



# **Oxnard School District**

## **Management Review**

May 21, 2010

Joel D. Montero  
Chief Executive Officer





**CSIS California School Information Services**

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May 21, 2010

Glenston Thompson, Acting Superintendent  
Oxnard School District  
1051 South A Street  
Oxnard, CA 93030

Dear Superintendent Thompson:

In September 2009, the Oxnard School District and the Fiscal Crisis and Management Assistance Team (FCMAT) entered into an agreement for a management review of the district. Specifically, the agreement stated that FCMAT would do the following:

1. **Financial Review:** The FCMAT team will review the district's financial processes, procedures and guidelines for budgeting practices. The team will focus on the position control aspects of developing the budget and review the duties and responsibilities and internal control functions of both the personnel and business departments and make recommendations for improvement.
2. **Personnel Review:** Review the district's current organizational structure and reporting requirements based upon industry standards for the Facilities, Business and Technology departments and provide staffing recommendations.
3. **Technology Review:** Evaluate the district's Financial Management software, Windsor Management Group Infinite Visions Enterprise Resource Planning (ERP) implementation plan. The district requests FCMAT to assess the integration and implementation of iVisions regarding the modules purchased, workflow performance and data management for staff in the Business and Human Resources departments, and provide recommendations for improvements, if any, in the following areas:
  - a. Review all functions of the district's current financial information system including configuration, implementation, functionality, internal controls, and reporting capabilities, and make recommendations for improvement.
  - b. Review financial information system user practices including intra- and inter-departmental communications, workload balancing and data input/maintenance requirements, and make recommendations for system improvements.

**FCMAT**

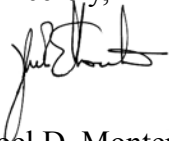
Joel D. Montero, Chief Executive Officer

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- c. Review the district's technology department organizational structure and make recommendations.
  - d. Evaluate the district's staffing for technology support services delivery model and make recommendations.
  - e. Review the district's implementation of administrative technology and make recommendations.
  - f. Evaluate the district's implementation of instructional technology and make recommendations.
4. **Facilities Review:** Evaluate the district's facilities processes, procedures and practices, and make recommendations that would improve departmental efficiencies.

The attached final report contains the study team's findings and recommendations with regard to the above areas of review. We appreciate the opportunity to serve you, and we extend our thanks to all the staff of the Oxnard School District.

Sincerely,



Joel D. Montero  
Chief Executive Officer

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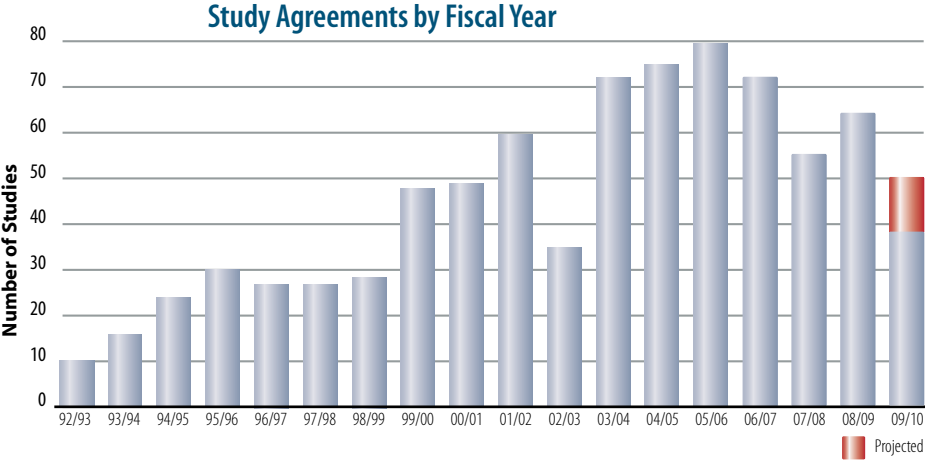
# Foreword - FCMAT Background

The Fiscal Crisis and Management Assistance Team (FCMAT) was created by legislation in accordance with Assembly Bill 1200 in 1992 as a service to assist local educational agencies (LEAs) in complying with fiscal accountability standards.

AB 1200 was established from a need to ensure that LEAs throughout California were adequately prepared to meet and sustain their financial obligations. AB 1200 is also a statewide plan for county offices of education and school districts to work together on a local level to improve fiscal procedures and accountability standards. The legislation expanded the role of the county office in monitoring school districts under certain fiscal constraints to ensure these districts could meet their financial commitments on a multiyear basis. AB 2756 provides specific responsibilities to FCMAT with regard to districts that have received emergency state loans. These include comprehensive assessments in five major operational areas and periodic reports that identify the district’s progress on the improvement plans.

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

Since 1992, FCMAT has been engaged to perform nearly 750 reviews for local educational agencies, including school districts, county offices of education, charter schools and community colleges. Services range from fiscal crisis intervention to management review and assistance. FCMAT also provides professional development training. The Kern County Superintendent of Schools is the administrative agent for FCMAT. The agency is guided under the leadership of Joel D. Montero, Chief Executive Officer, with funding derived through appropriations in the state budget and a modest fee schedule for charges to requesting agencies.



<b>Total Number of Studies.....</b>	<b>743</b>
<b>Total Number of Districts in CA.....</b>	<b>1,050</b>
Management Assistance.....	705 (94.886%)
Fiscal Crisis/Emergency .....	38 (5.114%)
Note: Some districts had multiple studies.	
Eight (8) districts have received emergency loans from the state.	
(Rev. 12/8/09)	





# Introduction

## *Background*

The Oxnard Elementary School District is located in Ventura County and consists of 16 elementary schools (K-6), three middle schools, and one kindergarten-only school that serve an enrollment of approximately 15,600 students.

In November 2006 the district's Measure M6 passed, authorizing the issuance of \$64 million of general obligation bonds. The approval of the bond has provided much needed funding for the new construction and modernization of facilities including the replacement of portables with permanent facilities.

From November 30-December 2, 2009 and December 7-9, 2009, the Fiscal Crisis and Management Assistance Team (FCMAT) conducted site visits to complete the following scope of work:

- 1. Financial Review:** The FCMAT team will review the district's financial processes, procedures and guidelines for budgeting practices. The team will focus on the position control aspects of developing the budget and review the duties and responsibilities and internal control functions of both the personnel and business departments and make recommendations for improvement.
- 2. Personnel Review:** Review the district's current organizational management structure and reporting requirements based upon industry standards for the Facilities, Business and Technology departments and provide staffing recommendations.
- 3. Technology Review:** Evaluate the district's financial management software, Windsor Management Group Infinite Visions Enterprise Resource Planning (ERP) implementation plan. The district requests FCMAT to assess the integration and implementation of iVisions regarding the modules purchased, workflow performance and data management for staff in the Business and Human Resources departments, and provide recommendations for improvements, if any, in the following areas:
  - a. Review all functions of the district's current financial information system including configuration, implementation, functionality, internal controls, and reporting capabilities, and make recommendations for improvement.
  - b. Review financial information system user practices including intra- and interdepartmental communications, workload balancing and data input/maintenance requirements, and make recommendations for system improvements.
  - c. Review the district's technology department organizational structure and make recommendations.

- d. Evaluate the district’s staffing for technology support services delivery model and make recommendations.
  - e. Review the district’s implementation of administrative technology and make recommendations.
  - f. Evaluate the district’s implementation of instructional technology and make recommendations.
- 4. Facilities Review:** Evaluate the district’s facilities processes, procedures and practices, and make recommendations that would improve departmental efficiencies.

### *Study Guidelines*

FCMAT visited the district to conduct interviews with district staff, collect data, review documents and inspect facilities. This report is the result of those activities and is divided into the following sections:

- Executive Summary
- Management Letter
- Financial Review
- Multiyear Financial Projections
- Budget Development
- Enrollment and ADA
- Position Control
- Purchase Card Usage/Internal Controls
- Organizational Structure
- iVisions Implementation
- Facilities
- Facilities Internal Controls
- Appendices

### *Study Team*

The study team was composed of the following members:

Deborah Deal  
FCMAT Fiscal Intervention Specialist  
Los Angeles, California

Anthony Bridges  
FCMAT Deputy Executive Officer  
Atascadero, California

Andrew Prestage  
FCMAT Management Analyst  
Bakersfield, California

Francie Heim  
FCMAT Consultant  
Shingle Springs, California

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Assistant Supt., Admin. Services  
Los Banos Unified School District  
Los Banos, California

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FCMAT Consultant  
Chico, California

Marygrace Salyers  
FCMAT Consultant  
Concord, California

Laura Haywood  
FCMAT Public Information Specialist  
Bakersfield, California

\*As a member of this study team, this consultant was not representing his employer but was working solely as an independent contractor for FCMAT.



## Executive Summary

Prior to the completion of this report, the district requested FCMAT to review preliminary assumptions for the multiyear financial projection included in the second interim financial report. This work was completed and submitted to the district on February 24, 2010. The request was due to recent actions by the Oxnard Elementary School District trustees placing the current superintendent on paid administrative leave, uncertainties regarding layoff notices for approximately 170 certificated employees, and additional proposals to reduce the work year. Similar to many local educational agencies throughout the state, the district has received reduced state funding for the third consecutive year, creating a structural imbalance in the district's unrestricted general fund. Layoff notices are recommended as a precautionary step, and state law requires all California school districts to send initial layoff notices for the next fiscal year to certificated staff members by March 15.

The primary objectives in developing and implementing the options contained in the management letter, dated February 24, were to assist the district to achieve and sustain a balanced budget that meets the state's criteria and standards, including the designated reserves for economic uncertainties. That management letter is now included in this report.

The district faces substantial fiscal challenges that will require the governing board to make difficult decisions to balance the budget and ensure fiscal solvency under AB 1200 legislation regarding financial oversight and reporting requirements. The initial findings indicated that the district would not meet its recommended reserve requirement in the two subsequent fiscal years without a detailed financial plan to increase revenue and/or reduce expenditures and cease deficit spending. FCMAT has identified alternative solutions for the board's consideration to address the budget shortfall by identifying multiple options in permanent and/or one-time budget reductions.

Numerous internal control and system weaknesses exist in the Facilities and Finance departments that, if not corrected, will jeopardize the district's fiscal condition. A detailed facilities performance audit is needed to determine the current and future costs and cash requirements for construction projects in progress. The district should secure specific capital project funding and establish budgets prior to initiating future projects.

### *Cash Management*

At the time of FCMAT's fieldwork, staff had not properly reflected the one-time revenue limit adjustment and apportionment deferrals in the cash flow documents included in the first interim financial report. However, they were reflected in the actual revenue limit calculation. As a result, the revenue limit and cash flow documents were not reconciled. In addition to this error, staff did not adjust the monthly apportionment schedule in accordance with the newly established state schedules to properly project the district's year-end cash balances.

The combination of these two errors resulted in an overstatement of available cash by June 30, 2010 of approximately \$17 million. Originally, the cash flow document indicated that the district would have \$18.2 million available, but the corrected cash flow projection now shows the district will have an available balance of \$1.6 million at June 30, 2010. Because the cash deferrals move 25% of the current year apportionments into July and August 2010, this severely impacts available cash as of June 30, 2010.

The district will be required to closely monitor its cash position monthly to meet short-term fiscal obligations because the state may impose additional one-time and permanent apportionment deferrals. The consequences of becoming cash insolvent are severe and should be avoided to maintain local governance and local control of the district.

### ***Purchase Card Analysis***

An analysis of purchase cards indicates that \$190,782.41 was spent from June 22, 2007 through November 23, 2009. FCMAT reviewed expenditures for each cardholder and concluded that substantial expenditures without any supporting documentation were made by staff and one governing board member. Thirty-six percent of purchases have no supporting documentation, receipts, or Certification of Lost Receipts statement. In addition, many of these expenditures appear to directly violate the district's board and administrative policy stating that "No personal expenses may be charged on district credit cards."

### ***Systems Implementation***

The iVisions financial reporting software implementation was not directed by the Information Technology Department or completed with a documented implementation plan. Proper analysis and documentation of requirements at the beginning of a software implementation and installation are essential to ensure its success.

Although the district did not utilize best practices to implement the iVisions software, the human resources, payroll, and budget/position control system modules have been partially implemented with a high degree of success. The Business Services and Human Resources departments collaborated to ensure the new software system worked properly, but additional professional development training, proper system security protocols and financial and human resource reporting capabilities are still lacking. The most critical implementation error was the lack of participation and involvement of the district's Technology Department and the establishment of rights and roles for system security.

### ***Organizational Structure***

The district needs to establish the framework for a more effective leadership model that delineates specific duties and responsibilities. Under the current organizational structure it is difficult for the district to ensure effective communication among the Business,

Facilities, and Technology departments because they all report to different levels of management up to and including the Superintendent. Additionally, the Superintendent, the Assistant Superintendent of Business Services, the Executive Director of Facilities and the Assistant Director of Facilities are all relatively new employees or positions in the district, and have yet to fully develop their working relationships.

The district needs to improve the communication processes and board policies and administrative procedures regarding the procurement of professional services. Procedures should be established for proper recordkeeping involved with soliciting and contracting for construction projects and professional services in accordance with the Office of Public School Construction (OPSC). The district needs to clearly delineate processes and responsibilities in the Facilities, Purchasing, and Business departments, and reconsider the existing lines of organizational authority. Facilities Department staffing is adequate despite downsizing in the past year, because the district's major construction projects have been completed. However, the role and responsibilities of the Executive Director and the reporting of that position to the Superintendent and the Assistant Superintendent of Business Services needs to be more specifically defined and clarified.

### *Construction Documentation*

The district will need to immediately begin retrieving records to determine whether the proper selection process for professional services was utilized under Government Code Section 4525 in preparation for the OPSC closeout audit for each state-funded construction project.

The district should identify and validate all contracts for architectural services, by project, for each application funded by OPSC. It should determine whether any contracts exceeded the legal limits provided by the Education Code and whether they meet the requirements for the selection of professional services. Without the proper documentation, the district could be at considerable risk regarding eligibility for funding through the OPSC.





# Management Letter

February 24, 2010

Glenston Thompson, Acting Superintendent  
Oxnard School District  
1051 South A Street  
Oxnard, CA 93030

Dear Superintendent Thompson:

Recent actions by the Oxnard Elementary School District trustees placing the current superintendent on paid administrative leave and uncertainties regarding layoff notices for approximately 170 certificated employees, including additional proposals to reduce the work year, prompted the district to request FCMAT to conduct an immediate fiscal analysis and review of the district's 2009-10 and 2010-11 budgets. Similar to many local educational agencies throughout the state, the district has received reduced state funding for the third consecutive year, creating a structural imbalance in the district's unrestricted general fund. Layoff notices are recommended as a precautionary step, and state law requires all California school districts to send initial layoff notices for the next fiscal year to certificated staff members by March 15.

The primary objectives in developing and implementing any of the options contained in this letter are to assist the district to achieve and sustain a balanced budget that meets the state's criteria and standards, including the designated reserves for economic uncertainties. The district faces substantial fiscal challenges that will require the governing board to make difficult decisions to balance the budget and ensure fiscal solvency under AB 1200 legislation regarding financial oversight and reporting requirements.

As a baseline for the financial analysis, FCMAT utilized the district's proposed Second Interim Financial Report to import data into FCMAT's Budget Explorer multiyear financial projection software. The initial findings indicated that the district *would not* meet its recommended reserve requirement in the two subsequent fiscal years without a detailed financial plan to increase revenue and/or reduce expenditures and cease deficit spending. FCMAT has identified alternative solutions for the board's consideration to address the budget shortfall by identifying multiple options in permanent and/or one-time budget reductions.

FCMAT analyzed funding sources and expenditure categories by fund, resource and object level activity. However due to the current time constraints, a complete MYFP for the current and two subsequent fiscal years is not provided. The following options and or recommendations are provided:

**Certificated Staff Reductions: Option I:** Consider providing March 15 notification to 54 full-time equivalent (FTE) certificated positions. Raise the class size reduction (CSR) program student-teacher districtwide average ratio for grades K-3 from 24:1 to 30:1, with a reduction in revenue for the CSR penalties for exceeding recommended class sizes. This proposal **excludes** schools receiving Quality Education Investment Act (QEIA) funding. This funding was created in 2006 to assist the lowest performing schools with a valid Academic Performance Index (API) that were ranked in deciles 1 to 2 to increase student achievement. The projected ongoing (permanent) savings from this option is projected at \$2.8 million beginning in the 2010-11 fiscal year. (The penalty for increasing class sizes above 24.95:1 in the CSR program equals a reduction of 30% of the total allocation.) The state budget revisions enacted in February provide some flexibility to local educational agencies including K-3 Class Size Reduction. SBX3 4 closed the program in 2009-10 through 2011-12 to participants that did not apply for 2008-09 funds and established a new schedule of funding reduction percentages in Education Code section 52124.3 for classes exceeding 20.44 pupils. From 2008-09 through 2011-12, this new schedule replaces the schedule of funding reduction percentages previously established in Education Code section 52124. The new schedule provides for reductions to funding as follows:

Schedule of CSR Funding Reductions	
Funding Reduction	Class Size Range, Inclusive
5%	20.45 to 21.44
10%	21.45 to 22.44
15%	22.45 to 22.94
20%	22.95 to 24.94
30%	24.95 or more

Based on the number of other viable alternatives, FCMAT recommends Option I, if needed.

