should operate the food service programs in accordance with applicable laws and regulations.	0	0	<input type="checkbox"/>
20.1	In the process of reviewing and approving Charter schools, the district should identify/establish minimal financial management and reporting standards that the Charter school will follow. These standards/procedures will provide some level of assurance that finances will be managed appropriately, and allow the district to monitor the Charter. The district should monitor the financial management and performance of the charter schools on an ongoing basis, in order to ensure that the resources are appropriately managed.	9	6	

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 Indicates standards targeted for in-depth review for the March 2004 report.

Standard to be addressed		Jan. 2000 rating	Sept. 2003 rating	March 2004 focus
21.1	The district should have procedures that provide for the appropriate oversight and management of mandated cost claim reimbursement filing. Appropriate procedures would cover: the identification of new mandates for which the district might be eligible for reimbursement; identification of changes to existing mandates; training staff regarding the appropriate collection and submission of data to support the filing of mandated costs claims; forms, formats, and time lines for reporting mandated cost information; and, review of data and preparation of the actual claims.	2	2	
22.1	The district should actively take measures to contain the cost of special education services while still providing an appropriate level of quality instructional and pupil services to special education pupils.	0	0	<input type="checkbox"/>

Standards in bold print were reviewed for the September 2003 report and narratives are provided in this report.
 Indicates standards targeted for in-depth review for the March 2004 report.