



Stanislaus County Office of Education

regarding the

La Grange Elementary School District

Management Review

August 28, 2008



CSIS California School Information Services

August 28, 2008

Don Gatti, Assistant Superintendent, Business Services
Stanislaus County Office of Education
1100 H Street
Modesto, California 95354

Dear Assistant Superintendent Gatti,

In June 2008, the Fiscal Crisis and Management Assistance Team (FCMAT) entered into an agreement for a management review with the Stanislaus County Office of Education regarding the La Grange Elementary School District. The request specified that FCMAT would:

1. Prepare guidelines for the district on the formation of a school site council and how to appropriately document the activities and actions of the council per EC 52850, et seq.
2. Conduct a review of the district's categorical program expenditures for fiscal years 2006-07 and 2007-08 and provide recommendations for operating in compliance with program restrictions; and to identify inappropriate use of categorical funds, where applicable.
3. Conduct a review of the district's attendance procedures and reporting for fiscal years 2004-05 through 2007-08 and prepare guidelines that will enable the district to track and report attendance correctly.
4. Review the procedures used by Stanislaus County Office of Education to review and certify school district attendance reports.

FCMAT visited the district to conduct fieldwork, interview staff and review reports. This draft report is the result of that effort.

The attached final report contains the study team's findings 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 Stanislaus County Office of Education and the La Grange Elementary School District.

Sincerely,

Joel D. Montero
Chief Executive Officer

FCMAT

Joel D. Montero, Chief Executive Officer

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Foreword

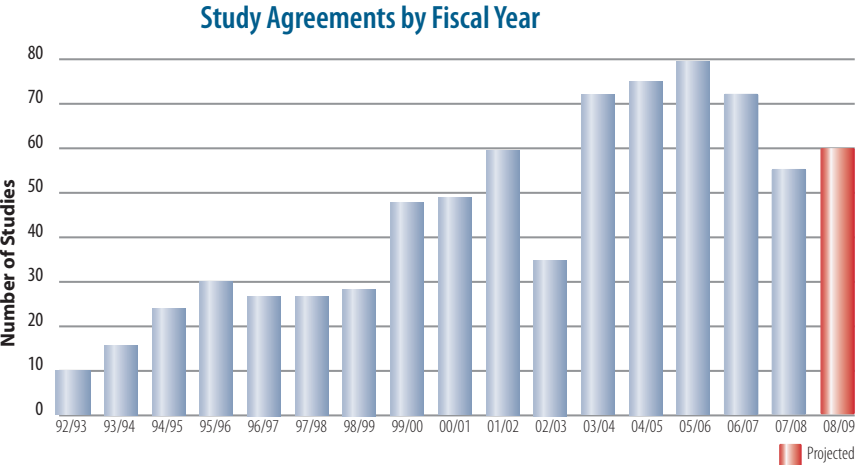
FCMAT Background

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 nearly 700 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.....	711
Total Number of Districts in CA	982
● Management Assistance.....	675 (94.9%)
● Fiscal Crisis/Emergency	36 (5.1%)
Note: Some districts had multiple studies.	
● Districts (7) that have received emergency loans from the state.	
(Rev. 7/30/08)	



Introduction

The La Grange Elementary School District serves approximately 13 students in grades K-8 in the small town of La Grange in Stanislaus County. The district previously operated an in-district charter school that closed on June 30, 2008.

The Stanislaus County Grand Jury received a complaint alleging that the district had submitted fraudulent attendance reports, misused school district funds, inappropriately spent categorical funds, and lacked appropriate oversight from its Governing Board. There were several other allegations, particularly with regard to school construction. In June 2008, the Stanislaus County Grand Jury released its report containing the results of the investigation.

Following the Grand Jury report, the Stanislaus County Office of Education requested FCMAT to study specific aspects of the district in four areas, two of which are cited in the Grand Jury report.