**Certificated Staff Reductions: Option II:** Consider providing March 15 notification to 100 FTE certificated positions. Raise the class size reduction (CSR) program student-teacher districtwide average ratio for grades K-3 from 24:1 to 30:1, with a reduction in revenue for the CSR penalties for exceeding recommended class sizes. This proposal also **includes** the elimination of the QEIA funding, which increases the student-teacher ratio from 20:1 to 30:1 at the district’s seven QEIA schools. The projected ongoing (permanent) savings from this option is projected at \$5.57 million beginning in the 2010-11 fiscal year. Based on the number of other viable alternatives, FCMAT does not recommend Option II at this time.

**QEIA Funding:** During budget development for 2009-10, the district did not budget the full amount of QEIA funding totaling \$3.2 million. Information on the California Department of Education's (CDE) Web site, indicates the total QEIA funding entitlement due the district is projected at \$4.1 million in lieu of the \$730,000 budgeted by the district. While the funding has not been received to date because of the current cash shortfall at the state level, the QEIA funds have been approved as part of the AB X 4 Budget Act and should be budgeted accordingly or set up as an accrual if not received by June 30, 2010.

**Certificated Vacancies:** The budget for the 2009-10 fiscal year includes 2.2 FTE unrestricted certificated staff positions totaling \$206,450, including health/welfare and statutory benefits. These positions were board-authorized reductions and should be eliminated from the district's position control system. The budgeted dollars should be recaptured as permanent and ongoing budget savings.

**Classified Vacancies:** The budget for the 2009-10 fiscal year includes 15.16 FTE, either on hold per the cabinet or currently being backfilled by substitutes, for classified staffing totaling \$711,581, including health/welfare and statutory benefits. The district should conduct an additional review to determine the validity of reducing these positions on a permanent basis. At a minimum, eight of the positions are vacant and should be considered by the district as a permanent reduction to the budget.

**Classified Management:** The budget for the 2009-10 fiscal year includes 2.0 FTE (Assistant Facilities Director and General Counsel) in the budget as unfilled positions totaling \$199,494, including health/welfare and statutory benefits. The district should conduct an additional review to determine the validity of permanently reducing these positions.

**CSR Calculation** Based on the district's internal spreadsheet for the revenue calculation of CSR, the budget should be \$5,526,000 vs. \$4,204,000 for a total adjustment of \$1,322,000 in unrestricted dollars.

**Lottery Funding:** Based on the district's 2009-10 budget, the unrestricted and restricted calculations for lottery funding will need to be adjusted. The unrestricted calculation is based on prior year annual ADA of 15,558 x \$110, totaling \$1,711,380, versus the current budget amount of \$1,428,103. The unrestricted lottery funding should be increased by \$283,277. The restricted calculation will need to be reduced by \$27,746 to a total of \$202,254 (15,558 ADA x \$13). The total net increase to the 2009-10 fiscal year is \$255,531.

**RRM:** The district currently participates in the state School Facilities Program. Participation in the program previously required a routine restricted maintenance account (RRMA) resource 8150 to be established within the general fund under Education Code Section 17070.75 (2). In accordance with Section 17070.75, commencing with the 2005-06 fiscal year, the district has been setting aside 3% of the adopted expenditure budget. However, for 2008-09 through 2012-13, the required contribution to the RRMA is reduced from 3% to 1% of the total general fund expenditures and other financing uses.

The district has two options at this time:

**Option I:** Utilizing existing bond funds on a one-time or multiyear basis to fund the district's RRMA (see legal opinion from Jones Hall attached as Appendix A and made part of this option by reference); or

**Option II:** Review the operational requirements of the RRMA and potential budget reductions for the 2010-11 fiscal year. The district advance funded the Cesar Chavez School that was funded by the Office of Public School Construction (OPSC) from the 1997 bonds. In the process, once the district received funding from OPSC, the bond fund was never reimbursed. The district should consider this option for one or two years maximum as an interim solution until additional permanent recommendations can be presented. The district's 3% requirement for the 2009-10 fiscal year is approximately \$4.1 million.

**Bond Fund iVisions:** The district advance funded approximately \$700,000 in hardware and implementation costs for the iVisions Financial Management (ERP) software from the district's general fund. The district should reimburse the general fund with proceeds of the bond fund in accordance with the ballot language and legal authority provided in the bond measure.

**Annual Redevelopment (RDA) Funding:** In accordance with AB 1290, the district should review the annual payments of RDA funding and determine the applicable use by project area. Pending the final outcome, the district currently receives annual revenue of \$345,000 that is deposited in Fund 25, Capital Projects (developer fees) that may be utilized to fund portions of the RRMA. (See FCMAT Fiscal Alert attached hereto and made part of this option by reference.) The district should also request a financial pro forma from the city of Oxnard for all RDA payments and consider establishing a separate fund for redevelopment funds. RDA agreements are normally 40-year agreements unless the project area has been amended in accordance with provisions under SB 211.

**Reserves for Economic Uncertainty:** ABX4 2 (Evans, D-Santa Rosa), approved by the Legislature and signed by the governor on July 28, 2009, provides for flexibility regarding the reserve for economic uncertainty. School agencies are allowed to reduce the reserve to one-third of the statutory level beginning in the 2009-10 fiscal year. The legislation requires the school agency to make progress toward reinstating the reserve level to its statutory level of 3% for most districts in 2010-11 and restore the full 3% requirement in 2011-12. The district is normally required to maintain a 3% reserve, but based on provisions of the current budget act, the district can legally reduce that reserve level to 1% in 2009-10. The district should continue to include the reserve at 3% for all years in the developed MYFP for the Second Interim Financial Report. However, all options are provided and because the reserve requirement is a one-time resource, reducing the reserve requirement to 1% only temporarily solves a financial reporting issue, ultimately delaying a permanent solution. The one-time reduction of the recommended reserve for economic uncertainty is projected at \$2.8 million.

**Intra-/Interdistrict Student Transfers:** While this option will not save the district any funding during the 2009-10 fiscal year, the district should review its board policy regarding intra-/interdistrict transfers. The interdistrict transfer process applies to parents who wish their children to attend schools outside the district's attendance boundaries. All interdistrict transfer requests should be initiated in the district of residence. Interdistrict transfers should be valid for one year only and be renewed annually. An approved interdistrict transfer must be in effect between the district of residence and the school district of desired attendance before a student can attend the desired school. The district should implement a transfer committee commencing in April of this fiscal year to review all requests for the new fiscal year. The transfer committee would consider transfer requests based on the date the request was submitted and the reasons provided for requesting the transfer. The district currently has 674 students that reside within the district's boundaries with approved transfers to attend schools outside the district. Based on these preliminary estimates, 100% retention would yield \$3.3 million (674 students x \$4,957 net revenue limit funding per ADA). While a review of the district's current policy is not intended to retain 100% of the students requesting transfers, further analysis is warranted and should be presented to the board in May.

**Categorical Program Flexibility** - Section 15 of SBX3 4 authorizes complete flexibility in the use of funds appropriated in 42 budget act items. For 2008-09 through 2012-13, these 42 programs have been reclassified from restricted to unrestricted, and program or funding requirements provided in the Education Code are not in effect. The analysis includes a reduction of 4.46% in 2009-10 for the affected programs operated by the district. The district should review the following programs and consider the programs requirements versus the

unrestricted use of these dollars for 2010-11 fiscal year: Supplemental Hourly, P.E. Teacher, School Safety, Art and Music Block Grant, Supplemental School Counselor, GATE, Instructional Materials, Pupil Retention, Professional Development Block Grant, Targeted Instruction Block Grant, School and Improvement Library Block Grant, National Board Certification, Community Based English Tutoring, Peer Assistance Review, Math and Reading Training, and Deferred Maintenance (2010-11) programs. **The total amount for all these programs is approximately \$6.38 million.**

**Retirement Incentives:** The district should review the financial feasibility of offering an early retirement incentive to eligible employees who are considering retirement, in an effort to avoid teacher layoffs. An early retirement program may produce savings depending on the plan type. Midyear retirement incentives are more lucrative because a district can afford to pay a higher percentage of the employee's annual salary due to the savings incurred from the second half of the school year. However, this program has been so popular over the prior years that the state of California, in conjunction with STRS, recently enacted a law to make 2009-10 the last year a midyear retirement incentive could be offered. A second option regarding an end of year retirement incentive does not allow districts to realize the same amount of savings associated with a midyear retirement; however, it can result in savings over time. The end of year retirement incentive usually projects a lower percentage of the final pay over a number of years. A third option is the STRS Golden Handshake, which credits a retiree with two extra years of service as a retirement incentive. Often the Golden Handshake does not generate the cost savings that the midyear or end of year options produce. Depending on the need to generate cost savings, the district should review options at the STRS Web site at [www.calstrs.com](http://www.calstrs.com) and/or request meetings with a STRS representative.

**Classified Organizational Review:** District administration should conduct an internal or external review of all classified staffing models and provide recommendations to the board, if any. Team concepts for custodial, grounds and maintenance should be considered in addition to alternative staffing concepts for purchasing, warehousing, reprographics and facilities.

The FCMAT study team conducted interviews and reviewed district documentation over three business days commencing on Friday, February 19. The following team members participated in the preliminary findings and recommendations contained in this response:

- Anthony L. Bridges, FCMAT Deputy Executive Officer
- Debi Deal, FCMAT Intervention Specialist
- Margaret Rosales, FCMAT Financial Consultant
- Lynn Kamph, FCMAT Financial Consultant

## **Financial Review**

### **AB 1200 Oversight**

If a district cannot meet its financial obligations for the current or two subsequent fiscal years or has a qualified or negative budget certification, the county superintendent of schools is required to notify the district's governing board and the state superintendent of public instruction (SPI). The county office is required to follow Education Code section 42127.6 in assisting a school district in this situation. Assistance may include assigning a fiscal expert to advise the district on financial issues, conducting a study of the district's financial and budgetary conditions and requiring the district to submit a proposal for addressing its fiscal condition. In the case of a district that does not meet its required reserve levels, the MYFP is intended to help the county office and district formulate a plan to regain fiscal solvency and restore the required reserves and ending fund balance.

Regular and frequent budget monitoring becomes critical in times of fiscal uncertainty. The district will need to ensure that the MYFPs are provided in a more detailed report, updated frequently, and that financial information is accurate and based on the most current economic assumptions. This is particularly important because economic indicators may change rapidly as the state continues to struggle to balance its budget and project cash flow.

The following 15 conditions represent the most common indicators of fiscal distress and are referenced in AB 2756 (Daucher) and included in Education Code section 42127:

1. Governance crisis
2. Absence of communication to education community
3. Lack of interagency cooperation
4. Failure to recognize year-to-year trends
5. Flawed ADA projections
6. Failure to maintain reserves
7. Insufficient consideration of the effects of long-term bargaining agreements
8. Flawed multiyear projections
9. Inaccurate revenue and expenditure projections
10. Poor cash flow analysis and reconciliation
11. Bargaining agreements beyond state COLAs
12. Lack of integration of position control with payroll
13. Limited access to timely personnel, payroll, and budget control data and reports
14. Escalating general fund encroachment from restricted programs
15. Lack of regular budget monitoring

The Oxnard Elementary School District is experiencing many of these common indicators that will require immediate attention by all participating stakeholders.

Any forecast or evaluation of financial data has inherent limitations because calculations are based on a specific snapshot in time of the current economic assumptions and criteria including enrollment trends, cost-of-living adjustments (COLAs), and future projections for utilities, fuel, supplies and equipment. Financial projections, fiscal reviews or funding options must reflect the changing economic conditions at the state, federal and local levels.

FCMAT's analysis and review of the district's proposed Second Interim Financial Report includes the impact of the approved Senate Bill 4 of the 2008-09 third extraordinary session (SBX3 4) in February 2009 and subsequent multiple extraordinary sessions in July 2009 including: ABX4 1, ABX4 2, ABX 4 3 and SBX4 16 budget and trailer bills to the state budget act for fiscal years 2008-09 and 2009-10. This includes significant midyear funding reductions of 4.46% for categorical programs in the current fiscal year, a one-time revenue limit adjustment of \$252.83 per ADA, and an increase to the deficit factor.

FCMAT would like to thank the district staff and administration for their cooperation and assistance during this review. The information including attachments is the final work product pursuant to this request. If the district requires additional information, please contact our Atascadero office at (805) 462-1426.

Sincerely,



Anthony L. Bridges  
Deputy Executive Officer



Deborah Deal  
Fiscal Intervention Specialist

C: Joel Montero, Chief Executive Officer



# Financial Review

## Revenue Limit, Deficits, Cuts and Deferrals

Most of the district’s funding comes through revenue limit resources, which are driven by average daily attendance (ADA). The state imposed a deficit of 7.8444% in 2008-09 and increased the deficit to 18.355% in 2009-10. Essentially, this means that the district will receive 82 cents on the dollar in the current fiscal year. A deficit occurs when the state is unable to pay the full amount for the ADA generated by the district. Dollars lost because of a deficit must be restored at a future date by the state.

The state imposed a one-time revenue limit cut of \$252.83 per student in the current fiscal year after the district had adopted its budget. This adjustment represents a \$3.7 million loss in funding for the district that will not be restored by the state in subsequent fiscal years.

In addition to the deficit and one-time loss of funding, the state initiated a new apportionment schedule and applied deferrals. The district will experience three one-time cash deferrals and four ongoing cash deferrals. In total, **25% of the district’s current year apportionment** dollars will be deferred to July and August of the following fiscal year. These changes greatly affect the district’s ability to meet payroll and other obligations without internal and/or external borrowing. The following table demonstrates the district’s new apportionment schedule and the projected schedule for apportionment payments by the state:

Monthly Apportionment and Payment Schedule	Old Apportionment Payment Schedule	New Apportionment Payment Schedule	Percentage of Actual Monthly Payments	Actual Monthly Shortfall Percentage
July	6.0%	5.0%	1.0%	-4.0%
August	12.0%	5.0%	0.0%	-5.0%
September	8.0%	9.0%	9.0%	0.0%
October	8.0%	9.0%	14.0%	5.0%
November	8.0%	9.0%	4.5%	-4.5%
December	8.0%	9.0%	13.0%	4.0%
January	8.0%	9.0%	13.5%	4.5%
February	14.0%	9.0%	0.5%	-8.5%
March	7.0%	9.0%	9.0%	0.0%
April	7.0%	9.0%	6.0%	-3.0%
May	7.0%	9.0%	4.5%	-4.5%
June	7.0%	9.0%	0.0%	-9.0%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>75%</b>	
Subsequent Fiscal Year				
July			17.5%	
August			7.5%	

### **Cash Management**

At the time of fieldwork, staff had not properly reflected the one-time revenue limit adjustment and apportionment deferrals in the cash flow documents included in the first interim report; however, they were reflected in the revenue limit calculation. As a result, the revenue limit and cash flow documents could not be reconciled. In addition to this error, staff did not adjust the monthly apportionment schedule in accordance with the table above to properly project the district's year-end cash balances.

The combination of these two errors resulted in an overstatement of available cash by June 30, 2010 by approximately \$17 million. Originally, the cash flow document indicated that the district would have \$18.2 million available as of June 30, 2010. The corrected cash flow projection shows \$1.6 million at June 30, 2010. In addition to the one-time adjustment to the revenue limit described above, the cash deferrals imposed by the Governor's budget were not included. Because the cash deferrals move 25% of the current year apportionments into July and August, 2010, this severely impacts available cash as of June 30, 2010.

Each section of the cash flow worksheet, including revenue, expenditure, prior year transactions, and net increase/decrease in fund balance should be carefully reviewed to ensure that they match the appropriate current year or prior year budget document. The most current budget projections should be updated in the cash flow model. It is important for the district to monitor its cash levels frequently and project cash flow requirements to determine whether cash will be sufficient to meet its financial obligations. Under Education Code Sections 42603, 42611 and 42622, the district has several options available to cover cash shortages that include internal and external borrowing opportunities.

**Internal Borrowing** - Education Code Section 42603 allows local agencies to borrow between funds temporarily to address cash flow shortages. Borrowing between funds is a common method for school districts to cover cash shortages if there is cash available in other funds. No more than 75% of the money held in any fund during the current fiscal year can be transferred. In addition, funds must be repaid in the same fiscal year if the transfer is completed **prior to** the last 120 days of the fiscal year. If funds are transferred **within** the last 120 days of the fiscal year, repayment must be made before June 30 of the subsequent year.

**External Borrowing** - External borrowing requires additional time because the LEA must access funds from an outside agency. Options for external borrowing include the following:

**Borrowing from the county office** - This option depends on the willingness and ability of the county office to provide funds. The current economic outlook may preclude this option because county offices are monitoring their own cash for the future.

**Borrowing from the county treasurer** –Under Article XVI, Section 6, of the California Constitution, the county treasurer is **required** to provide funds to an LEA that is unable to meet its obligations. The county treasurer cannot lend districts money after the last Monday in April of the current fiscal year, and the governing board is required to pass a formal resolution.

The loan cannot exceed 85% of direct taxes levied on behalf of the school district. An advantage to this approach is that the treasurer can take repayment directly from property tax receipts before they are distributed to the school district. Repayment must be made from the first monies received by the school district before any other obligation is paid.

**Borrowing with TRANS** - The most common external borrowing mechanism is using Tax and Revenue Anticipation Notes (TRANS). This form of short-term borrowing allows LEAs to sell notes against future tax receipts. Since tax receipts do not come monthly but are received in April and December, it is common for school districts to utilize this option.

The district should review the cash postings from the county office of education to determine that cash is posted timely. Additionally, the district should meet with officials at the Ventura County Office of Education and the Ventura County Treasurer’s Office to verify that the interest earnings are calculated on an average daily balance in accordance with California Government Code regulations.

