



Reef-Sunset Unified School District

Human Resources and Fiscal Review

February 15, 2008

Joel D. Montero
Chief Executive Officer



CSIS California School Information Services

February 15, 2008

Nancy Ahlberg Mellor, Superintendent
Reef-Sunset Unified School District
205 N. Park Avenue
Avenal, CA 93204

Dear Superintendent Ahlberg Mellor:

In August 2007 the Reef-Sunset Unified School District and the Fiscal Crisis and Management Assistance Team (FCMAT) entered into an agreement to provide a review of the district's human resources, and fiscal and operational services departments. Specifically, the agreement states that FCMAT will perform the following:

1. Conduct a review of the efficiency and effectiveness of the district's Human Resources, and Fiscal and Operational services departments. Provide recommendations that, if implemented, will result in updating processes and procedures to meet current industry standards.

The attached final report contains the study team's findings and recommendations.

We appreciate the opportunity to serve you and we extend our thanks to all the staff of the Reef-Sunset Unified School District.

Sincerely,



Joel D. Montero
Chief Executive Officer

FCMAT

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 in complying with fiscal accountability standards.

AB 1200 was established from a need to ensure that local educational agencies 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.

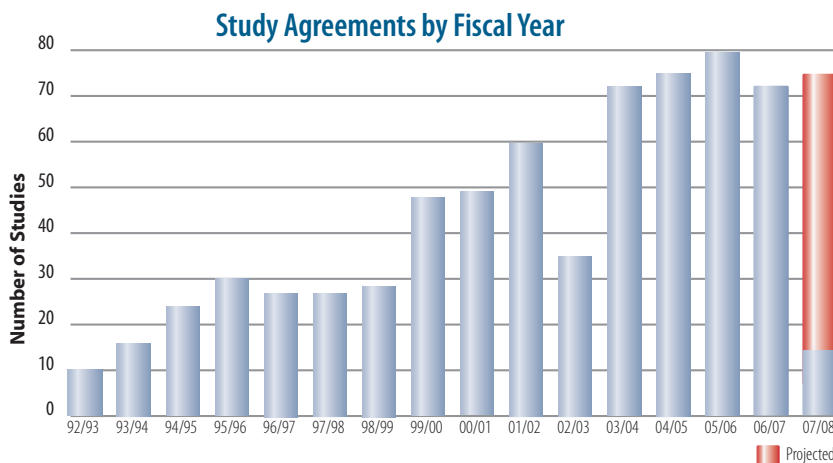
Since 1992, FCMAT has been engaged to perform more than 600 reviews for local educational agencies, including school districts, county offices of education, charter schools and community colleges. Services range from fiscal crisis intervention to management review and assistance. FCMAT also provides 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.

Total Number of Studies..... 667

Total Number of Districts in CA..... 982

Management Assistance..... 631 (94.6%)
Fiscal Crisis/Emergency 36 (5.4%)

Note: Some districts had multiple studies.
Seven Districts have received emergency loans from the state.
(Rev. 10/10/07)



Introduction

Background

The Reef-Sunset Unified School District is located in a small valley in western Kings County, between California's central valley and the central coast. The district serves approximately 2,600 students who live in Avenal and Kettleman City.

The district office and most of the district's nine schools are located in Avenal. Kettleman City is approximately 18 miles south and has one K-8 school. Avenal schools include one elementary school, one middle school, one comprehensive high school, two continuation schools and two community day schools.

In August 2007, the Fiscal Crisis and Management Assistance Team (FCMAT) received a request from the district for management assistance. FCMAT and the district subsequently entered into an agreement for a human resources and fiscal review. The study agreement specifies that FCMAT will perform the following:

1. Conduct a review of the efficiency and effectiveness of the district's Human Resources, and Fiscal and Operational services departments. Provide recommendations that, if implemented, will result in updating processes and procedures to meet current industry standards.

Study Guidelines

FCMAT visited the district on October 22, 2007 to conduct interviews, collect data and review documents. This report is the result of those activities and is divided into the following sections.

- I. Executive Summary
- II. Financial Management
- III. Position Control
- IV. Personnel Management

Study Team

Deborah Deal
Fiscal Intervention Specialist
FCMAT

Terry Manges, Retired
Former Human Resources Director
San Diego County Office of Education
and Poway Unified School District

John Lotze
Public Information Specialist
FCMAT

Executive Summary

Financial Management

Inter- and Intra-Department Communications

The district is projecting a second year of declining enrollment for the current school year; however, actual enrollment as of October 2007 showed an increase of 63 students.