The scope of work for this management review as stated in the study agreement is as follows:

1. To prepare guidelines for the district on the formation of a school site council and how to appropriately document the activities and actions of the council per EC 52850, et seq.
2. To conduct a review of the district's categorical program expenditures for fiscal years 2006-07 and 2007-08 and provide recommendations for operating in compliance with program restrictions; and to identify inappropriate use of categorical funds, where applicable.
3. To conduct a review of the district's attendance procedures and reporting for fiscal years 2004-05 through 2007-08 and prepare guidelines that will enable the district to track and report attendance correctly.
4. To review the procedures used by Stanislaus County Office of Education to review and certify school district attendance reports.

Study Guidelines

FCMAT representatives visited the district in July 2008 to conduct interviews, collect data and review documents. This report is the result of those activities and is divided into the following sections:

- Executive Summary
- Attendance Accounting
- School Site Council Guidelines
- Best Practices for Categorical Program Funds

Study Team

The FCMAT study team was composed of the following members:

Deborah Deal
Fiscal Intervention Specialist
Fiscal Crisis and Management
Assistance Team
San Luis Obispo County, California

Laura Haywood
Public Information Specialist
Fiscal Crisis and Management
Assistance Team
Bakersfield, California

Executive Summary

The La Grange Elementary School District is governed by a three-member Governing Board and serves approximately 13 students in the small town of La Grange in Stanislaus County. An in-district charter school that opened in 2006-07 brought the total number of students to approximately 77. For financial reasons, the board closed the charter school June 30, 2008.

The county superintendent of schools, as the intermediate agent between the state and local educational agencies (LEAs), is responsible for the fiscal oversight of the school districts in his or her county. As an elementary school district with less than 901 average daily attendance (ADA), the district qualifies for direct services, which allows it to obtain a high level of fiscal service support from the county office. The county office has staff dedicated to provide external services to its small direct service school districts. The county office has offered attendance workshops on the California Department of Education software and provides assistance to enhance ADA by working with districts to prepare monthly attendance calendars.

The Stanislaus County Grand Jury received a complaint alleging that the district had submitted fraudulent attendance reports, misused school district funds, inappropriately spent categorical and grant funds, and lacked appropriate oversight from its Governing Board. Several other allegations focused primarily on school construction. In June 2008, the Stanislaus County Grand Jury released its report containing the results of the investigation.

Following the Grand Jury report, the Stanislaus County Office of Education requested FCMAT to analyze, test and verify specific accounting procedures and assist in the development of guidelines, procedures and best practices.



Attendance Accounting

California school districts receive the majority of their funding based on actual student attendance. Education Code Section 46010 provides that the total number of attendance days “during the fiscal year shall be the number of days school was actually taught for not less than the minimum school days during the fiscal year less the sum of his or her absences.” This is commonly referred to as average daily attendance (ADA).

Ultimately the district is required to certify the attendance for each month to the state Superintendent of Public Instruction. EC 41601 provides specific guidelines for proper reporting on forms prescribed and furnished by the state Superintendent. The general practice for each school district is to complete the attendance report, and then forward the report to the county office of education for review.

The district has written attendance accounting procedures that were updated March 20, 2008. The general process for a small direct service school district in Stanislaus County is to summarize school site attendance information monthly on forms provided by the county office. The county office staff input the summarized data into the state’s data collection software after testing the data for reasonableness against prior reporting periods. Stanislaus COE uploads the data for all the school districts in its jurisdiction to the CDE for certifying principal apportionments. The district’s independent auditors review and test the attendance records annually for compliance. Any irregularities require that the district resubmit information to the CDE.

FCMAT was asked to test the attendance accounting for irregularities, proper documentation, proper provisions for excusing student absences, and that independent study attendance was recorded only for students who were in that status for five consecutive days or more.

The team traced a random selection of student attendance from the classroom reports prepared and signed by teachers to the district office monthly attendance report for all classrooms, and finally to the records at the county office. No exceptions were found.

District office staff prepares the independent study attendance and meets all the requirements for claiming independent study. The county office provides guidance to the district when there are specific questions regarding the independent study reporting process.