## Recommendations

*The district should:*

1. Monitor its cash position monthly to meet short-term fiscal obligations.
2. Closely track and update all fund balances and cash flow projections as economic data and other fiscal information continue to change.
3. Ensure that the revenue limit calculations and cash flow projections reconcile in the interim financial and adoption budget reports.
4. Monitor cash postings from the county office to ensure they are timely.
5. Meet with the county office of education and county treasurer to verify that the interest earnings are calculated on an average daily balance in accordance with California Government Code regulations.
6. Review all funds and determine if any sufficient cash balances exist that could be invested in the Local Agency Investment Fund versus the County Treasury pending an internal review by district staff to determine the maximum effective interest rate.



# Multiyear Financial Projections

## *AB 1200 and AB 2756 Requirements*

FCMAT reviewed the district's multiyear financial projections (MYFP) which did not contain sufficient information for a detailed fiscal analysis. MYFPs, including the supporting schedule for cash flow, are a planning document for district administration and are required by AB 1200 and AB 2756. These projections are part of the adoption and interim reporting process. Updating the MYFP with the most accurate information is an essential function of the business office. The primary purpose is to identify the total amount of budget adjustments necessary to remain fiscally solvent and project cash flow requirements to assist management with strategies that may include internal or external borrowing options, as previously discussed. Budget adjustments and any options for borrowing necessitate adequate planning, generally several months in advance. Based on FCMAT's review, the Business Office had not provided the detailed planning necessary to allow for options or recommendations for layoffs, budget reductions and/or revenue enhancements.

MYFPs can become somewhat unreliable in a time of fiscal instability, especially when projecting future fiscal years, because anticipated revenue projections from the state frequently change. Over the last two fiscal years, districts throughout the state updated financial assumptions several times as the state continued to experience severe revenue declines. During this continued period of uncertainty, the district should monitor and update projections regularly.

Any financial forecast has inherent limitations because it is based on certain criteria and assumptions rather than on exact calculations. Limitations include issues such as the accuracy of baseline data, the unpredictable timing of negotiations, unanticipated changes in enrollment trends, and changing state, federal and local economic conditions. Therefore, the budget forecasting model should be viewed as a trend based on certain criteria and assumptions rather than as a prediction of exact numbers. To maintain the most accurate and meaningful data, the projection should be updated at least at each interim financial reporting period and during collective bargaining negotiations to determine the fiscal impact of any potential contractual changes.

In evaluating the MYFP, much attention is focused on the bottom line, which indicates the district's undesignated, unappropriated fund balance. If the bottom line shows a positive unappropriated fund balance, this amount may be used by the governing board and/or the superintendent to improve educational programs, increase employee compensation or spend in other categories. However, if the unappropriated fund balance is negative, the deficit is the amount by which the budget must be reduced to sustain the recommended reserve levels and board-designated reserves under AB 1200 guidelines. The projection should be viewed comprehensively, and the district should determine the compounding effects that using any or all of the unappropriated fund balance will have on the projec-

tion in the current and future years. The unappropriated balance and the corresponding compound effects can be clearly determined as the years proceed.

The district uses an Excel spreadsheet that merges unrestricted and restricted funds to prepare its MYFPs. This spreadsheet is highly simplified and collapses resources into major object codes. Using spreadsheets to calculate millions of dollars in revenues and expenditures over multiple fiscal years is problematic in a district the size of Oxnard Elementary. The current spreadsheet does not contain detailed projection rules for various object codes and resources. In addition, the spreadsheet contains substantial errors in moving employee benefits from year to year as well as several errors in the calculations of categorical and entitlement revenues. The district should extract the financial information from the operating system and import it into Budget Explorer. FCMAT's Budget Explorer is a Web-based multiyear financial software program developed specifically for California school districts and is offered at no cost. This powerful tool is used by hundreds of school districts across the state.

The district's multiyear Microsoft Excel spreadsheet that was originally included in the first interim report showed a target number for budget reductions of \$6.1 million for 2010-11. This projection collapsed the unrestricted and restricted dollars by major object code, making it impossible to analyze major program categories for accuracy. The spreadsheet did not include any global variables or specified projection rules for other state and federal revenues, supplies and books, or services and operations. In addition, employee benefits were understated by \$850,000. **A complete MYFP was not included in the scope of work for this project; therefore, FCMAT is unable to project a more realistic target due to the lack of accurate financial and budget data.**

As a result of the projections in the district's multiyear spreadsheet, staff underestimated the budget reductions necessary to comply with AB 1200 and AB 2756 standards. Accurately reflecting the district's financial position is critical, especially if the district must issue layoff notices within the required Education Code time lines. The district administration should carefully review financial assumptions and projections prior to the final preparation of official budget documents and presentation to the governing board for approval.

The Business Department needs to provide accurate and timely information, which includes updating multiyear projections based on the latest financial assumptions. Several examples of inaccurate budget projections include: CSR, Title I, QEIA, and Lottery funding. In addition, the salary savings for vacant positions for certificated, classified and management was not recognized as savings to the budget. The district should utilize the School Services of California (SSC) dashboard assumptions together with other pertinent information that is unique to the district in its multiyear projection documents.

## Recommendations

*The district should:*

1. Consider using FCMAT's Budget Explorer software to provide a high degree of accuracy and a greater level of detail for better financial forecasting and planning.
2. Continue to obtain and use updated budget and projection data as the basis for financial decisions. Utilize the economic projection variables produced by School Services of California.
3. Ensure that the district administration carefully reviews financial assumptions and projections before final preparation of official budget documents and presentation to the governing board for approval.





## Budget Development

The district adopted its annual budget in accordance with EC 42127 on June 24, 2009. EC 42127 requires the governing board of each school district, on or before July 1 of each year, to “hold a public hearing on the budget to be adopted for the subsequent fiscal year.” No more than five days after that adoption or by July 1, whichever occurs first, the governing board is required to file the budget with county superintendent of schools.

The district normally starts developing its budget in February for the upcoming fiscal year, with some preliminary discussions in December with the governing board. The state’s current fiscal crisis makes budget development especially challenging.

On February 20, 2009, Governor Schwarzenegger signed the 2009 Budget Act, which enacted the 2009-10 state budget and revised the 2008-09 state budget. Proposition 98 funding for K-14 education was reduced by \$7.4 billion in 2008-09, with an additional decrease of \$3.2 billion projected for 2009-10. District staff realized they would have to reduce the 2009-10 budget by \$5.02 million, in addition to the \$3 million in mid-year reductions that would be required to balance the 2008-09 budget.

The district decided to reach out to the community, staff and other stakeholders for input. A budget crisis presentation was given 29 times and included all school sites and various community groups. Staff and community were encouraged to submit suggestions via budget input cards, which were available online or could be requested by calling the district office on a dedicated line. A total of 430 budget improvement suggestions were received in the business office. The Business Department staff reviewed, sorted and compiled a master list of 105 items with estimated the savings or cost for each recommendation. Finally, the master list was forwarded to the Budget Advisory Committee (BAC).

The district formed the Budget Advisory Committee in 2007. Its stated purpose, according to its charter, is:

The Budget Advisory Committee is an advisory body and does not make policy, nor does it manage or direct the School District. It provides a valuable resource to the Superintendent by enhancing communication, providing opportunities for input on the budgetary process, and obtaining support for decisions ultimately made by the Board of Education of Trustees.

The committee is appointed by the Superintendent and has a representative from each of the three bargaining units, classified management, a board member, a representative from the PTA, an elementary school principal, an intermediate school principal and a representative from the community. The Assistant Superintendent, Business and Fiscal Services and the Director of Budget and Finance act as advisors to the committee.

The BAC used three categories and three criteria to prioritize the list as follows:

<b>BAC Prioritization Guidelines</b>		
<b>Importance</b>	<b>Urgency</b>	<b>Ease to Implement</b>
Not Critical = 1	Not Urgent = 1	Easy = 1
Somewhat Critical = 2	Somewhat Urgent = 2	Moderate = 2
Extremely Critical = 3	Extremely Urgent = 3	Hard = 3

The ratings of each category were multiplied together for a total score with 1 (1x1x1) being the lowest possible total score and 27 (3x3x3) being the highest possible total score for any one item. Then individual committee members' scores were averaged across the entire group for each item. This averaged total determined the final priority rank.

The BAC assigned an implementation category to each item on the list, as follows:

- A. Implement in 2009-10 with a cost savings
- B. Implement in 2009-10 with cost savings unknown
- C. Implement in 2009-10 with a one-time cost savings
- D. Implement in the future
- E. Do not implement – information only
- F. Do not implement

A rigorous process that involved many discussions about the items submitted along with an analysis of estimated cost savings concluded with the first draft of the BAC's Budget Improvement Recommendations list in April 2009. On April 8, the list was posted on the district's Web site, distributed to employee groups and forwarded for consideration to the Superintendent's Action Team (SAT) for preliminary review with a request for feedback by April 20.

The BAC reviewed the feedback from the various stakeholders and made a final recommendation on April 28, 2009 to the SAT for final approval. The following table shows the complete BAC process:

### Committee Process for the 2009-10 Adoption Budget

#### START

Input from Stakeholders, Community and OSD Employees is Submitted to BAC  
 BAC Reviews, Discusses, Develops List of Recommendations for Budget Reductions  
 Compiled List of Budget Reductions Forwarded to SAT  
 SAT Reviews, Discusses, Finalizes List of Budget Reduction Recommendations for Board of Trustees  
 SAT Submits List of Reductions to Board of Trustees  
 Board Reviews, Accepts, Modifies or Rejects Elements of These Recommendations  
 Board Adopts Lists of Recommendations for 2009-10 Budget Improvements

#### END

After forwarding the initial list to SAT, the district learned that the enactment of SBX3 4 would allow LEAs to use funding formerly restricted categorical programs for any educational purpose in fiscal years 2008-09 through 2012-13. The SAT decided to use a portion of the funds made available by the Tier III categorical shift to eliminate some of the items from the BAC's recommendations list.

SAT submitted this revised list of 2009-10 Budget Improvement Recommendations to the governing board for action at the May 20, 2009 board study session. The governing board approved the list as submitted. Originally the amount needed in budget reductions was \$5,029,000, but that number almost doubled to \$9,133,362, primarily because the state failed to pass several propositions in a special election held in May 2009 that would have eased the budgetary situation at the state level. The final list of Budget Improvement Recommendations is included as Appendix B to this report.

The Director of Budget and Finance has primary responsibility for assembling the district's budget into one cohesive document. Position control data from the current fiscal year is rolled into budget development. Approved budget additions or deletions, school site and departmental budgets are manually keyed into the budget development system by the director or her designee. Oversight of the various categorical programs is delegated to individual staff members by resource code. The unrestricted department budgets are rolled forward from the previous year and adjusted as needed. For the past several years, the adjustments have been across the board cuts in operating budgets, with little or no input from the departments.

Using an Excel spreadsheet format, goals are linked with action steps necessary to obtain these goals. Below each action step is a budget area with a list of the six major expense objects, columns to enter the estimated cost of the action, and a description of the cost. Personnel costs are provided to the sites by the Business Department. A prioritization calculator is then completed, integrating the action plans with information in the current

budget to determine the staff and materials needed for the activities previously identified in the site plan. After all actions have been rated by importance, available funding is applied to the costs until the funding source is exhausted. The preliminary funding amounts are supplied to the sites by the Director of Budget and Finance in March of each year and are due back in the Business Department by the end of April. The site budgets are reviewed by the Assistant Superintendent, Educational Services and the Administrator of Assessment, Accountability and Special Programs for categorical compliance and overall alignment with the Local Education Agency Plan.

Once budgets are finalized and approved, very few changes are made during the course of the year. At first and second interim reporting periods, the budget is populated with the latest position control records that include any personnel changes. Changes as a result of increases or decreases are offset by corresponding changes in the supplies and services budgets within each resource code.

The budget is not adjusted for any one-time expenditure requirements such as unexpected equipment replacement. This practice eliminates the need for the Business Department to identify one-time expenditures prior to rolling the current year unrestricted supplies and services budgets into the next year's budget. The Director of Budget and Finance reviews the budget at year end to see whether it contains negative amounts, which indicates to the director that a one-time expense has occurred. The district should establish a code that clearly identifies one-time revenues and expenses to ensure proper budget monitoring. Before the budget is rolled into the next year, a special report can be printed that identifies one-time items for removal as part of the budget development process. In addition, these one-time items can be segregated in the MYFP for proper budget presentation.

The iVisions software application is programmed to eliminate overspending at the resource level. Requisitions will not clear the system unless there are available funds; however, the Business Department has the ability to manually override the system. The annual cost of payroll and benefits is encumbered in the financial system and deducted from available balances. Overtime and extra duty costs are not encumbered but are posted as soon as payroll is run each month. In the rare event that a site budget is overspent at year end, the corresponding amount is deducted from the next year's allocation.

## Recommendations

*The district should:*

1. Begin preparing immediately for a period of fiscal instability by adopting a budget and multiyear projections that eliminate deficit spending and meet reserve requirements in the current and subsequent two fiscal years.
2. Ensure that the governing board immediately begins making decisions to address any conditions that are indicators of fiscal distress as discussed in this report.

3. Ensure that multiyear financial projections are accurate and up to date at each interim reporting cycle.
4. Review estimated enrollment and ADA calculations to ensure that they are accurate and conservative.
5. Review the revenue limit assumptions and calculations prepared by district staff. The Assistant Superintendent and Director of Budget and Finance will need to have clearly defined responsibilities to avoid instances of overreporting or underreporting.
6. Regularly review revenue and expenditure projections for reasonableness and make adjustments accordingly.
7. Complete an in-depth analysis and review of expenditures, and reduce costs where possible.
8. Compare budgeted expenditures to actual expenditures plus encumbrances, and make adjustments accordingly.
9. Evaluate and maximize all flexibility options provided in the 2009-10 state budget.
10. Ensure that seniority lists meet the legal requirements and time lines required by the Education Code.
11. Review contributions to restricted programs and ensure that all restricted programs are self-sustaining.
12. Ensure that all programs are charged the maximum allowable indirect cost rate.
13. Carefully review federal stimulus (ARRA) funding rules for accountability and reporting requirements.
14. Create a one-time spending plan for the federal stimulus (ARRA) funding.
15. Explore options to attract and retain students and increase the ratio of student attendance to enrollment.



## Enrollment and Average Daily Attendance (ADA)

Proper enrollment tracking and ADA analysis are essential to provide a solid foundation for budget planning. Because the district's primary funding is based on the total number of student days in the attendance cycle, it is crucial to monitor and project student enrollment and attendance. Enrollment information is critical for estimating staffing needs and facility requirements for students. Projections give the district ample time to make proper accommodations for students when districts are growing, or to consolidate facility usage in declining enrollment periods. FCMAT reviewed the district's system enrollment report by grade level that identified an increase of approximately 200 students. This information was included in the district's analysis of the second interim report.

The district has traditionally used a private demographer for its enrollment calculations; however, the enrollment data used for budget purposes in the current year was based on in-house calculations. The current district projection is based on a five-year rolling average districtwide and does not take into account many of the factors normally used. Examples of these variables include:

- Birth rates and trends
- The historical ratio of enrollment progression between grade levels
- Changes in educational programs
- Inter- and intradistrict transfers
- Migration patterns
- Changes in local and regional demographics
- A new industry coming to the area or an existing industry leaving
- Residential housing starts and the generation factor per household
- The approval of charter schools, pending applications, and the recruitment efforts of approved charter schools within the district's boundaries

### *Cohort Survival Methodology*

Although the districtwide enrollment trend has been fairly stable over time, the district should utilize the cohort survival method to detect incremental changes in key variables that may indicate a different trend. This method calculates the historical enrollment data between grade levels to determine a reliable weighted average percentage of increase or decrease. It uses grade level progressions and survival rates to more closely account for retention, dropouts and students transferring to and from the district grade by grade. The resultant information and other variables are used to project future enrollment trends.

### *Correlating Enrollment Projections to Staffing Needs*

When enrollment and related ADA decline, the district should consider the budgetary impact on teacher-to-student ratios and plan accordingly. The district should review staffing in conjunction with enrollment projections at each major reporting period and make

appropriate adjustments. Because the district has had cyclical enrollment over the last few years, it should also exercise extreme caution regarding budgetary issues, such as staffing and negotiations, to ensure fiscal solvency.

## Recommendations

*The district should:*

1. Review estimated enrollment and ADA calculations to ensure that they are accurate and conservative.
2. Utilize the Budget Explorer multiyear projection software that includes an automatic upload of the district's CBEDS enrollment data and projects enrollment data based on a five-year weighted cohort survival methodology.
3. Include multiple student generation factors, including birth rates, to determine enrollment trends that may indicate additional student growth.



## Position Control

One of the most important elements in budgeting expenditures is accurately projecting employee salary and benefit costs. These costs are the largest part of the district budget, averaging approximately 85% to 90% of general fund expenditures. The district has partially implemented the human resources (HR), payroll, and budget/position control system modules. The Business and HR departments collaborated to ensure that the new software system works properly, but additional training, proper system security protocols and standard reporting functionality are still needed for full implementation.

The iVisions financial reporting software will provide the district with a reliable position control system. It establishes positions using unique position control numbers, which helps prevent over- or under-budgeting of staff by including all board-approved positions.

iVisions fully integrates position control with the budget development system. The system has built-in internal control features that allow only designated employees in the HR and Business departments to create or delete positions.