There is a lack of communication between district office departments. In particular, district departments have found it difficult to get information or sufficient detail from the business office. This has created frustration and hampered the ability to make decisions about negotiations and spending. The district should establish procedures to ensure that the business office provides timely financial reports upon request.

The location of district office departments in separate buildings contributes to the lack of communication. The districts should explore ways to house the departments in a single building.

School sites do not receive regular budget reports, but can request them at any time. Sites have online access to financial reports, but many lack the expertise to generate the reports they need.

Budget Development and Monitoring

The business office does not have a formal, documented budget development process in accordance with existing board policies. The process currently begins in March with the development of budget assumptions and concludes in April with a budget hearing that includes the bargaining units. Excel spreadsheets are handed out and assumptions are shared. The district should establish and implement a comprehensive budget development process, beginning with the 2008-09 fiscal year.

The business office currently allows up to 50% spending based on the prior year until receipt of the Award Notification for Consolidated Application programs, which usually occurs in January. Schools sites are able to spend until March, giving them only two months to finalize expenditure plans and process requisitions for purchases. This practice leads to a rush in spending without a carefully thought out plan and results in carryover of categorical funds. The district should increase the spending percentage and maximize the use of categorical funds by identifying the goals that can be met with these funds.

Position Control

Because salaries and benefits comprise 85% to 92% of the unrestricted general fund budget for most of California's school districts, accurately projecting employee salary and benefit costs is critical, especially in uncertain economic times. A reliable position control system that is integrated with budget and payroll can help prevent overstaffing.

The district does not have a position control system, but is in the process of implementing the Digital Schools software suite for position control. The district should ensure that the new software is fully integrated with the financial system.

Personnel Management

The district's personnel manager was recently appointed to the position after having served as the human resource secretary under a veteran personnel manager. A plan should be developed to meet the new personnel manager's professional development needs.

Concern was expressed regarding the lack of written operating procedures during the recent transition in personnel managers. Documented procedures and guidelines are not maintained in the personnel office, and many policies in the district's policy manual have not been updated in several years. The personnel manager should update personnel procedures and guidelines for departments and school sites.

Findings and Recommendations

Financial Management

Inter- and Intra-Department Communications

There is a lack of communication between departments within the district office, including the Business Services, Curriculum, Human Resources and Superintendent's offices. In particular, the lack of timely financial information from the Business Services department is a concern. Information from the Business Services department often lacks sufficient detail to help make informed decisions. This has created considerable frustration and has limited the ability of senior management to make critical decisions regarding negotiations and to develop thoughtful spending plans, particularly in the area of categorical programs.

The district needs to establish procedures to ensure the timely dissemination of financial reports and other data by the Business Services department upon request from other departments and school sites.

The Business Services department does not appear to have a manual of guidelines and operating procedures to explain in detail the processes and procedures that are needed to comply with rules and regulations, as well as district board policies and procedures.

In-service training regarding financial policies and procedures is also lacking and should be provided to district and site staff.

School sites do not receive budget reports regularly, but can request them at any time from the Business Services department. Sites have been trained to run reports; however, many site administrators lack the expertise needed to generate reports that give them the information they need. School sites need ongoing training to help them make better use of the financial system.

The various district office departments are located in different buildings on the district office site. This arrangement is not conducive to conducting regular meetings and contributes to the lack of communication between departments. Having the various departments in one location would help address these issues.

Recommendations

The district should:

1. Establish procedures to ensure that financial reports and other data are disseminated in a timely manner from the business office upon request from departments and school sites.
2. Ensure that the business office develops a business services procedures manual as a resource to departments and school sites. The manual should include approved district policies, procedures and processes.

- Conduct in-service training regarding business service policies and procedures, and communicate changes in business service policies and procedures before the start of each school year.
3. Ensure that department and site budgets are prepared monthly, and provide ongoing training to help department and site administrators better use the financial system.
 4. Explore ways in which the district office departments could be housed in one location.

Budget Development and Monitoring

The district recognizes the importance of budget development, as reflected in Board Policies 3000 and 3100, which were approved in December 1989 and March 1992, respectively. Portions of these board policies related to the budget development process state the following:

Board Policy 3000:

The Governing Board recognizes that money and money management comprise the foundational support of the entire school program. To make that support as effective as possible, the Board intends to:

1. Encourage advance planning through the best possible budget procedures.
2. Explore practical sources of dollar income.
3. Guide the expenditure of funds so as to derive the greatest possible educational returns.
4. Expect sound fiscal management from the administration.
5. Within fiscal constraints, maintain a level of per student expenditure sufficient to provide quality education.