The district has the following procedures in place for absences and tardy students:

1. Attendance is taken at the beginning of each day by the classroom teacher and is sent to the school office 15 minutes later.
2. Students arriving to school more than 15 minutes after school begins must go to the office for an admittance slip. At this time, the classroom attendance record is changed from absent to present but tardy.
3. Students returning to school following an absence must have a written note signed by a parent or guardian or a telephone call from the parent.
4. Students returning to school following five or more days of independent study must turn in the required work assignments before the attendance record is changed from absent to present under the independent study program.
5. The office staff collects the attendance sheets from each classroom daily along with the master sheet for the month and enters all the data into the school-wide form. At the end of each month, the data is transferred onto the county office forms.

A preliminary review by the district's independent auditor dated June 24, 2008 noted that 20 absence notes were tested, with one exception that was subsequently corrected by the office clerk. Amended reports were sent to the county office. In addition to this finding, the auditor noted that not all the teachers were regularly signing the daily attendance reports and recommended that the district encourage teachers to sign the reports to demonstrate that the attendance was taken by the teacher. The district has complied with this recommendation.

Certifying School District Attendance

The Stanislaus County Office of Education has several procedures in place to test and verify attendance from districts including annual trend analysis and percentage rates of actual attendance to enrollment numbers. In addition to these procedures, the county office maintains a 10-year history of enrollment for each district.

The trend analysis tracks monthly enrollment over a five-year period and compares this data to the current year. This type of analysis provides valuable information that allows individual school districts the ability to verify the information and make any necessary budget adjustments in a timely manner.

Monthly percentage rate comparisons provide critical information about the rate of actual attendance. Since districts are funded on ADA, this type of analysis allows districts to share information with staff and quickly reverse negative trends. If districts offer attendance incentive programs, this information gives decision-makers the ability to verify results and make any necessary adjustments.

Recommendations

The district should:

1. Continue to follow proper procedure with regard to attendance accounting.

School Site Council Guidelines

School districts are eligible to apply for specialized grant funds available through the California Department of Education and federal programs. These include programs for school improvement, gifted and talented students, educationally disadvantaged youth, special education, school reading instruction and more. School districts that participate in school-based coordinated categorical programs have several requirements as established by Education Code Sections 52850–52862.

A school district may apply to receive funding only if it meets the following criteria:

1. Each school site participating in a school-based program shall establish a school site council.
2. The school site council shall be composed of the principal, teachers at that school, other school site personnel located at that school and parents of students that attend that school.
3. Classrooms teachers shall comprise the majority of the school site council.
4. The governing board must adopt policies to ensure that a school site council is established at the school site, that all interested persons have the opportunity to meet in public to establish the council and that a school plan is developed prior to the beginning of the school year.
5. The school site plan shall include instructional strategies and materials designed to meet student needs and learning styles, instructional and/or auxiliary services to meet the needs of non-English (or limited-English) speaking students, provide a staff development program for school personnel and volunteers, an evaluation instrument to evaluate the educational program, other activities and/or objectives of the council, proposed expenditures from available funds, proposed expenditures of available funds from the federal Improving America's Schools Act of 1994, and ensure that the council meets annually to review, establish or modify a budget to reflect the needs and priorities.

A school site council was in place in the district for several years but did not exist in fiscal years 2004-05 through 2006-07. The district's superintendent made several attempts through newsletters and personal contacts to solicit parents and school site staff to become members, to no avail.

The district, seeking direction from the county office in 2006-07, was advised to follow the education code and not to spend categorical dollars that require school site council approval without having a school site council in place. FCMAT has verified that, except for the 8% preparation fee charged by the county office, categorical funds were not spent.

During 2007-08, the district had a school site council in place. The council was in the process of developing a school site plan when the Governing Board approved the closure of the in-district charter school. Several of the council members were teachers that received non-renewal notices for the 2008-09 school year. As a result, those teachers resigned from the council.

Although the school site plan is incomplete, the CDE has granted an exception allowing the district to complete the plan once school commences and new council members are recruited.