The HR and Business departments developed a workflow process for sites and departments to accommodate personnel requests. It describes in great detail how to process requests to:

- Create a new permanent position
- Delete or reduce a position
- Fill a vacancy
- Create a temporary position

Although the district has a written procedure detailing the workflow process to reconcile position vacancies, FCMAF documented approximately 20 FTE positions that had not been eliminated or adjusted in the position control system and were subsequently included in the budgeted projections for ongoing staffing. Instead of adjusting the position control for vacancies that were not intended to be filled and identifying these dollars as salary savings, the Business Department overstated the cost of salaries and benefits. The workflow process identifies the department and person responsible throughout the approval process and includes an estimated timeline.

### *Departmental Responsibilities/Separation of Duties*

Position control functions should be separated to ensure their effectiveness. In addition, effective internal controls ensure that only board-authorized positions are entered into the system, that human resources hires employees only for authorized positions, and that the payroll department pays only employees that were hired and placed in authorized positions. The proper separation of duties is a key factor in creating strong internal controls and a reliable position control system. Due to the timing and lack of a documented

implementation plan for the iVisions financial reporting software, internal controls for the separation of duties and responsibilities have not been completed.

Strong internal controls should be integral to a position control system. The following table depicts sample tasks to manage position control with the responsible department once the governing board authorizes new positions or deletes positions in the budget.

Responsibility	Task
Business Department	Create board authorized position(s) in the position control system, with a unique position control number and the estimated salary/budget
Business Department	Develop account codes for each authorized position Develop budget Create multiyear projections Create salary and benefit projections Annually review and update salary schedules
Human Resources	Enter demographic data into the position control system, including: Employee name Employee address Social Security number Credential information Classification Salary schedule placement Annually review information
Business or HR Department	Update employee benefits Review and update employee work calendars

The rollover of position control data from the current fiscal year to the budget year will provide the Business Department staff a starting point for budget development. Position control files for the budget year should be updated monthly or, at a minimum, quarterly to eliminate positions to determine budget savings, add new approved positions, make changes in statutory and health and welfare benefit rates, and make any other adjustments that will affect projected salaries and benefits for the budget year.

A fully functioning position control system helps districts maintain accurate budget projections, employee demographic data and salary and benefit information. In addition, effective position control helps prevent districts from omitting other payroll items such

as substitutes, extra duty pay, stipends and estimated costs for column changes from the budget.

When a new position is added, the district's Business Department assigns a position control number and provides that number to HR. HR staff members are responsible for entering all demographic information and for assigning an employee to a position.

An accurate and effective position control system lists all actively filled and vacant positions. If a position becomes vacant and the district does not intend to fill it until some later date, the start date that the district plans to fill the vacancy should be adjusted. This will allow the position to be properly budgeted in the multiyear projection.

## Recommendations

*The district should:*

1. Immediately review the HR and Business Services policies and procedures for position control and work together to create a proper system of checks and balances.
2. Provide training on the iVisions system to all employees who are responsible for position control data and hold them accountable for entering accurate information and for following and documenting procedures.
3. Implement internal control procedures to ensure proper segregation of duties between the Business and HR departments.
4. Ensure that positions included in the position control records are for active employees and positions that the district intends to fill. Remove eliminated positions and adjust vacancies to realize salary savings.



## Purchase Card Usage/Internal Controls

Since June 2004, the district has participated in a purchase card program with US Bank that provides VISA purchase cards for designated employees and governing board members.

Using a purchase card has distinct advantages for certain types of expenditures such as making hotel and travel accommodations, ordering publications and subscriptions and paying for dues and memberships. In addition to the convenience to cardholders, the district can consolidate and streamline paperwork.

Generally, the district can impose individual monthly purchase limitations and prohibit the purchase at the point of sale for certain types of expenditures such as liquor or tobacco products.

Currently, the district has 11 issued purchase cards. All, except for the Director of Purchasing, have a \$4,000 monthly purchase limit. The Director of Purchasing is authorized for \$9,000 per month, which allows for districtwide procurement and making travel accommodations for district employees and governing board members.

Review of the purchase cards indicates that \$190,782.41 was spent from June 22, 2007 through November 23, 2009. The district has the Board Policy 4081 and related administrative regulation, dated June 21, 2000 (see Appendix C).

### *Support Documentation*

FCMAT prepared an itemized accounting of the purchases between June 2007 and November 2009 based on the monthly statements issued by US Bank. The statement segregates the expenditures by cardholder, date and a description of the purchase. Individual cardholder statements were combined by category based on the description of purchase on the statements. The following table is the result of that compilation.

<b>Compilation of Purchases US Bank Purchase Card Statements June 22, 2007 - November 23, 2009</b>	
Grocery Stores	\$12,889.80
Restaurant Meals	\$13,716.69
Supplies	\$48,467.83
Travel/Conferences	\$103,401.73
Postage	\$189.09
Gasoline	\$887.01
Miscellaneous	\$2,938.50
<b>Total</b>	<b>\$190,782.41</b>

Only \$121,470.91, or 63%, of these purchases had appropriate backup supporting documentation or receipts. The following table itemizes the breakdown and lack of receipts or adequate supporting documentation.

<b>Type of Supporting Documentation</b>	<b>Amount</b>
Purchases supported by receipts	\$121,470.91
Purchases with inadequate support	\$ 57,330.88
Purchases supported by Certification of Lost Receipt	\$ 4,407.70
Purchases with no receipt or Certification of Lost Receipt statement	\$7,572.92
<b>Total Purchases</b>	<b>\$190,782.41</b>

According to the Director of Purchasing, the purchases with no receipt or certificate of loss statement have not been paid by the Business Department to the credit card company and, as a result, this balance continues to roll forward month to month. However, the district is still ultimately responsible for the payment of these purchases.

#### *Unauthorized Purchases – Personal Use and Gift Cards*

According to board policy, “Use of district-issued credit cards shall be limited to reasonable and necessary expenses for conferences, meetings, travel, and related expenditures while acting within the scope of official district business.” The administrative policy further states: “All charge receipts shall be promptly submitted to the purchasing department. The purchasing agent shall review all charges for compliance with board policy, and will forward the receipts to the accounts payable department. Accounts payable will reconcile charge receipts with monthly statements and process payment.”

FCMAT reviewed expenditures for each cardholder and concluded that the bulk of the expenditures without any supporting documentation, totaling \$5,828.81 out of \$7,572.92, were made by one governing board member. These purchases were made by this individual from June 2007 to the present, and lack receipts or a Certification of Lost Receipts statement. In addition, many of these expenditures appear to directly violate the district’s board and administrative policy, which states that “No personal expenses may be charged on district credit cards.” The team noted an expenditure of \$600 made in November 2009 to enroll a relative in a baseball academy - clearly an expenditure for personal use.

Expenditures totaling \$7,125 were made by the Director of Food Services for grocery store gift cards. According to district staff, these gift cards are distributed to cafeteria managers to make purchases for district-sponsored catering events and board meetings. Only \$524.51 of the expenditures had receipts on file in the Food Service Department. The director states that gift cards totaling \$804 are unused.

The bulk of the items that lack adequate supporting documentation, totaling \$57,330.88, were for travel and hotel accommodations. The hotel bills are supported by the online reservation and the authorization to use the purchase card. The actual itemized hotel bills are not in the district files.

The district should strengthen the existing policies and develop a comprehensive usage manual that describes cardholders' responsibilities and holds them accountable for misuse.

Prohibited uses include:

- Purchases for personal use
- Equipment purchases over a dollar threshold established by the district
- Alcoholic beverages or tobacco products
- Any purchase in violation of California Government or Education Code
- Gasoline, diesel or oil
- Cash advances
- Donations
- Rental or lease of equipment or facilities
- Insurance
- Agreements for professional services
- Utility bills

### *Internal Controls*

FCMAT found significant material weaknesses in the district's internal controls related to credit card use by both staff and board members, which increases the probability that fraud and/or abuse may have occurred. The district should implement policies and procedures for internal controls designed to protect the district related to purchase card use, position control and information systems management. FCMAT has identified other internal control issues specifically related to process and procedures in the facility component of the report.

The district does not have a board policy or administrative regulations that clearly articulate district policy and/or procedure to guide staff. FCMAT strongly recommends that the district develop board policy, administrative regulations, and detailed departmental guidelines for the Business and Human Resources departments regarding issues such as proper use of purchase cards, separation of duties, and responsibilities for position control. In addition, the district should establish a fraud prevention program.

### *Purpose of Internal Controls*

Illegal acts, misappropriation of funds or fraud are characterized by intentional deception and misrepresentation of material facts. The principal mechanism for deterring fraud or illegal practices in an organization is a strong system of internal controls. Effective internal control policies and procedures provide management with reasonable assurance that a district's financial operations are effective and efficient, the financial information produced is reliable, and the district complies with all applicable laws and regulations. The internal control structure includes policies and procedures used by district staff, accounting and information systems, the work environment and the professionalism of employees. Effective internal controls include reasonable assurance that:

- Policies, procedures, plans, laws and regulations are followed
- Assets are safeguarded against theft and/or loss
- Financial information is accurate and reliable
- Financial and operational information is timely
- Resources are used efficiently, effectively, and economically

Lack of strong and effective internal controls can have many serious financial repercussions. For example, fraud may be perpetrated by adding a nonexistent employee to the position control system, feeding that information into the payroll system, and issuing a check to that person. Unintentional errors can occur such as entering an inaccurate ending date for a position or misstating personnel costs during budget development. This can cause a check to be issued to an employee who left the district.

Ineffective internal controls fail to segregate duties and responsibilities, and allow unrestricted access to assets or sensitive data such as cash, fixed assets or personnel records. Unauthorized or unrecorded transactions, lack of reconciliations, and collusion among employees are common examples of internal control failures.

Policies and procedures designed to provide management with reasonable assurance that the school district is operating with proper internal controls include segregation of duties, limiting access to cash, management review and approval of reconciliations. Other types of internal controls include management tone, performance evaluations, training programs, and established policies, procedures and standards of conduct. The internal control environment also includes the integrity, ethical values and competence of personnel; the philosophy and operating style of management; the way management assigns authority and responsibility and organizes and develops its people; and the attention and direction provided by the governing board and executive management.

Establishing a fraud prevention program is essential in fraud deterrence. The program should include a fraud hot line, posters and information that can be posted on the district's Web site. These measures provide visibility and an awareness of management's intentions to maintain an emphasis on fraud deterrence and prevention.



Internal controls can provide only reasonable assurance, not absolute assurance, that the district will be successful in achieving its goals and objectives.

Each finding is classified as a material weakness, a reportable condition or an area for management improvement. These classifications are provided to assist the district in developing a corrective plan of action. The district's plan should first address the material weaknesses, then the reportable conditions, and finally the management improvement issues.

### **Material Weakness**

Material weaknesses are deficiencies in the district's internal controls that are so serious that errors or fraud may occur and not be detected in a timely manner by employees during the normal course of business. A material weakness may also be a violation of current laws or regulations. A material weakness is the most serious type of finding.

### **Reportable Condition**

A reportable condition is a significant deficiency in the design or operation of the district's internal control processes that could adversely affect the district's ability to record, process, summarize and report financial data.

### **Management Improvement**

A management improvement is not a material weakness or reportable condition, but provides suggestions for improving the district's operations to conform to industry best practices.

The HR and Business departments should immediately review their policies and procedures for position control and work together to create a proper system of checks and balances. All employees who are responsible for position control data should be trained on the system and held accountable for ensuring that accurate information is entered and procedures are followed.

It is apparent that the district has not provided adequate oversight or internal control over the purchase card policy and regulations. The district should be concerned that unauthorized purchases by district personnel and a board member for personal use may be a violation of the use of public funds. Additionally, the district is not in compliance with generally accepted accounting principles or the district's board policy for purchases and claims not supported by district documentation or receipts.

Adequate oversight by the purchasing and accounts payable personnel includes monthly review of purchases and supporting documentation to ensure proper use. Violations of district policy should include disciplinary action and revoking the privileges of the cardholders in question.

## Recommendations

*The district should:*

1. Enforce Board Policy 4081 to include responsibilities of cardholders, budget managers, site administrators, district accounts payable employees, and purchasing agent, prohibited uses disciplinary action and methodology to report lost cards.
2. Implement administrative regulations and detailed departmental guidelines for the Business Department, and Human Resources in the following key operational areas:
  - Use of purchase cards
  - Purchasing
  - Position control and segregation of duties between the Business Department and Human Resources
  - Systems management specifically regarding access and authorization procedures
  - Asset management and cash handling procedures
  - Reconciliation processes for bank reconciliations and inventory control
3. Ensure that all purchases have the appropriate supporting documentation that includes itemized receipts, detailed hotel invoices and/or packing slips.
4. Develop a comprehensive purchase card usage manual and hold cardholders accountable for misuse.
5. Establish a fraud prevention program including a fraud hot line, posters, and information available on the district's Web site.
6. Conduct routine monitoring by management of internal controls for compliance and effectiveness.

# Organizational Structure

## *Principles Utilized*

FCMAT reviewed the district's current organizational structure and management level reporting for the Facilities, Business and Technology departments including the workflow requirements related to all three departments. In managing any organization, the primary measure of management's performance is the level of effectiveness as related to the following principles:

- Leadership: How effectively the organization communicates and translates the goals and objectives to its employees
- Resources: How the organization utilizes financial and human resources
- Delegation: How the organization delegates assignments and communicates instructions to employees
- Execution: How the organizational goals and objectives are carried out by employees

These four principles were used in FCMAT's review to determine whether the Business, Facilities and Technology departments are adequately staffed and functioning effectively. In reviewing the organizational structure of the facilities department, the governing board's strategic plan, goals and objectives should be clearly defined. The organizational chart should reflect appropriate staff levels commensurate with those expectations.

## *Facilities*

School district facilities and maintenance departments have similar duties and responsibilities regardless of the district's size that center on the need to maintain and improve existing school facilities and their campuses, as well as other specialized district facilities. Facilities department responsibilities also often include coordination of facilities use by the public, and interaction with intergovernmental agencies such as county or state government.

The district's Facilities Department manages and oversees the fiscal aspects of a \$64 million general obligation bond program (Measure M6), \$7 million in building funds, \$13 million in developer fee funds, and \$25 million in state school building funds. The department also oversees the maintenance and security of \$192 million in capital assets.

The department reorganized in the past fiscal year due mainly to declining enrollment and budgetary reductions. Prior to the current organizational structure, the department had a Facilities Project Coordinator, Project Supervisor, and outside consultant all reporting to the Executive Director. The Executive Director is relatively new to the district, having been hired in March 2009.

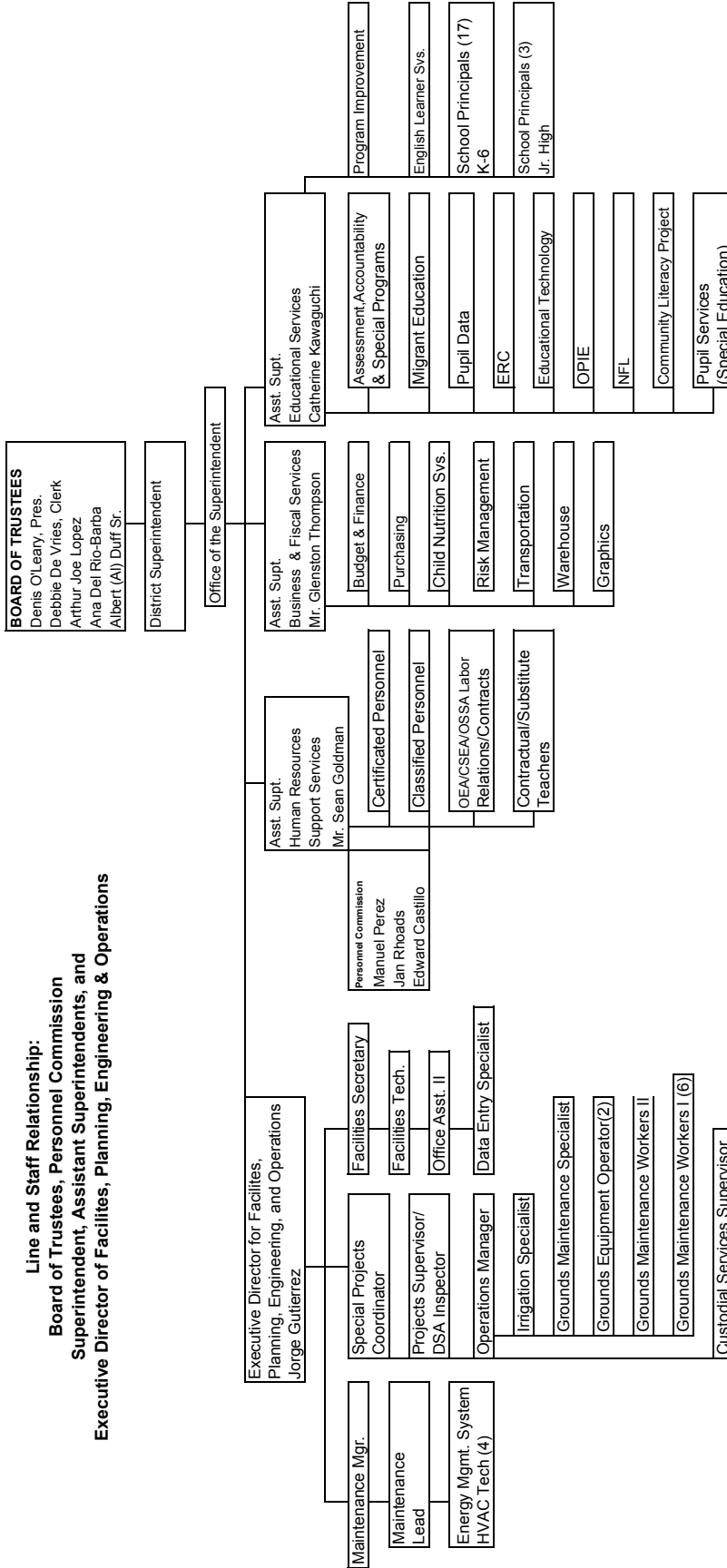
The current structure includes a new position of Assistant Director of Facilities recently approved by the governing board (currently vacant and not shown on the organizational chart below). The following organizational chart was provided by the district and includes the new Assistant Director and the following positions:

**GENERAL SCHOOL ADMINISTRATION**

**OXNARD ELEMENTARY SCHOOL DISTRICT**

**3030(A)E**

**Line and Staff Relationship:  
Board of Trustees, Personnel Commission  
Superintendent, Assistant Superintendents, and  
Executive Director of Facilities, Planning, Engineering & Operations**



3/20/2009

The Executive Director supervises the Assistant Director of Facilities position and existing custodial and maintenance managers, with the span of control for line and clerical staff. The department is staffed appropriately; however, if the district experiences changes in funding levels to support its construction program because of the inability to issue remaining local bonds or state funds are not released because of cash shortages at the state level, the district may need to re-evaluate these staffing levels.