Board Policy 3100:

The district budget shall be prepared annually from the best possible estimates that individual schools and district administrative staff can provide. The Superintendent or designee shall determine the manner in which the budget is prepared and shall schedule the budget adoption process in accordance with legal time requirements. Appropriate consolidation shall occur as the budget progresses through the various levels of review. Budget proposals shall be compatible with Governing Board policy and long-range district goals.

The Governing Board encourages public input early in the budget preparation process. A budget advisory committee, composed of members of the community and staff, shall review the proposed budget at regular intervals and report its findings and recommendations to the administration.

The business office does not have a formal, documented budget development process, procedures or calendar. The current process begins in March with the development of budget assumptions by the Business Services department and concludes in April with a budget hearing that includes the bargaining units. Excel spreadsheets are handed out and assumptions are shared. Many procedures need to be improved in order for the district to comply with its board policies in this area. For example, the current budget development process does not include public input, a budget advisory committee or a report of findings and recommendations to the administration.

An adequate budget development process needs to be implemented for the 2008-09 fiscal year, including communication and collaboration from all key stakeholders, including the board, curriculum and instruction division, Human Resources department, special education department, school site administrators and the budget advisory committee. The purpose of a comprehensive budget development process is to fulfill a district's goals and objectives, with an emphasis on expenditure standards and formulas that align with the board's goals and focus on instructional priorities linked to expenditure plans.

Following is a sample list of the roles, responsibilities and processes for budget development:

Responsibilities for Budget Development

Board of Education - The ultimate responsibility for the district's budget lies with the Board of Education, whose primary budget development tasks include establishing budget criteria and reviewing, directing, and approving the budget and the revised budget.

Superintendent - The Superintendent oversees and directs the budget development process and submits the budget and the revised budget to the board for approval.

Superintendent's Cabinet - The Superintendent's cabinet studies and reviews budget amounts and processes, and serves as the primary decision-making unit regarding the allocation of funds.

Assistant Superintendent, Business Services - The Assistant Superintendent, Business Services has the primary responsibility for the budget development processes, budget guidelines, and distribution of all budget documents.

Division Heads/Principals - The budget will be formulated with the participation of division heads and school principals with regard to the budgets of the respective divisions or schools for which they are responsible.

Department Coordinators - Department coordinators will be responsible for developing the objectives of their programs and submitting budget requests to division heads or principals, in accordance with approved objectives and budget guidelines.

Business Services Staff - The Business Services staff will assist division heads and principals in the budget development process; provide required data to the Assistant Superintendent, Business Services; and communicate all budget-related matters to the

appropriate instructional and support staff. The Business Services staff is responsible for entries to the computerized budget report for a given division or school.

Budget Advisory Committee - Budget development will allow for input and recommendations regarding budget priorities from parents, students, bargaining units and members, site administrators, and representatives of the community. Consideration will be given to all budget recommendations provided by these individuals and groups. The budget advisory committee shall review the proposed budget at regular intervals and provide findings and recommendation to the board.

The preliminary budget needs to include revenue forecasts; expenditure projections; reasonable average daily attendance (ADA) and cost of living estimates, a listing of any new funding sources, staffing increases or reductions, and one-time funding sources and uses.

The district may not be making maximum use of categorical funds. The district needs to work to maximize the use of these funds by identifying the goals that can be met with these funds. The appropriate and effective use of categorical funds in accord with regulations needs to be part of the comprehensive budget development process.

Narratives regarding the assumptions used in the current year budget are brief, and subsequent budget years have no such narratives. It is important for the accompanying narratives to thoroughly describe the assumptions used to prepare the information presented, as well as any variances from the last reporting period and any one-time revenues and/or expenditures. Financial reports need to be easy to understand but detailed enough to provide adequate information to the board, staff and community.

The business office's current policy is to allow up to 50% categorical spending based on the prior year, until receipt of the award notification for Consolidated Application programs, which includes salaries and benefits. The district usually receives this notification in January, which is almost seven months into the fiscal year. Schools sites are able to spend until March, which gives them only two months to finalize expenditure plans and process requisitions for purchases.