Recommendations

The district should:

1. Continue to recruit new members for the school site council and complete the school site plan.

Best Practices for Categorical Program Funds

Categorical dollars are restricted in purpose with few exceptions. The district should expend restricted dollars first whenever possible by identifying what constitutes a core program as opposed to an auxiliary support service, and should redirect restricted resources to those activities, programs and positions funded with unrestricted dollars. To maximize its goals and objectives, the district should align categorical resources to these goals and objectives to complement unrestricted dollars. This can be accomplished by first aligning the school site plan to the goals established by the Governing Board. Absent a complete plan in place, the district could take advantage of proposed flexibility options for the 2008-09 fiscal year (should they materialize) with its categorical program dollars by:

- Redirecting restricted categorical carryover balances from 2007-08 to the unrestricted general fund.
- Redirecting up to 2% of restricted resource funding that will be available for revenue limit purposes. (Some specific programs are excluded from this option.)

FCMAT has verified with the county office that the district did not spend categorical dollars in 2006-07 with the exception of the consolidated application charge per the master agreement contract.

Recommendations

The district should:

1. Expend restricted dollars first, when possible, by identifying core programs vs. auxiliary support services.
2. Align categorical resources to its goals and objectives to complement unrestricted dollars.
3. Take advantage of flexibility options for the 2008-09 fiscal year, if they materialize, in the absence of a complete plan.

Appendices

Appendix A - Study Agreement



FISCAL CRISIS & MANAGEMENT
ASSISTANCE TEAM

CSIS California School Information Services

FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM
STUDY AGREEMENT

June 27, 2008

The FISCAL CRISIS AND MANAGEMENT ASSISTANCE TEAM (FCMAT), hereinafter referred to as the Team, and the Stanislaus County Office of Education, hereinafter referred to as the COE, 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 COE has requested that the Team provide for the assignment of professionals to study specific aspects of the La Grange Elementary School District, hereinafter referred to as the 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.

In June, 2008 the Stanislaus County Civil Grand Jury issued its Final Report for 2007-08. Part Four, Case #08-04 of the report represents the results of an investigation of the La Grange Elementary School District with findings and recommendations listed in twelve areas. The COE requests the Team to conduct a further review of two of the twelve areas.

2. SCOPE OF THE WORK

A. Scope and Objectives of the Study

1. To prepare guidelines for the District on the formation of a school site council and how to appropriately document the activities and actions of the council per E.C. 52850, et seq.
2. To conduct a review of the District's categorical program expenditures for fiscal years 2006-07 and 2007-08 and provide recommendations for operating in compliance with program restrictions; and to identify inappropriate use of categorical funds, where applicable.

3. To conduct a review of the District's attendance procedures and reporting for fiscal years 2004-05 through 2007-08 and prepare guidelines that will enable the District to track and report attendance correctly.
4. To review the procedures used by the Stanislaus County Office of Education to review and certify school district attendance reports.

B. Services and Products to be Provided

- 1) Orientation Meeting - The Team will conduct an orientation session at the COE to brief COE and District 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 COE 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 COE administration for review and comment.
- 6) Final Report - Sufficient copies of the final study report will be delivered to the COE 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 by the COE, 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 COE 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. *FCMAT Employee*
- B. *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 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 \$6,000. The COE 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 COE.
- 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 COE AND DISTRICT

- A. The COE/District will provide office and conference room space while on-site reviews are in progress.
- B. The COE/District will provide the following. Copies of the information may be requested by the Team in order to continue the review process off-site after the initial visit.
 - 1) A map of the local area
 - 2) Existing policies, regulations, handbooks, procedures, and prior reports addressing the study request
 - 3) Current organizational charts
 - 4) Current and four (4) prior year's audit reports
 - 5) All attendance reports and worksheets for fiscal years 2004-05 through 2007-08.
 - 6) Documentation including purchase orders, contracts, confirming purchase orders, pay vouchers, employee reimbursements, petty cash checks, etc. for expenditures using categorical or restricted funds for fiscal years 2006-07 and 2007-08.

- 7) Written procedures from the COE for review and certification of school district and charter school attendance reports.
 - 8) Any additional information requested by the Team prior to, during, or after the on-site visit has been conducted.
- C. The COE 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:

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

7. CONTACT PERSON

Please print name of COE contact person:
 Don Gatti, Assistant Superintendent, Business Services
 Telephone 209 238-1957
 Internet Address dgatti@stancoe.org

 Tom Changnon, Superintendent
 Stanislaus County Office of Education

Barbara Dean

June 27, 2008

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