The department's organizational structure is ineffective for the district's present needs. Once an Assistant Director has been hired, the Executive Director should delegate the daily maintenance issues of the school sites to the Assistant Director. This will allow the Executive Director the necessary time to focus more on facility planning responsibilities such as attending committee meetings, developing the facilities master plan and working on facility development issues with the city of Oxnard.

Board Policy 5823(A) states that the Executive Director of Facilities reports directly to the Superintendent or a designee. This is an unusual reporting relationship for a district of this size. Generally, the responsibility for facilities planning and maintenance management is organized under the business administration function of the district, and the facilities department leader reports directly to the Assistant Superintendent of Business.

Normally when the facilities administrator reports directly to the superintendent, the position requires extensive school facility planning as well as a strong financial background. Therefore, these functions are usually performed by the business services department with direct supervision over the facilities department. Separating the oversight of the legal, budgetary and financial activities from the business department often creates operational duplication and potential conflicts regarding adherence to laws and regulations governing contracting, bidding requirements, expenditure approval and budgetary authority. These problems exist at Oxnard SD, where FCMAT discovered multiple issues with invoice payment, budgetary information, and meeting legal requirements for proper project bidding. Board Policy 4371 states that facilities financing is under the Business and Fiscal Services Department. The responsibility for adherence to legal requirements involving the expenditure of public funds ultimately rests with the Assistant Superintendent of Business Services.

Due to the reorganized Facilities Department staffing in the in the 2009-10 fiscal year, the current lack of any formal application for state funding, and the inability to issue additional bond funds, the department is more than adequately staffed at the management level to meet the district's needs.

### ***Technology***

FCMAT evaluated the Technology Department and management level reporting structure, along with the workflow requirements between the Business, Human Resources and Technology departments. The district requested FCMAT to assess the

implementation process and integration of the iVisions system across the departments. The team focused on various financial modules and assessed the work performance, workflow and data management capabilities of the system.

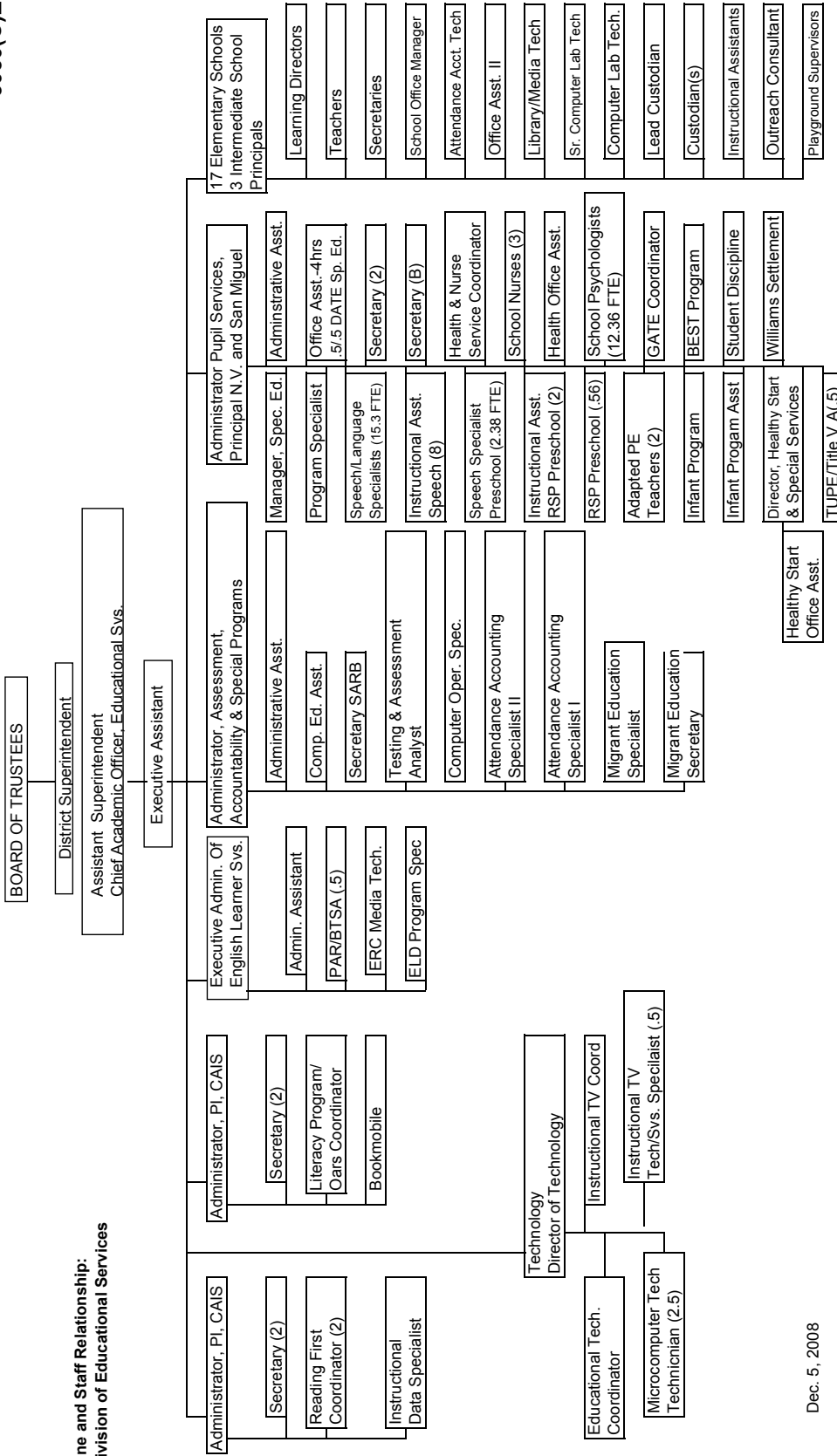
The district's Technology Department is supervised by the Assistant Superintendent of Educational Services and includes the following positions:

3030(C)E

OXNARD ELEMENTARY SCHOOL DISTRICT

GENERAL SCHOOL ADMINISTRATION

Line and Staff Relationship:  
Division of Educational Services



Dec. 5, 2008



The district implemented financial management software, Windsor Management Group Infinite Visions Enterprise Resource Planning (iVisions) in the 2008-09 fiscal year. Planning and implementing a completely new financial system takes the coordination and cooperation of several individuals and departments and usually the appointment of a project manager. The district successfully implemented the iVisions system in one year. The district's success to date is primarily due to the dedicated efforts of key individuals in the Business and Human Resources departments.

Now that the implementation has been substantially completed, the district should provide application knowledge and cross training for staff in the Business, Human Resources and Information Technology departments. The district also should reassign systems management and maintenance support to the Technology Department.

The district has limited its ability to have fully functioning Human Resources and Business departments that can respond to the numerous requests and financial reporting requirements needed by staff throughout the district because of the reliance on key staff to maintain and support the iVisions software. Of specific concern is the ability to respond to data needs that often surface as a result of budget reductions. The focus on systems management restricts these individuals from their primary job duties and responsibilities. As a result, there has been a tremendous workload shift. Because several employees in the Business and Human Resources departments have limited technological skills, the district will need to provide extensive professional training opportunities. The district needs to realign the workload appropriately, provide the necessary training in these two departments and hold employees accountable.

The Superintendent's primary responsibilities are more focused on the educational functions and instructional strategies of the organization, including serving the board and policy development. The administrative activities, including facilities and components of technology, should be consolidated under the Assistant Superintendent of Business. Based on the district's technology expertise at the administrative level, the management and supervision of the iVisions financial reporting software and all other functions related to technology support should be reorganized under the Business Department. This allows the Superintendent to have a limited but more effective span of control and supervision at the highest level of the organizational structure. In a district of this size and administrative structure, the volume of daily facilities issues could consume much of the Superintendent's time. The Assistant Superintendent of Business currently only supervises two managers and has the supervisory capacity to effectively oversee the facilities function.

The organizational structure should establish the framework from which the district provides leadership and delegates specific duties and responsibilities. Under the current structure it is difficult for the district to ensure effective communication among the Business, Facilities and Technology departments because they all report to the Superintendent. This situation is somewhat exacerbated by the fact that the

Superintendent, the Assistant Superintendent of Business Services, the Executive Director of Facilities and now the Assistant Director of Facilities are all relatively new employees and have yet to fully develop their working relationships.

The proposed organizational chart reorganizes the facilities responsibilities and components of the Technology Department under the supervision of the Assistant Superintendent of Business Services. This would allow the consolidation of the accounting functions for the Facilities and Business departments to occur and would facilitate more central budget development and monitoring for the district, including future implementation of additional modules of the iVisions financial reporting system software.

## Recommendations

*The district should:*

1. Reassign the Facilities Department and the Executive Director position to the supervision of the Assistant Superintendent of Business Services.
2. Evaluate and update all job descriptions in the Facilities Department to reflect the recent organizational changes.
3. Update all board policies related to facilities and the proposed reporting of the organizational structure.

## iVisions Implementation

FCMAT evaluated the iVisions financial reporting software implementation plan along with the integration and implementation process between the Business and Human Resources departments. The factors and issues involved in software implementation differ with each district. They can include the number of end users, how the tasks and responsibilities of the end user will change, the culture (personnel) and integrity of the organization, and the budget, including ongoing resources for professional development training and maintenance.

### *Initial Implementation and Performance*

As previously mentioned, FCMAT evaluated the iVisions Enterprise Resource Planning (ERP) financial reporting software implementation plan and assessed the integration process and implementation between the Business and Human Resources departments.

The complexity of implementing software differs with each district on several issues. Examples of implementation issues include the number of end users that will use the software, the effects that the implementation has on the tasks and responsibilities of the end user, the culture (personnel) and integrity of the organization where the software will be implemented, and the budget, including ongoing resources for professional development training and maintenance.

iVisions is a Web-based financial reporting software for multifund, modified accrual accounting systems with full integration that allows direct automatic data entry from accounts to the general ledger. Features and benefits include predesigned and customized reports that staff can review online that can be exported to Microsoft Excel, Word, Notebook, HTML, or PDF. These modules were included in the implementation:

- General Ledger
- Budget Development
- Purchasing and Procurement
- Accounts Payable
- Payroll and Benefits Management
- Position Control
- Personnel Management

The district has successfully completed the initial (partial) implementation of the human resources (HR), payroll, and budget/position control system modules. The Business and HR departments collaborated to ensure the new software system implementation was in place and working properly, but still lack professional development training and proper system security protocols. The implementation also lacked the participation and involvement of the district's Technology Department. Before installing the iVisions system,

the district operated a stand-alone HR system on an Access database. Now the position control and personnel components are fully integrated into the finance and budgetary systems. Since most district expenditures are in salary and benefits, this will allow the district the ability to manage and monitor these expenditures more accurately. Because iVisions is Web-based, users can access the system remotely to process purchase requisitions and prepare financial reports. The system restricts purchasing unless sufficient funds are available, which has strengthened internal controls. School sites and department users are instantly notified when funds are not available for a requisition.

The first phase of the software conversion and implementation required several defined protocols that involved paralleling data input and output to ensure that the system was functioning accurately. The correct integration of all modules of a software package should ensure that the data is accurate and the reports accurately reflect the financial condition of the district. At the same time, it should reduce the employee workload by eliminating data entry. iVisions software modules interface well with one another and allow this type of integration when the proper operational protocols are developed. Payroll is posting to the general ledger, prior year vendor warrants flow into accounts payable, budget modeling is extracting the position control data and imports into the budget file, and the HR module and position control match and agree with the payroll encumbering process. The county office of education and the district both believe any issues remaining with the report setup function are in the process of being resolved.

The first payroll run yielded very few inconsistencies. One unplanned element for the district staff was how many tasks formerly done by the county office of education now have to be done by district staff including check writing, filing tax data, daily cash posting for the auditor, W2s-1099s, etc.

With the initial process complete, the software has performed according to manufacturer specifications and district protocols. The district has created a fully integrated budget, payroll, and position control system, and allowed for remote access by schools and departments. However, because of the lack of a documented implementation plan and adequate training, users are unable to fully utilize each software module.

The iVisions system has increased the district's ability to function more effectively and efficiently by:

- Furnishing the district with a fully integrated Human Resources, budget and payroll system
- Providing better management of data through the payroll encumbrance process
- Providing position control functionality
- Permitting data downloading and exporting to Excel
- Reducing duplication of input through interface scripts with other district software
- Accessing data and reporting capabilities in real-time
- Allowing sites online access to process purchase requisitions

### ***System Management***

The Assistant Superintendent of Human Resources and the Director of Fiscal Services carry a significant workload related to the conversion, day-to-day management and personalized training on the iVisions system. These positions were instrumental in making the conversion and first year implementation successful.

However, the software implementation should have been directed by the Information Technology Department using a documented implementation plan. Proper analysis and documentation of requirements at the beginning of a software implementation and installation are key elements for success. The requirements must continue to be correctly implemented and managed throughout the project. Three critical elements of the implementation model are normally assigned to technology staff: (1) development of specifications based on current infrastructure, (2) work product verification with reviews, and (3) requirements traceability including acceptance and parallel system tests.

The Director of Fiscal Services personally assigns all user access and has been designated as the administrator of the iVisions software. Although there will be a continued need for district business and human resources staff to be involved in day-to-day operational issues, the Director of Fiscal Services should focus primarily on the essential need to provide financial information for decision making to the district leadership team. In addition, it is important to separate the duties of system operation from the setup of individual security protocols for different departments. The district should transfer all responsibilities for support, system access, maintenance and professional development training to the technology staff. This will require additional training for the Information Technology Department staff in iVisions management.

The district needs to build staff capacity at all levels to decrease reliance on key staff positions in the Business and Human Resources departments. Sharing of technical knowledge in user groups, investment in additional professional training, and moving some duties to the Technology Department will help develop the internal capacity to manage future iVisions implementation phases. Creation of district-specific written operational procedures, documentation, professional development and desk manuals are an important part of lessening the reliance on key positions and enhancing the district's technology staff.

### ***Ongoing System/Training Needs***

The iVisions software has documentation online to assist users and provides strong support to the district for the financial reporting functions. Internal documentation is extremely limited and should cover internal procedures (including desk manuals) and operational protocols (including system security). It is understandable that this time-consuming task has not been undertaken in year one of implementation. However, the lack of operational protocols presents a high risk factor for the district and should be addressed immediately.

Report generation seems to be an ongoing issue, and this component will require further training. The district office users previously utilized Access reports or menu type reports from the county office, and now write or develop their own query reports using iVisions and a few standardized reports provided by the vendor. Sites that received monthly reports generated by the district office now have online, real-time access to their fiscal data and online requisition processing. These are significant changes, and some users continue to experience difficulties in report writing functions. Examples include:

- Lack of experience with querying reports
- Basic lack of report-writing concepts including exporting or importing Word or Excel documents
- Inability to identify field names for the data elements required to produce a custom query report
- Unfamiliarity with the data element location or field names
- Inability for staff to produce accurate general ledger reporting

Report writing requires knowledge of the data files and fields and the ability to validate the report data that is produced. Reports can be inaccurate or misleading if the incorrect information is spooled into the query process. The district should consider dedicating a position in the Technology Department to support questions by staff members, provide report writing training and prepare system documentation.

Staff reported that during the implementation phase, training at the sites was not consistent throughout the district. Several staff members indicated they would like to collaborate and share iVisions technical skills with each other. The district should consider creating a monthly site group meeting for skill sharing. This could be a powerful opportunity for the district to gain system acceptance and approval.

Because of the short implementation period, the development of a written implementation plan, process and time line did not take place. Most departments have not had time to develop and document new departmental processes for the software or maximize its functionality. To utilize the software fully and efficiently, each department should conduct a best practices analysis and incorporate this into a departmental operational manual. All staff members would benefit from having district-specific documentation and continued professional development training.

System security and internal controls are critical to the safety and accuracy of district data. Currently, internal controls are the responsibility of the Director of Fiscal Services who is backed up by the Assistant Superintendent of HR. For many reasons this is not an appropriate system protocol. It does not provide adequate oversight for the assignment of roles, and for system access including security protocols. An integrated authorization process that moves assignments through the multiple departments and to the IT department for input into the software would solve this issue. For example, a principal could initiate

an online request for the office manager to have access to financial data and reports. This would be approved in the finance department and flow to IT for execution.