This arrangement leads to rushed spending without a carefully thought out plan. Categorical funds are intended to be spent in the year they are received unless there is a planned carryover for a large future purchase. When the time for spending is shortened, the district experiences large carryover balances to the next fiscal year. Increasing the spending percentage would allow spending to occur over a longer period of time with better planning.

It does not appear that budget reports with detailed information about existing funding sources and potential uses are provided regularly to district and school site administrators. Regular reports with this information could help administrators spend both restricted and unrestricted funds in a more timely manner in accordance with school site plans.

Recommendations

The district should:

1. Establish a comprehensive budget development process that is in accordance with board policy and that includes public input, a budget advisory committee and a report of findings and recommendations to the administration.
2. Ensure that the budget development process links district goals, objectives, concepts and guidelines to expenditure plans.
3. Prepare preliminary budget information that includes revenue forecasts; expenditures projections, reasonable ADA and cost of living estimates, a list of any new funding sources, staff increases or reductions, and one-time revenue sources and uses.
4. Ensure that the budget development process makes maximum possible use of categorical funds.
5. Provide narratives regarding the assumptions for the current and subsequent budget years.

The narratives should thoroughly describe the assumptions used to prepare the information presented, any variances from the last reporting period and any one-time revenues and/or expenditures.

6. Prepare and provide financial reports that are easy to understand but detailed enough so that the governing board, staff and community receive adequate information.
7. Consider increasing the allowable percentage of categorical spending to allow more time, and thus better planning, for spending.
8. Ensure that budget reports are provided regularly to district and school site administrators and that they include detailed information regarding existing funding sources and potential uses.

Position Control

On average, salaries and benefits comprise 85 to 92% of the unrestricted general fund budget for most of California's school districts, making this the largest area of expenditure. Accurately projecting employee salary and benefit costs is critical, especially in uncertain economic times. A reliable position control system establishes authorized positions and helps prevent overstaffing. To be effective, the position control system must be integrated with the budget and payroll modules.

The district does not have a position control system in place. Currently, district staff maintain personnel records, employee demographics, and salaries and benefits using multiple tables, spreadsheets and databases. Human resources and business services staff have developed processes to inform payroll of new hires and include them in the budget.

A fully functioning position control system can help a district maintain accurate budget projections, salary and benefit information and employee demographics. An adequate system will integrate with payroll and budget modules, the hiring and monitoring of staff, and be used to update the budget at each reporting period. When the Business Services and Human Resources departments use one system, staff time and duplication of effort is reduced.

Position control functions also require proper controls to ensure that only board-authorized positions are entered into the system; that the Human Resources department hires employees to fill positions that have been authorized by the board; and that payroll staff pay only employees hired for authorized positions.

The district is in the process of implementing the Digital Schools software suite for position control. Until the system is fully implemented, the district will need to place additional emphasis on monitoring authorized positions in the payroll and budget records. Variances will need to be identified and resolved immediately. The district will also need to ensure that the new software is fully integrated with the financial system.

When implementing position control, the district needs to establish internal controls to ensure the proper separation of duties between the Human Resources and Business Services departments. Internal control processes and procedures provide a district with reasonable assurance that material weaknesses, serious errors or fraud are unlikely to occur.

Table 1 provides a sample distribution of separate duties and responsibilities between the HR and Business Services departments that can help ensure adequate internal controls.

Table 1: Sample Distribution of Separate Duties and Responsibilities for Proper Internal Controls for Position Control.

Task	Responsibility
Approve or authorize position	Governing Board
Enter demographic data into the main demographic screen, such as: Employee Name Employee Address Social Security Number Credential Classification Salary Schedule Placement Annual Review of Employee Assignments	Personnel Department
Update Employee Benefits Review and Update Employee Work Calendars Annually Review and Update Salary Schedules	Business Department
Account Codes Budget Development Budget Projections Multiyear Projections Salary Projections	Business Department

Recommendations

The district should:

1. Make the implementation of position control a priority.
2. Ensure that when the new Digital Schools position control software is implemented, it is fully integrated with the payroll and budget modules.
3. Develop appropriate internal controls for a separation of position control duties between the Human Resources and Business Services departments. This should include duties such as the authorization of new positions, budget coding, and tracking employee demographic information.

Personnel Management

Staff Professional Development

The district's Personnel Manager was appointed to this position recently after serving as the human resources secretary under the previous experienced personnel administrator. A plan needs to be developed to meet the individual professional development needs of the Personnel Manager. Workshops and other training opportunities are available from a number of organizations that specialize in personnel management.