District office staff are comfortable with the iVisions system and continue to find new ways to use its functionality. However, although each HR department employee received multiple system training sessions, it is difficult for them to use the new screens and report-writer functions on the HR module. Virtually all HR department employees stated that they would prefer to return to the Access database system. This has resulted in the Assistant Superintendent of Human Resources assuming a disproportionate share of the data migration and report creation that are normally done by staff. Only one member of the HR staff appears to be reasonably conversant with extracting data from iVisions and creating merge files. The district should develop an action plan to address the concerns and training needs of staff.

The iVisions system does not contain all HR demographic data, such as credential information. The credential interface with the county office of education has been put on hold until CALPADS technical support is completed.

The Technology Department has begun to interface the iVisions software with the other district software packages. To standardize the district data and ensure the reliability of data throughout the organization, it is essential for district administration to continue supporting ongoing integration endeavors.

## Recommendations

*The district should:*

1. Prioritize further system enhancements and identify training needs. Create a documented plan for future implementation phases of iVisions.
2. Invest in general technology training and iVisions training by creating a Technology Department position dedicated to training and support, with specific support to the HR and Business Services staff.
3. Shift iVisions day-to-day operational issues to the IT department supervised by the Assistant Superintendent of Business Services, and immediately implement cross training of the IT staff.
4. Involve the Director of Fiscal Services, Assistant Superintendent of Business Services, and Assistant Superintendent of Human Resources with the IT staff in setting the parameters of access for each job description.
5. Develop security protocols for access to each application module for staff in the Business, Human Resources and Information Technology departments.

6. Move the iVisions oversight responsibilities of the Director of Fiscal Services to the IT department and immediately implement cross training with the IT staff.
7. Develop a written implementation plan for the iVisions financial modules that includes a time line and departmental responsibilities for any future modules.
8. Provide professional development training for all human resources, business and payroll staff on the iVisions software.



## Facilities

The district's Facilities Department manages 16 elementary schools (K-6), three middle schools, and one kindergarten-only school that serve an enrollment of approximately 15,600.

The department manages a \$64 million general obligation bond (Measure M6), \$7 million in building funds, \$13 million in developer fees, \$25 million in state school building funds, and \$192 million in capital assets. Department staffing decreased in the past year mainly because of declining enrollment and budgetary shortfalls. Until recently the department had two managers, a Facilities Project Coordinator, a Project Supervisor, and an outside consultant all reporting to the Executive Director.

All district construction projects funded through the OPSC and local general obligation bonds are nearly complete. The total estimated remaining cost of these projects is approximately \$1.5 million.

The processes and procedures involved in procuring and administering professional services need to be improved, as does the recordkeeping involved with soliciting and contracting for construction projects. The district needs to more clearly delineate processes and responsibilities for the Facilities, Purchasing, and Business departments, and reconsider the existing lines of organizational authority. Facilities Department staffing is adequate despite having downsized in the past year due to the completion of many of the district's major construction projects, but the role and responsibility of the Executive Director and the relationship of that position to the Superintendent and the Assistant Superintendent of Business Services needs to be more specifically defined and clarified.

### *General Obligation Bonds*

On November 7, 2000, California voters approved Proposition 39, the Smaller Classes, Safer Schools and Financial Accountability Act, requiring 55% voter approval instead of a two-thirds voting requirement to pass a local general obligation bond. Included in the text of Proposition 39 were various accountability requirements, including the requirement for a performance audit of the construction funds.

In an effort to increase voter acceptance for Proposition 39, the California Legislature passed Assembly Bill 1908 (AB 1908), providing additional requirements relative to school district general obligation bond elections conducted after this date and pursuant to Proposition 39 requirements. Those requirements included provisions for school districts conducting Proposition 39 elections to establish and appoint members to a Citizens Oversight Committee as required by Education Code Section 15278.

In November 2006, the passage of Measure M6 authorized the issuance of \$64 million of general obligation bonds. In February 2007 the district issued Series A bonds for \$32 million to finance construction and modernization of district facilities.

The district's required audit for June 30, 2009 was not available for review. While the June 2008 audit meets the minimum requirements and intent of the law, the district should add a performance component to the audit that depicts the individual projects, including the proposed budget versus actual expenditures, matching requirements for OPSC-funded projects, if any, total cost of change orders and other facilities costs.

A performance audit can also review each individual project to ensure it is satisfying its objectives. The performance component may apply to management and accounting procedures, guidelines, or policies. It may take into account the anticipated benefits of a single facilities project relative to the actual performance. The costs and time associated with project completion may also be relevant as a measurement tool. Included in the performance component is a report of management's abilities to meet project goals, including measures of the effectiveness of internal controls and efficiency of procedures and processes. The performance component of the audit is not a means to attest to the financial records and statements of the district but serves as a measurement or example of how certain workflow routines are conducted. The following are samples of other information that could be included in a comprehensive financial and performance audit of the district's bond measure:

- Compliance with ballot language for Measure M6 including a legal review from the district's bond counsel
- Review of new construction and modernization eligibility, including any match requirements from bond funding
- Bond management plan and cash flow statement for all projects
- Design and construction cost budgets versus actual costs for all bond-funded projects
- Compliance with state laws and guidelines
- Labor compliance procedures by project to ensure compliance by the general contractor
- Compliance with district policies and guidelines
- Bidding and procurement procedures for all bond projects
- Change order and claim procedures by project
- Payment procedures including change order committee

Additionally, soliciting and compiling feedback on how the community views the school facilities program could help the district in its public outreach efforts to the community. Many districts have set up a community portal on their Web site for community members to comment on the district's construction process.

According to the district's minutes from the March 19, 2008 meeting of the Measure M6 Bond Oversight Committee, bond funds were to be utilized for the Curren, Kamala and Driffill P2P (portable to permanent) projects and to build the new Juan Lagunas Soria School. Should remaining funds exist, they would be allocated to construct the McKinna

P2P school. According to minutes of the meeting, weather delays and cost overruns requiring additional expenditures were of significant concern and further substantiate the need for the district to conduct a performance audit by project.

### *Consultant Selection*

Under Government Code Section 4526, the district may select private architectural, landscape architectural, engineering, environmental, land surveying, or construction project management firms based on demonstrated competence and professional qualifications necessary to satisfactorily perform the services required. The district is thus exempted from the bidding requirements detailed in Public Contract Code 20111.

To implement this selection method for professional services, the district must adopt board policies and administrative regulations. Adopted procedures must require the services to be engaged based on demonstrated competence and qualifications for the types of services to be performed and at fair and reasonable prices to the public agencies. Furthermore, these procedures should ensure maximum participation of small business firms, as defined by the Director of General Services pursuant to GC Section 14837.

Additionally, SB 50 (Ch. 407, Statutes of 1998) and Education Code 17070.50 prohibit the State Allocation Board from apportioning state facilities funds under this program unless the district has certified that the services have been selected using a competitive process consistent with GC 4526.

The district's board/administrative policy 4369 was revised in December 1996. It governs the selection of architectural, landscape architectural, engineering, environmental, land surveying, and construction management services in accordance with GC sections 4525-4529.5. Because proof of compliance with these sections is a function of the OPSC project closeout audit and can affect the state funding of those projects, the district must adhere to the law and board policy regarding the selection of professional services.

In its review of district records FCMAT could not find full documentation demonstrating that architectural and engineering services were selected in accordance with the board policy, that the documentation demonstrated evidence of requests for proposals or that three firms had been evaluated for all OPSC projects. The School Facility Handbook describes the competitive selection process that applies to the selection of professional services for contracts for new construction or modernization signed after November 4, 1998. The district currently has 34 projects funded at various levels through OPSC.

Current board policy specifies that the superintendent or designee shall develop criteria for selecting architects and engineers based on demonstrated competence and professional qualifications, and shall recommend specific firms to the board. This policy and administrative regulation should be revised and updated to specifically state the criteria to

be used in selecting the firms, and to which position in the district the responsibility will be assigned.

The most recent information the district could provide regarding compliance with this process was for the hiring of an engineering firm to provide services for a school construction project. Two quotes for engineering services were received by the district and one firm was recommended for hire by the Executive Director of Facilities. The district has not been using the process regularly because it has primarily utilized one firm, Martinez Architects Inc., to provide the vast majority of the district's architectural and engineering services exclusively for at least the last 12 years.

This same architectural firm also has exclusively provided construction management services for the district through a separate contract for the same period of time. Education Code Section 17596 limits continuing contracts for services to five years.

It is of concern that the architectural firm has provided construction management services as well as architectural services on two separate contracts. Typically the same firm does not perform both services because of the potential for conflicts of interest. Architectural firms usually perform basic construction management services as part of their ordinary duties under an architectural services contract, which requires the firm to monitor and observe the process of construction and renovation for adherence to plans and specifications as they have been developed by the architect. This would typically include regular meetings with the project contractor, subcontractors, inspectors, and district representatives where they would answer questions and provide specific direction and interpretation regarding the project specifications and requirements.

Ordinarily a construction management firm would provide a different type of oversight by monitoring the construction process and the performance of the contractor and subcontractors to ensure project progress. While this role is similar to that provided by the architect, the difference is that the construction manager is able to identify and hold the architect responsible for errors and omissions that may be in the plans and specifications. These types of errors in the plans require change orders to correct, and in most cases are costly to the district. The costs for these types of changes should be paid for by the architect through an errors and omissions insurance policy. If the architectural firm is providing construction management, particularly as part of a separate professional services contract, it may not fully disclose the reasons for a necessary change order.

The district should consider a new RFP for architectural services because it has not solicited these services since the 2001-02 fiscal year. While a long-term relationship with a firm is not necessary detrimental, sound business practice should prompt the district to regularly review and assess the cost of professional services as compared to the marketplace at large, especially if local economic or geographic considerations are not prohibitive, to ensure adequate and competitive services and pricing.

Currently, when the staff takes an item to the governing board regarding consultant selection under this policy, the board agenda memos do not clearly provide an explanation of the process actually followed. The board agenda memo also does not provide the entire pool of consultants or individual consultants being recommended for the selection process, but instead recommends specific assignments of consultants to upcoming projects. It is unclear if there are other recommended consultants in a pool that would be available for future projects. The staff memos for the board agenda should more clearly provide to the board an explanation of the process actually followed. Such information includes the dates of advertising, outreach efforts, how many firms were contacted, how the contacts were determined, who performed the paper screening, the selection committee membership, the dates the committee held interviews, and a listing of the recommended pool.

### *OPSC Audit Closeout*

When a district applies for funding through the state school facility process, it certifies that it has utilized a competitive process to select professional architectural design services and other services. If the State Allocation Board determines that a competitive process was not utilized, the entire project may be deemed ineligible for state funding, with the district required to return funding to OPSC. The following list shows the district's funded projects and their current status through OPSC.

<b>Project Number</b>	<b>Site Name</b>	<b>Status*</b>
50/72538-00-005	Cesar Chavez Elementary	96% complete on 2/1/2010
57/72538-00-001	Cesar Chavez Elementary	100% complete on 6/15/2007
57/72538-00-014	Cesar Chavez Elementary	100% complete on 6/15/2007
50/72538-00-006	Curren Elementary	80% complete on 6/9/2009
53/72538-00-002	Curren Elementary	80% complete on 6/9/2009
57/72538-00-002	Curren Elementary	Closed 5/29/2009
57/72538-00-015	Curren Elementary	100% complete on 6/4/2007
57/72538-00-003	Driffill Elementary	Closed 3/18/2009
57/72538-00-016	Driffill Elementary	Closed 3/18/2009
57/72538-00-012	Elm Street Elementary	Closed 6/7/2005
57/72538-00-004	Fremont Intermediate	100% complete on 4/23/2008
57/72538-00-017	Fremont Intermediate	100% complete on 4/23/2008
57/72538-00-005	Harrington Elementary	Closed 3/18/2009
57/72538-00-018	Harrington Elementary	Closed 3/18/2009
57/72538-00-013	Haydock Intermediate	Revoked
50/72538-00-003	Juan Lagunas Soria Elementary	Incomplete - Returned
50/72538-00-008	Juan Lagunas Soria Elementary	PM Complete
56/72538-00-001	Juan Lagunas Soria Elementary	Application Complete
50/72538-00-007	Kamala Elementary	85% complete on 6/9/2009
57/72538-00-006	Kamala Elementary	Closed 6/6/2008

Project Number	Site Name	Status*
57/72538-00-019	Kamala Elementary	Closed 6/6/2008
57/72538-00-007	Lemonwood Elementary	Closed 3/18/2009
57/72538-00-020	Lemonwood Elementary	Withdrawn
57/72538-00-008	Marina West Elementary	100% complete on 5/17/2007
57/72538-00-021	Marina West Elementary	100% complete on 5/17/2007
57/72538-00-009	McKinna Elementary	Closed 5/29/2009
57/72538-00-024	McKinna Elementary	Closed 5/29/2009
50/72538-00-001	Ramona Elementary	Closed 6/7/2005
57/72538-00-010	Rose Avenue Elementary	100% complete on 5/22/2008
57/72538-00-022	Rose Avenue Elementary	100% complete on 5/22/2008
57/72538-00-011	Sierra Linda Elementary	100% complete on 5/15/2007
57/72538-00-023	Sierra Linda Elementary	100% complete on 5/15/2007
50/72538-00-002	Thurgood Marshall Elementary	Withdrawn
50/72538-00-004	Thurgood Marshall Elementary	Closed 1/23/2007

The following is a list of all funds released to the district by OPSC:

School Facilities Program: Fund Release Report for Oxnard Elementary School District				
Claims Processed for Oxnard Elementary School District				
Project No.	Claim Schedule Number	OPSC Processing Date	Warrant Issued Date*	Amount Released
53-72538-00-002	2007015	7/26/2007	8/13/2007	\$2,676,558.00
50-72538-00-006	2007014	7/20/2007	8/7/2007	\$3,218,253.00
50-72538-00-007	2007014	7/20/2007	8/7/2007	\$7,276,272.00
50-72538-00-005	2006174	3/29/2007	4/13/2007	\$606,936.00
50-72538-00-005	2006119	1/5/2007	1/25/2007	\$9,476,936.00
57-72538-00-001	2003255	6/18/2004	6/24/2004	\$653,334.00
57-72538-00-002	2003255	6/18/2004	6/24/2004	\$903,865.00
57-72538-00-003	2003255	6/18/2004	6/24/2004	\$494,684.00
57-72538-00-004	2003255	6/18/2004	6/24/2004	\$836,658.00
57-72538-00-005	2003255	6/18/2004	6/24/2004	\$603,416.00
57-72538-00-006	2003255	6/18/2004	6/24/2004	\$637,866.00
57-72538-00-009	2003255	6/18/2004	6/24/2004	\$593,531.00
57-72538-00-014	2003255	6/18/2004	6/24/2004	\$1,339,421.00
57-72538-00-015	2003255	6/18/2004	6/24/2004	\$1,038,007.00
57-72538-00-016	2003255	6/18/2004	6/24/2004	\$1,884,994.00
57-72538-00-017	2003255	6/18/2004	6/24/2004	\$2,141,374.00
57-72538-00-018	2003255	6/18/2004	6/24/2004	\$1,181,734.00
57-72538-00-019	2003255	6/18/2004	6/24/2004	\$1,327,017.00

School Facilities Program: Fund Release Report for Oxnard Elementary School District				
Claims Processed for Oxnard Elementary School District				
Project No.	Claim Schedule Number	OPSC Processing Date	Warrant Issued Date*	Amount Released
57-72538-00-021	2003255	6/18/2004	6/24/2004	\$1,592,065.00
57-72538-00-022	2003255	6/18/2004	6/24/2004	\$1,225,624.00
57-72538-00-023	2003255	6/18/2004	6/24/2004	\$1,265,567.00
57-72538-00-024	2003255	6/18/2004	6/24/2004	\$1,003,310.00
57-72538-00-007	2003258	6/18/2004	7/7/2004	\$299,459.00
57-72538-00-008	2003236	5/27/2004	6/14/2004	\$680,023.00
57-72538-00-010	2003236	5/27/2004	6/14/2004	\$725,393.00
57-72538-00-011	2003236	5/27/2004	6/14/2004	\$630,599.00
50-72538-00-001	2002135	1/13/2003	1/29/2003	\$4,094,734.00
50-72538-00-004	2002135	1/13/2003	1/29/2003	\$6,885,564.00
57-72538-00-012	2002135	1/13/2003	1/29/2003	\$958,778.00
			<b>Total Claims:</b>	\$56,251,972.00

The September 1998 minutes of the district's board meeting indicate that a motion was made to approve Roesling Nakamura Architects for new school construction, specifically Marshall School, and Martinez Amador Architects, now referenced as Martinez Architects, for all modernization projects. The minutes reflect discussion regarding the rehabilitation and portable building replacement at Ramona School, which was awarded to Martinez Architects at a later date.

Additional documentation was provided that included a request for proposal process for architect selection conducted in 2000 for a new intermediate school, in 2002 for the Southwest Elementary School and in 2003 for the Juan Lagunas Soria School. FCMAT received a partial set of records and supporting documents, including minutes, to verify that the RFP process for professional services was completed per OPSC regulations.

However, the district could not locate records documenting the selection of professional services for Cesar Chavez, Curren or Kamala elementary schools. Depending on the actual approval date of the projects, the district may be in violation of OPSC regulations. Records by project specifically documenting the selection of professional services should be readily available and will be required during the OPSC closeout process.

The following provisions of Education Code Section 17596 restrict the contract terms for services to be performed and are limited to five years:

Continuing **contracts** for work to be done, services to be performed, or for apparatus or equipment to be furnished, sold, built, installed, or repaired for the district, or for materials or supplies to be furnished or sold to the district

may be made with an accepted vendor as follows: for work or services, or for apparatus or equipment, not to exceed five years; for materials or supplies, not to exceed three years.

FCMAT found contract documents for architectural services for 1999 and November 2008. The contract for architectural services for the November 2008 agreement specifically lists schools that are not on the current list of approved OPSC projects.

### *OPSC Construction Eligibility*

Given the district's new construction eligibility, it should consider updating its SAB 50-01 Enrollment Certification/Projection (CBEDS enrollment, birth rate data, special education students and residential housing starts) to determine if it can proceed with additional new construction applications.

FCMAT reviewed the January 27, 2010 State Allocation Board approval of an overcrowding relief grant for the district. OPSC recommended this project to be placed on the approved but unfunded list due to the current shortfall of state facilities funding.

<b>District:</b>	Oxnard Elementary	<b>Application No:</b>	50/72538-00-000
<b>District Rep:</b>	Dr. Anthony Monreal	<b>County:</b>	Ventura

### **SAB 50-03 New Construction Eligibility Information**

#### **New Construction Baseline Eligibility**

<b>Grade Level:</b>	<b>K - 6</b>	<b>7 - 8</b>	<b>9 - 12</b>	<b>Non-Severe</b>	<b>Severe</b>
<b>Established Eligibility:</b>	4109	647	0	0	0
<b>SAB Approvals/Adjustments:</b>	-3037	-598	0	-6	42
<b>Remaining Eligibility:</b>	1072	49	0	-6	42

#### **SAB 50-03 Eligibility Document Status/Dates**

<b>Status:</b>	PM Complete
<b>Date Signed:</b>	8/23/1999
<b>Date Received:</b>	8/27/1999
<b>SAB Approval Date:</b>	3/22/2000

### *Bidding Procedures*

Public Contract Code sections 20111 and 22002 require school districts to bid and award to the lowest responsible bidder any contract for \$15,000 or more for the construction, reconstruction, erection, renovation, alteration, improvement, demolition, and repair of publicly owned, leased or operated facilities. PCC section 20116 prohibits splitting or separating into smaller work orders or projects any work, project, service or purchase for the purpose of evading the law that requires competitive bidding.



During FCMAT's review, documentation was reviewed that showed contracts are frequently not bid in accordance with PCC 20111 and 22002. In addition, contract files did not contain accurate records regarding professional services contracts. FCMAT reviewed multiple contracts and change orders applicable to various construction projects and vendors, and determined that certain projects and change orders were not bid in accordance with provisions of the Public Contract Code. FCMAT noted that in many instances, contracts were approved by the school board after the contract was signed, and in some cases after the work was already started.

No single person or department should be able to place orders or secure contracts for goods and services, prepare receiving or completion documents and verify payments. These functions are considered incompatible because an employee could create a fictitious order resulting in a payment. The separation of these duties is considered a primary deterrent to fraud and abuse.

The Facilities Department conducts its public bidding and purchasing processes under PCC sections 22000-22045, known as the Uniform Public Construction Cost Accounting Act. This section of the PCC allows a school district to perform public project construction work up to \$30,000 with its own workforce if the district elects to follow the cost accounting procedures set forth in the Cost Accounting Policies and Procedures Manual of the California Uniform Construction Cost Accounting Commission.

The act also provides for alternative bidding procedures when an agency performs public construction project work by vendor contract. Public projects of \$30,000 or less may be performed by negotiated contract or by purchase order (PCC 22032(a)). Public projects of \$125,000 or less may be let for contract by the informal procedures set forth in the act (PCC 22032(b)), and public projects over \$125,000 must be let by contract using the formal bidding procedures (PCC 22032(c)).

To perform public construction project work under the guidelines of the Uniform Public Construction Cost Accounting Act the governing board of the district must elect by resolution to become subject to the act and file a copy of the resolution with the State Controller's Office. During FCMAT's fieldwork, district staff members indicated that they believed they were conducting their bidding activity under the guidelines of the act, but they were unable to find any documentation supporting the adoption of a resolution by the board indicating they were subject to the act, or that any resolution had been filed with the State Controller as required.

The district has also been following an internal procedure known as a field contract process for letting contracts for public construction projects. Under this process, as described by the district staff, the Executive Director of Facilities, or his designee, obtains three quotes from local vendors for a public construction project regardless of size or estimated cost. Sometimes the process of obtaining the three quotes is performed by the Director of

Purchasing. The quotes are then analyzed by the Executive Director, who approves the lowest quote and forwards that approval to the Purchasing Department for processing and the issuance of a purchase order to the vendor. Staff indicated that this process has been in place for many years and is used frequently to let contracts for public works in the district. During FCMAT's visit the district was unable to produce any written documentation that formally outlined or described the field contract process, or the guidelines under which it is to occur. The process is not part of the Uniform Public Construction Cost Accounting Act.

While the district has utilized this process frequently, the lack of a resolution making the district subject to the Uniform Public Construction Cost Accounting Act may violate the public bidding procedures outlined in PCC section 20111, which requires advertising and competitive formal bidding for construction projects over \$15,000. This code section would govern all district bidding procedures and requirements in the absence of a formal adoption of the Uniform Construction Cost Accounting Act resolution and its filing with the State Controller.

The district has placed bid advertisements or notices to bidders for some construction projects, which appear to comply with legal requirements. The Purchasing Department is in charge of placing legal advertisements, but some ads may have been placed by the Facilities Department. The staff reported that bids are routinely advertised in the local general circulation newspaper, the Ventura Star.

Staff members interviewed stated there is a lack of communication and clearly defined responsibilities among the Purchasing, Facilities and Fiscal Services departments. For example, the Purchasing Department sometimes does not receive notice of the day and time when bids are due. Bidders arrive at the Purchasing Department office to submit their bids, but staff members are unprepared to help them because they were unaware that bids were due to the district. This can cause confusion among the bidders and cause the staff to be less efficient and effective in performing the bid opening requirements.

The district should make sure that all departments are notified in advance of scheduled bid dates and times. FCMAT reviewed the Request for Proposal for the Facilities Master Plan due December 17, 2009 that was prepared by the Executive Director of Facilities Planning, Engineering and Operations. Documentation did not exist that the proper communication regarding the development of specifications, vendor listings, date and time of the RFP submittal process, etc; were communicated to either the Business or Purchasing departments.

Regularly scheduled meetings should be held frequently between the Facilities, Fiscal Services and Purchasing departments to ensure that proper bidding, budget and payment processes are set up and followed, that progress is evaluated, and that processes are improved if necessary. These meetings should address specific issues such as upcoming bids or requests for proposals, contract questions, and funding issues for specific projects related to the district's building funds.

### *Change Order Approval Process*

The procedures established to approve change orders are specified in Board Policy 4872 (A). The policy, adopted in March 2009, clearly specifies limits to construction contingencies, and requires their inclusion in project budgets. It also specifies that the Executive Director of Facilities approves the use of the contingency fund, but is ambiguous regarding when the director would need to consult with the Superintendent or a designee on the use of contingency funds.

The policy also states “if an augmentation is requested and a review of change orders reveals that contingency funds were used for a non-essential purpose, the Superintendent or his/her designee may disapprove the request for additional funds and direct the facilities director in charge to identify alternative solutions.” This language in the board policy is unclear in its use of the term “alternative solutions” in that it does not clearly state what those alternative solutions are or what the board would find acceptable, particularly since it implies that the unacceptable cost has already been incurred by the district. This language should be modified and clarified.

The policy further states that all change orders approved under the policy must be reported to a Facilities Construction Committee. The committee, which consists of board members, staff members, and members of the community, has the task of reviewing and approving all change order requests from district construction projects even though Board Policy 4872(B) does not specify the committee has this authority, nor does it delineate the establishment, purpose, or composition of the committee. While the board has the authority to establish such a committee under district BP 3100, if the district intends to continue the use of the committee, policies should be amended. The amended policies should clearly establish the role and scope of responsibility of the committee and incorporate it into policy 4872(B) since the current policy specifies that the Superintendent has the authority to approve change orders unilaterally prior to board approval.

## **Recommendations**

*The district should:*

1. Review the current audit conducted under the requirements of Proposition 39 regarding the use of bond funds, and consider adding a performance component that reviews each individual facility project utilizing bond funds, including matching requirements for OPSC funding.
2. Develop a Web portal and survey format for the community to comment on the facilities program, including the use of voter-approved general obligation bonds.
3. Update and revise Board and Administrative Policy 4369 to reflect current legal requirements and district processes. Adhere to the policy for the selection of architectural and engineering services, and provide a full explanation of the actual selection process in staff memos for the board agenda.

4. Maintain adequate documentation of the selection process readily accessible for the preparation of the OPSC audit.
5. Consider a new RFP for architectural services since the district has not solicited architectural or engineering services for over 12 years.
6. Develop an RFP to hire a separate construction management firm other than the architect to provide construction management on future projects.
7. Immediately begin records retrieval to determine that proper documentation is available for the OPSC closeout audit for each project and that the proper selection process was used for professional services under Government Code Section 4525.
8. Identify and validate all contracts for architectural services by project for each application funded by OPSC and determine if the contract exceeded the legal limits provided by the Education Code.
9. Consider updating the SAB 50-01 Enrollment Certification/Projection to determine if additional eligibility exists for new construction.
10. Locate the board resolution allowing the district to conduct alternative bidding procedures subject to the Uniform Public Construction Cost Accounting Act and evidence of its filing with the State Controller. If the documentation cannot be located, consider a new board resolution and filing of the documents.
11. Review and update Board Policy and Administrative Regulation 4086 regarding the solicitation of bids to reflect current law and local procedures, and Board Policy 4087 regarding the selection of services.
12. Update and revise Board Policy 4024 to reflect current legal requirements for public contracting and the process the district will utilize for bidding on public construction projects and other public contracting for construction services.
13. Ensure that legal ads and notices to bidders are accurate and complete prior to publication and have been reviewed by the Purchasing Department.
14. Retain the proof of the Notice to Bidders publication from all newspapers used to advertise the notice in the project file.
15. Revise the Notice to Bidders information to specify which clock will be used to determine the exact deadline time for bid submittals. This could be an area of potential legal contention if the proper specificity has not been identified by location.

16. Hold regularly scheduled meetings with the Facilities, Fiscal Services and Purchasing departments to ensure that proper bidding, budget and payment processes are set up and followed, and to evaluate and improve processes where needed.
17. Update Board Policy 4872 to identify the composition, role, and purpose of the Facilities Construction Committee in the change order approval process.



## Facilities Internal Controls

Under its current operational procedures, the Facilities Department has complete independence with respect to the operations, programs, activities or systems under review that excludes critical aspects of the Business Department and operates in many instances as if the department is not subject to restriction in the scope of its work. Although the Superintendent provides guidance as to the scope of work performed by the Facilities Department, the current reporting structure identified in this report includes internal control and organizational weaknesses in the Facilities and Business departments that, if not corrected, will impact the district's fiscal condition.

A system of internal controls specifically regarding the Facilities Department consists of policies and procedures designed to provide management with reasonable assurance that the department achieves its objectives and goals. Internal controls encompass hard controls such as segregation of duties and ensuring that the appropriate laws and regulations are followed. Other types of internal controls include soft controls such as management tone, performance evaluations, training programs, and maintaining established policies, procedures and standards of conduct. The internal control environment also includes the integrity, ethical values and competence of personnel; the philosophy and operating style of management; the way management assigns authority and responsibility and organizes and develops its people; and the attention and direction provided by the governing board and executive management.

Within the scope of the facility review, FCMAT assessed the organizational design adequacy and operating effectiveness of the internal control structure in place for the Facilities Department and, more specifically, the construction bidding process. This includes evaluating controls that interface with several departments including Purchasing, Business and Facilities. The focus is to understand and identify areas of weakness for process improvement that would ensure compliance with laws and regulations and strengthen existing control features.

The Business Department has distinct and separate financial functions in evaluating the reliability and integrity of financial and operational information. This includes the building funds and the means used to identify measure, classify, and report information. The Business Department ultimately is responsible for the security of and accountability for assets and for the oversight of all financial functions of the district. It is important to understand the internal control relationship between various sources and uses of construction funds and how that interfaces with the departmental needs and requirements of the Facilities, Business and Purchasing departments.

With new construction, modernization and rehabilitation of existing facilities, the Facilities Department has the duty and responsibility of ascertaining proper compliance with established policies, regulations and laws, which could have a significant impact on the district's operations.

FCMAT uses a rubric or standards based assessment tool in determining the relative risk and rating for reports for comprehensive reviews and the Fiscal Health and Risk Analysis Assessments. FCMAT has utilized a similar analysis using this format in the assessment of internal controls. The district's scores, or ratings, are evaluated as High, Moderate, or Low and are defined as follows:

- **High Risk** – An immediate concern that may cause significant operational issues if not addressed in a timely manner.
- **Moderate Risk** – May also cause operational issues but does not require immediate attention.
- **Low** – May escalate into operational issues, but can be addressed through the normal course of conducting business through the implementation of new policies, written direction by management, etc.

FCMAT assigned relative risk factors to each component of the internal control structure in the Facilities Department in an effort to determine a degree of severity regarding the concern and the potential impact on district operations. There are many areas of risk to consider including financial, operational and legal.

The FCMAT team's observations and ratings were as follows:



**Oxnard School District Internal Controls Risk Analysis**  
**Facilities Department**

- 1. Communications:** Effective communication must be integrated and flow throughout the organization regardless of the position and without departmental obstacles. Communication is critical to information processing and should support the organizational image of transparency. District management is responsible for communicating fiscal and operational performance results to the governing board and other interested stakeholders. The district does not have a formal communication plan to manage the expectations of all departments related to the construction of facilities. Specifically related to construction, the monitoring, control of expenditures and multiple restricted revenue sources indicate that a formal process for outlining the purpose, format, and frequency of communication between the Business, Purchasing and Facilities departments is nonexistent.

**Risk Assessment: High**
- 2. Planning and Budgeting:** The accuracy and completeness of the budget assumptions and projection models the district relies on to develop the capital project budget for construction, modernization and maintenance projects are adequately defined. The district has both bond funding and state funding and has been successful in planning facilities construction. Budgets are prepared and allocations contain adequate funding. The Facilities Department uses multiple resources for preparing estimates; however, during fieldwork, the team noted the process for developing a specific project budget is not well documented and inconsistencies exist.

**Risk Assessment: Low**
- 3. Bidding Procedures:** The district's purchasing procedures and board policies describe objectives of the bidding procedures for Public Contract Code section 20111, etc., for awarding bids. However, a communication gap exists between the Purchasing and Facilities departments in determining bid dates and developing bid specifications.

**Risk Assessment: High**
- 4. Field Contracts:** Additional documentation was reviewed in accordance with Public Contract Code Section 20116 regarding the splitting of bids and the field contract process under the Uniform Cost Construction Act. District staff have not clearly documented or communicated the field contract process under the provisions of the UCC between the Purchasing and Facilities departments. Board policies will also need to be updated regarding the use of the field contract and approval process.

**Risk Assessment: Low**
- 5. Payment Application Processing:** Review of facilities invoices and payment requests is intended to verify that all supporting documentation has been provided and contains accurate amounts, supported by appropriate backup documentation such as purchase orders, bid documents, reasonableness of costs, and cross check for duplicate submittals. Incomplete or inaccurate documentation may lead to over/underpayment of invoices submitted. The Facilities Department does not utilize a checklist or have specific written procedures outlining the steps to be performed

when processing a payment request. During fieldwork, FCMAT noted some inconsistencies on invoices and payment requests that could be eliminated or at least monitored if an appropriate checklist were used. The current reporting structure of the organization does not facilitate good communication between the Business, Purchasing and Facilities departments.

**Risk Assessment: Low**

- 6. Project Reconciliation for OPSC Closeout Audits and Reporting:** Project reconciliation is performed by the Facilities Department using the Accountability software program. The software tracks the project cost and provides the district with multiyear cost analyses that are standardized and documented. The Facilities Department has procedures in place to monitor costs and perform high-level analysis, but this software is not integrated with the Business Department's financial reporting software. Report tracking is not coordinated between the departments and is not utilized by the Business Department to routinely monitor the project cost and provide the proper fiscal oversight. A proper fiscal oversight and reconciliation process that includes the Business Department is not in place and irregularities may not be detected timely. No life cycle reporting on each construction project or post-project analysis of "lessons learned" is prepared by the district or presented to the governing board or other interested stakeholders. While the optimal level of scrutiny varies with the construction model and contract type, project closeout audits help preserve integrity, open lines of communication, provide an additional level of oversight and control and assist management with ensuring that district funds are being appropriately spent.

**Risk Assessment: Moderate**

- 7. General Obligation Bonds and Reporting:** Bond oversight by both the Facilities Department and the Bond Oversight Committee are in place. The district meets the annual audit requirements in accordance with Proposition 39; however, the audit is not specific to the performance of each bond project. The district should consider adding the performance component to the annual audit requirement to fully measure the performance and objectives of each bond approved project.

Neither the Facilities nor Business Department had current information regarding the district's assessed valuation of taxable property within its boundaries.

**Risk Assessment: Moderate**

- 8. Facilities Legal Requirements:** Although the purchasing manual and contracts have insurance and bonding requirements, it is unclear whether the Purchasing or Facilities departments are responsible for obtaining, reviewing, and monitoring bond and insurance compliance. If renewal dates for required contractor bonds and insurance are not monitored, policies can lapse and the district can be exposed to general liability losses or losses due to nonperformance of the contracts.