Recommendations

The district should:

1. Develop and implement a plan designed to meet the new Personnel Manager's professional development needs. The plan should include specialized training consistent with the job duties and responsibilities and with the individual's current skill and knowledge levels. The district should seek training that targets specific needs.
2. Consider hiring a mentor to work with the Personnel Manager on a temporary basis.

Policy and Procedures Manual

Documented operating procedures and guidelines, such as a comprehensive desk manual, are incomplete or are not maintained within the personnel office. Concern was expressed about the lack of these materials during the transition to the newly appointed Personnel Manager.

In addition, the district's policy manual has not been updated for several years.

The Personnel Manager needs to update existing personnel procedures and guidelines. These could be developed as a comprehensive desk manual for departments and school sites. Personnel procedures and guidelines should be available to all employees.

Recommendations

The district should:

1. Update the district's policy manual to include operational procedures and guidelines for personnel functions.
2. Develop a comprehensive desk manual as a reference tool for the personnel office.
3. Ensure that the Personnel Manager updates existing personnel procedures and guidelines to be developed into a comprehensive desk manual for departments and sites.

Appendices

Appendix A

Sample Budget Development Timeline

Sample Budget Development Timeline

Date	Function	Responsibility
December	Adoption of the Budget Calendar	Board of Education and Superintendent
December	Approval of the Budget Guidelines	Board of Education
December	Distribution of Budget Packets to Divisions and Sites	Business Services
December and January	Preparation of Preliminary Budgets by Divisions and Sites	Division and Site Administrators
January	Submission of Preliminary Budgets to Business Services	Division and Site Administrators
February through April	Preparation of Preliminary Draft of Budget	Business Services
As-needed Basis	Study Sessions of Preliminary Draft Budget	Board of Education and Staff
June	Public Hearing on Budget	Board of Education
June	Adoption of Budget	Board of Education
July or before	Filing of Budget at County Office	Assistant Superintendent of Business
August	Public Hearing on Revised Budget following legislative approval	Board of Education
August	Adoption of Revised Budget	Board of Education
September or before	Filing of Revised Budget at County Office	Assistant Superintendent of Business

Appendix B
Study Agreement

FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM
STUDY AGREEMENT
September 6, 2007

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

1. BASIS OF AGREEMENT

The Team provides a variety of services to 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 Reef Sunset-Unified School District operations. 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

The scope and objectives of this study are to:

- 1) Conduct a review of the efficiency and effectiveness of the District's Human Resources, and Fiscal and Operational Services departments. Provide recommendations that, if implemented, will result in updating processes and procedures to meet current industry standards.

B. Services and Products to be Provided

- 1) Orientation Meeting - The Team will conduct an orientation session at the District to brief District management and supervisory personnel on the 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) Progress Reports - 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 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 costs. 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. Terry Manges, FCMAT Human Resources 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 at other locations, preparing and presenting reports, or participating in meetings.
- B. All out-of-pocket expenses, including travel, meals, lodging, etc. The District will be billed for the daily rate and expenses of the independent consultant, only. Based on the elements noted in section 2 A, the total cost of the study is estimated at \$6,000. 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 year's 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 District pupils. The District shall take appropriate steps to comply with EC 45125.1(c).

6. PROJECT SCHEDULE

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


Orientation:	October 22, 2007
Staff Interviews:	October 22-23, 2007
Exit Interviews:	October 23, 2007
Preliminary Report Submitted:	December 4, 2007
Final Report Submitted:	To be determined
Board Presentation:	To be determined
Follow-Up Support:	If requested

7. CONTACT PERSON

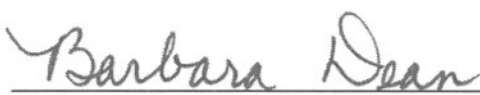
Please print name of contact person: Dr. Nancy Mellor, Superintendent

Telephone 559-386-9083 FAX 559-386-5303

Internet Address nmellor@kings.k12.ca.us



Nancy Ahlberg Mellor, Ed.D., Superintendent Date
Reef Sunset Unified School District



Barbara Dean, Deputy Administrative Officer Date
Fiscal Crisis and Management Assistance Team

In keeping with the provisions of AB1200, the County Superintendent will be notified of this agreement between the District and FCMAT and will receive a copy of the final report.