The district is in discussions with the city of Oxnard regarding redevelopment funds of \$17,909,354.50 referenced as the Seabridge at Mandalay Bay account. A substantial amount of the funding is invested with the Local Agency Investment Fund, and is being reviewed by the district's legal counsel due to an apparent challenge regarding the distribution of funds from the city of Oxnard.

**Risk Assessment: Moderate**

**9. Performance Measurement:** Performance measurement is the regular collection of a specific construction activity and information relating to the results of the facilities services and compares the original budget to the actual construction activity for specific projects. It also includes measurement of the district's performance related to unhoused students, and addresses the effect of the district's efforts to provide adequate student housing in the form of new construction projects or portable classrooms. The district is currently soliciting proposals to update the existing Facilities Master Plan. The district's new facilities master plan should provide benchmarks to assess continuous improvement and performance, and measurement instruments to formulate future strategies for managing results. When completed, the facilities master plan should be integrated with the Educational and Technology Master Plans. In FCMAT's review, updated goals and objectives were not specific and lacked performance measurements and periodic reporting requirements to management.

**Risk Assessment: Moderate**

**10. Policies and Procedures:** Centralized, standardized, and documented procedures provide critical information to employees in the event of absences, employee turnover, or other departmental occurrences. Documented policies and procedures provide detailed instruction to help ensure accurate and consistent project monitoring and reporting and provide management with a blueprint that can be utilized to ensure that staff perform processes that are consistent, accurate, on schedule, and are properly reviewed. Consistent standardized policies and specific department procedures will help ensure proper management of construction projects; compliance with contract provisions; and adequate review and approval of construction documents including contracts, bids, pay applications, invoices and reports. FCMAT noted that the Facilities Department maintains minimal documented policies and procedures and most needed to be updated, including but not limited to bidding, uniform cost construction and selection of professional services.

**Risk Assessment: Low**

**11. Contractor or Professional Services Performance Evaluations:** The purpose of evaluating professionals is to determine whether they are providing satisfactory service to the district. The Facilities Department does not perform evaluations of professionals such as architects and contractors. FCMAT strongly recommends the adoption of evaluation tools such as a performance audit for each bond project and annual performance reviews.

**Risk Assessment: Moderate**

**12. Office of Public School (OPSC) Reporting Requirements:** OPSC publishes the state requirements for the State Facilities Program and periodically provides a handbook that includes current and updated regulations. The OPSC handbook is for use in the facilities application and closeout process. The district could be at risk regarding the selection of architectural services under Government Code Section 4526, and the term of service for contracts exceeding the statutory authority under Education Code Section 17596 that limit contract terms to five years. The district has no formal process in place to ensure all the required documentation is filed with OPSC.

**Risk Assessment: High**

The identifiable facility indicators show an acceptable level of risk on district operations. However, the district should take steps to strengthen the existing internal controls particularly in the areas of communication, bidding practices and OPSC reporting requirements.

The recommended organizational integration between the Facilities, Business and Purchasing departments is based on a variety of factors such as the governing board's goals and objectives, current and potential dollar risk impact, adequacy of internal control procedures, prior audit findings, complaints or concerns and the availability of district resources. As an example, the district's facilities master plan will require the proper funding and joint planning by all three departments, and this overlapping component does not currently exist. The final outcome and approved plan should be jointly developed by both departments, reviewed and approved by the governing board. The facilities master plan will need to be ongoing and dynamic, since the focus and timing of strategic planning can evolve with new issues that result in shifting or modifying the district's resources.

The Facilities Department staff should make sure the supporting documentation meets the district's board policy prior to approval by the governing board and that supporting documentation related to the financial aspects of the facilities operations are reviewed jointly with the Assistant Superintendent of Business Services.

The Business and Facilities departments need to establish cooperation and communication. On many occasions, the Accounts Payable and Purchasing departments return invoices to the facilities department because of a lack of budgeted funds, purchase orders for goods or services or the required supporting documentation. There is no systematic process to account for all invoices received in either the Accounts Payable or Facilities departments.

## Recommendations

*The district should:*

- 1 Develop an action plan for implementing and strengthening internal controls, basing priorities on the associated risk as identified by FCMAT.
- 2 Revise the Notice to Bidders information to specify which clock will be used to determine the exact deadline time for bid submittals. This could be an area of potential legal contention if the proper specificity has not been identified by location.

## Appendices

Appendix A - Bond fund legal opinion

Appendix B - Final List of Budget Improvement Recommendations

Appendix C - Board and Administrative Policy 4081 - Authorization for Use of District-Issued Credit Cards

Appendix D - Study Agreement between FCMAT and Oxnard School District



## Appendix A



February 23, 2010

650 California Street  
18th Floor  
San Francisco, CA 94108  
t. 415.391.5780  
f. 415.391.5784

Mr. Glenston Thompson, Acting Superintendent  
Oxnard School District  
1051 South A Street  
Oxnard, California 93030

RE: Use of 1997 Bond Funds

Dear Mr. Thompson:

At your request I have reviewed the ballot measure wording for the Oxnard School District's 1997 General Obligation School Bond Election to determine whether proceeds of the authorized bonds may be deposited to the District's Routine Restricted Maintenance Account to be used for purposes consistent with the ballot measure.

The measure provides that bond funds will be used to "repair and rehabilitate existing schools," so as long as the funds deposited to the Routine Restricted Maintenance Account are spent for such purposes, the deposit to the account is legally consistent with the ballot measure and applicable law.

Very truly yours,



William J. Kadi





## Appendix B

Improvement #	RECOMMENDATIONS	Unrestricted Savings	Reduction Amount Needed	Comment
	<b>Base amount needed to reduce:</b>		<b>\$ 9,133,362</b>	
	Principal Substitutes (due to single track)	\$ 45,000	\$ 9,088,362	<b>Previously Identified Reductions</b>
	Single Track (Classified Staffing @ 7 sites)	\$ 218,750	\$ 8,869,612	
	Single Track (Principal Staffing @ 7 sites)	\$ 53,500	\$ 8,816,112	
	Single Track (utilities @ 7 sites)	\$ 39,760	\$ 8,776,352	
	Staffing at Soria	\$ (365,000)	\$ 9,141,352	
	Eliminate 3 vacant LD Positions	\$ 363,000	\$ 8,778,352	
	Newcomer Transportation charged to Title III	\$ 57,000	\$ 8,721,352	
	NCLB School of Choice Transportation charged to Title I	\$ 55,000	\$ 8,666,352	
	District Wide Class size average to 25:1	<b>\$ 2,800,000</b>	\$ 5,866,352	
	Reduce Extra Help/Overtime budgets by 25%	\$ 180,000	\$ 5,686,352	
	Change Bus schedules to 3 zones standard times	\$ 57,000	\$ 5,629,352	
	Tier III Categorical Funds (see attached)	<b>\$ 2,726,855</b>	\$ 2,902,497	
	Eliminate secretary in Program Improvement Department	Restricted \$		
	Reduce graduation ceremony	\$ 8,000	\$ 2,894,497	
	Eliminate teacher job announcements on paper - just use calling system	\$ 1,675	\$ 2,892,822	
	<b><i>Special Education ARRA IDEA funds used to offset encroachment</i></b>	<b>\$ 1,500,000</b>	\$ 1,392,822	
<b>1</b>	Take two days without pay for Administration as Moorpark District is doing	\$ 25,000	\$ 1,367,822	
<b>2</b>	Change Sr. Speech & Psych to regular positions	\$ 45,137	\$ 1,322,685	
<b>3</b>	Cut back on training costs, travel and per diem	\$ 13,890	\$ 1,308,795	based on a 10% cut to 08-09 budgets
<b>4</b>	Reduce Personnel Commission budget by 10%	\$ 4,900	\$ 1,303,895	Based on annual budget
<b>5</b>	Eliminate GATE Coordinator and charge GATE for transportation	\$ 109,000	\$ 1,194,895	
<b>6</b>	Reduce extra help/overtime by an additional 25%	\$ 180,000	\$ 1,014,895	*

*\*Remaining reductions will be offset by using the State Fiscal Stabilization Funds as a one-time adjustment to expenditures.*

*Items in bold italics have been changed, added or updated since May 20, 2009.*



## **Appendix C**

### **BUSINESS & FISCAL SERVICES 4081 BP**

#### **AUTHORIZATION FOR USE OF DISTRICT-ISSUED CREDIT CARDS**

Purchases should be arranged by using a purchase order or draft payment whenever possible. However, it is recognized that these methods may sometimes be cumbersome, particularly in arranging for attendance at conferences, meetings, business-related travel, and prepayment of purchases for the educational program when the vendor so requires. Therefore, as authorized by the Board of Education, the district may issue credit cards to designated board members and administrative staff, and the Director of Purchasing. Use of district-issued credit cards shall be limited to reasonable and necessary expenses for conferences, meetings, travel, and related expenditures while acting within the scope of official district business. The Director of Purchasing shall be authorized to use a district-issued credit card to make necessary arrangements for employees attending official business outside the district and for prepaid purchases approved for the educational program. All charges on district-issued credit cards shall be made in accordance with all policies, procedures, and bylaws of the Board of Education. Procedures will be generated for the termination of credit cards.

### **BUSINESS & FISCAL SERVICES 4081 AP**

#### **AUTHORIZATION FOR USE OF DISTRICT-ISSUED CREDIT CARDS**

##### **Authorization**

The following designated board members and administrative staff are authorized to hold and use a district-issued credit card in accordance with board policy:

##### **BANK CREDIT CARD OIL COMPANY CREDIT CARD**

Members of the Board of Education of Trustees

Superintendent

Director of Facilities

Asst. Supt., Human Resources

Manager of Transportation

Asst. Supt., Educational Services

Asst. Supt., Business and Fiscal Services

Director of Purchasing

### **Credit Card Use**

Use of district-issued credit cards shall be limited to reasonable and necessary expenses for conferences, meetings, travel, and related expenditures while acting within the scope of official district business. The Director of Purchasing shall be authorized to use a district-issued credit card to make necessary arrangements for employees attending official business outside the district and for prepaid purchases approved for the educational program. All charges on district-issued credit cards shall be made in accordance with all policies, procedures, and bylaws of the Board of Education. District-issued credit cards shall not be used for purchases of equipment. Board members and administrative staff issued credit cards shall take all reasonable precautions to prevent loss or theft of the credit card. In the event a credit card is lost or stolen, its loss must be immediately reported to the purchasing department.

### **Restrictions**

District-issued credit cards shall not be used for purchases of services or supplies which are not consistent with the district's educational program. No personal expenses may be charged on district credit cards.

### **Procedures**

All charge receipts shall be promptly submitted to the purchasing department. The purchasing agent shall review all charges for compliance with board policy, and will forward the receipts to the accounts payable department. Accounts payable will reconcile charge receipts with monthly statements and process payment.

## Appendix D

# FCMAT

FISCAL CRISIS & MANAGEMENT  
ASSISTANCE TEAM

**CSIS** California School Information Services

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### FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM STUDY AGREEMENT September 29, 2009

The FISCAL CRISIS AND MANAGEMENT ASSISTANCE TEAM (FCMAT), hereinafter referred to as the Team, and the Oxnard Elementary School District, hereinafter referred to as the District, mutually agree as follows:

#### 1. **BASIS OF AGREEMENT**

The Team provides a variety of services to school districts and county offices of education upon request. The District has requested that the Team provide for the assignment of professionals to study specific aspects of the District. These professionals may include staff of the Team, County Offices of Education, the California State Department of Education, school districts, or private contractors. All work shall be performed in accordance with the terms and conditions of this Agreement.

#### 2. **SCOPE OF THE WORK**

##### A. **Scope and Objectives of the Study**

- 1) **Financial Review:** The FCMAT Team will review the district's financial processes, procedures and guidelines for budgeting practices. The team will focus on the position control aspects of developing the budget and review the duties and responsibilities and internal control functions of both the personnel and business departments and make recommendations for improvement.
- 2) **Personnel Review:** Review the district's current organizational structure and reporting requirements based upon industry standards for the Facilities, Business and Technology Departments and provide staffing recommendations.
- 3) **Technology Review:** Evaluate the District's Financial Management software, Windsor Management Group Infinite Visions Enterprise Resource Planning (ERP) implementation plan. The district requests FCMAT to assess the integration and implementation of iVisions regarding the modules purchased, workflow performance and data management for staff in the Business and Human Resources departments, and provide recommendations for improvements, if any in the following areas:

1. Review all functions of the district's current financial information system including configuration, implementation, functionality, internal controls, reporting capabilities and make recommendations for improvement.
  2. Review financial information system user practices including intra- and interdepartmental communications, workload balancing and data input/maintenance requirements and make recommendations for system improvements.
  3. Review the district's technology department organizational structure and make recommendations.
  4. Evaluate the district's staffing for technology support services delivery model and make recommendations.
  5. Review the district's implementation of administrative technology and make recommendations.
  6. Evaluate the district's implementation of instructional technology and make recommendations.
- 1) **Facilities Review:** Evaluate the district's facilities processes, procedures and practices and make recommendations that would improve departmental efficiencies.

**B. Services and Products to be Provided**

- 1) Orientation Meeting - The Team will conduct an orientation session at the District to brief management and supervisory personnel on the procedures of the Team and on the purpose and schedule of the study.
- 2) On-site Review - The Team will conduct an on-site review at the District office and at school sites if necessary.
- 3) Exit Meeting - The Team will hold an exit meeting at the conclusion of the on-site review to inform the District of significant findings and recommendations to that point.
- 4) Exit Letter - The Team will issue an exit letter approximately 10 days after the exit meeting detailing significant findings and recommendations to date and memorializing the topics discussed in the exit meeting.
- 5) Draft Reports - Sufficient copies of a preliminary draft report will be delivered to the district administration for review and comment.

- 6) Final Report - Sufficient copies of the final study report will be delivered to the district administration following completion of the review.
- 7) Follow-Up Support – Six months after the completion of the study, FCMAT will return to the District, if requested, to confirm the District’s progress in implementing the recommendations included in the report, at no cost. Status of the recommendations will be documented to the District in a FCMAT Management Letter.

### 3. **PROJECT PERSONNEL**

The study team will be supervised by Anthony L. Bridges, Deputy Executive Officer, Fiscal Crisis and Management Assistance Team, Kern County Superintendent of Schools Office. The study team may also include:

- A. Debi Deal, FCMAT Fiscal Intervention Specialist
- B. Andy Prestage, FCMAT Management Analyst
- C. Marygrace Sawyers, FCMAT Consultant
- D. Francie Heim, FCMAT Consultant
- E. Dean Bubar, FCMAT Consultant
- F. Rod Sprecher, FCMAT Consultant
- G. Eric Smith, FCMAT Consultant

Other equally qualified consultants will be substituted in the event one of the above noted individuals is unable to participate in the study.

### 4. **PROJECT COSTS**

The cost for studies requested pursuant to E.C. 42127.8(d) (1) shall be:

- A. \$500.00 per day for each Team Member while on site, conducting fieldwork and analysis at other locations, preparing and presenting reports, or participating in meetings.
- B. All out-of-pocket expenses, including travel, meals, lodging, etc. Based on the scope of work identified in section 2 A, *estimated* total cost is \$48,200.00. The District will be invoiced at actual costs, with 50% of the estimated cost due following the completion of the on-site review and the remaining amount due upon acceptance of the final report by the District.
- C. Any change to the scope will affect the estimate of total cost.

Payments for FCMAT services are payable to Kern County Superintendent of Schools-Administrative Agent

**5. RESPONSIBILITIES OF THE DISTRICT**

- A. The District will provide office and conference room space while on-site reviews are in progress.
- B. The District will provide the following (if requested):
  - 1) A map of the local area
  - 2) Existing policies, regulations and prior reports addressing the study request
  - 3) Current organizational charts
  - 4) Current and four (4) prior years’ audit reports
  - 5) Any documents requested on a supplemental listing
- C. The district administration will review a preliminary draft copy of the study. Any comments regarding the accuracy of the data presented in the report or the practicability of the recommendations will be reviewed with the Team prior to completion of the final report.

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

**6. PROJECT SCHEDULE**

The following schedule outlines the planned completion dates for key study milestones:

<b><i>Orientation:</i></b>	<b><i>November/December</i></b>
<b><i>Staff Interviews:</i></b>	<b><i>to be determined</i></b>
<b><i>Exit Interviews:</i></b>	<b><i>to be determined</i></b>
<b><i>Preliminary Report Submitted:</i></b>	<b><i>to be determined</i></b>
<b><i>Final Report Submitted:</i></b>	<b><i>to be determined</i></b>
<b><i>Board Presentation:</i></b>	<b><i>to be determined</i></b>
<b><i>Follow-Up Support:</i></b>	<b><i>If requested</i></b>

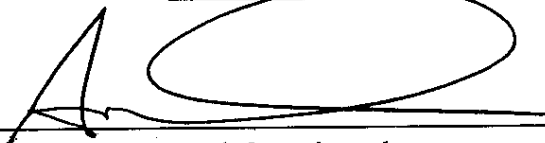



7. CONTACT PERSON

Please print name of contact person: Glenston Thompson, Assistant Superintendent

Telephone 805-487-3918 Ext 235 FAX \_\_\_\_\_

Internet Address: gthompson@oxnardsd.org

  
\_\_\_\_\_  
Dr. Anthony Monreal, Superintendent  
Oxnard Elementary School District  
Date 9/30/09

  
\_\_\_\_\_  
Anthony L. Bridges, Deputy Executive Officer  
Fiscal Crisis and Management Assistance Team  
Date September 29, 2009