



## **Tehama County Department of Education**

### **Fiscal and Human Resources Review (DAIT) of the Red Bluff Union Elementary School District**

March 5, 2008





March 5, 2008

Robert E. Douglas, Superintendent  
Tehama County Department of Education  
P.O. Box 689  
1135 Lincoln Street  
Red Bluff, CA 96080

Charles Allen, Superintendent  
Red Bluff Union Elementary School District  
1755 Airport Blvd.  
Red Bluff, CA 96080

Dear superintendents Douglas and Allen:

In October 2007, the Tehama County Department of Education entered into an agreement with the Fiscal Crisis and Management Assistance Team (FCMAT) for a study that would perform the following:

As the coordinating agency for the District Assistance and Intervention Process (DAIT) for Red Bluff Elementary School District, the COE requests FCMAT to conduct the following scope of work in recognition that policies/practices related to fiscal operations and human resources are critical components of districts that fully implement a solid instructional program for all students.

#### Phase 1

- 1) To conduct an independent review of the district business office processes and procedures, resulting in recommendations for improvements to bring the district in line with best practices in the following areas:

Annual budget development, monitoring, and updates  
Multiyear financial projections  
Processing of new budget requests  
Addressing budgetary needs, particularly related to Program Improvement sites and categorical funding  
Customer service to school sites and other departments  
Equity in the distribution of funds to school sites

#### FCMAT

Joel D. Montero, Chief Executive Officer

1300 17<sup>th</sup> Street - CITY CENTRE, Bakersfield, CA 93301-4533 • Telephone: 661-636-4611 • Fax: 661-636-4647  
422 Petaluma Blvd North, Suite. C, Petaluma, CA 94952 • Telephone: 707-775-2850 • Fax: 707-775-2854 • [www.fcmat.org](http://www.fcmat.org)  
Administrative Agent: Larry E. Reider - Office of Kern County Superintendent of Schools

- 2) To conduct an independent review of the district personnel office processes and procedures, resulting in recommendations for improvements to bring the district in line with best practices in the following areas:

Districtwide staffing objectives

Customer service to school sites and other departments

Hiring processes

Position control

Up to date job descriptions and board policies

Fiscal impact of current collective bargaining unit language

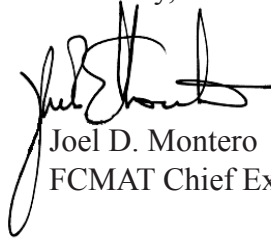
#### Phase 2

- 1) The Fiscal review team will return periodically to the district to evaluate the progress made in the business office and Personnel Department in implementing the recommendations from Phase 1 and provide input relative to how district resources can potentially be redirected to sustain improvements in pupil achievement.

FCMAT visited the district November 6-9, 2007 to collect data, interview staff members, and review information. This report is the result of that effort.

Thank you for allowing use to serve you.

Sincerely,



Joel D. Montero

FCMAT Chief Executive Officer

Table of Contents

Foreword .....iii

Introduction ..... I

Executive Summary ..... 5

Findings and Recommendations ..... 9

*Fiscal and Budget Issues*..... 9

*Personnel*..... 23

Appendix.....29



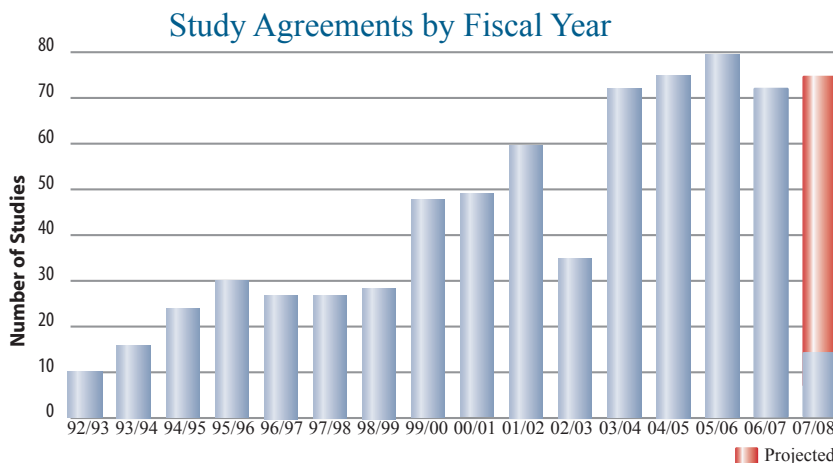
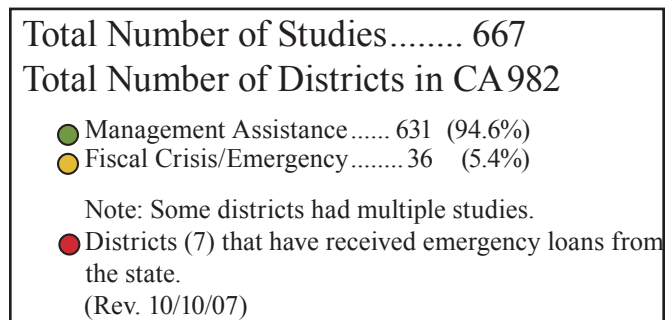
# Foreword

## 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.







# Introduction

## Background

The Red Bluff Union Elementary School District is located approximately 120 miles north of Sacramento in rural Tehama County. The district has an enrollment of more than 2,200 students who are served by three elementary schools, a middle school, a community day school and an independent study program.

In June 2007, the Tehama County Department of Education (TCDE) contacted the Fiscal Crisis and Management Assistance Team (FCMAT) to determine FCMAT's interest in joining a collaborative assistance project for Red Bluff Union. The 2007-08 District Assistance and Intervention Team pilot is a joint initiative of the California Department of Education and the California County Superintendents Educational Services Association.

A District Assistance and Intervention Team is a group of county office or other organizational leaders who provide targeted technical assistance and support to Program Improvement (PI) districts in corrective action (year three of Program Improvement). The team works with the district to examine current practices at both the district and school levels; evaluate the effectiveness of those practices; identify and prioritize the district's major areas of need; develop and implement actions that target those needs; and, ultimately, help the district exit Program Improvement status.

This status first occurs when a district that receives Title I, Part A, funds fails to make adequate yearly progress for two consecutive years. If a district makes this progress in any year, it will maintain its prior-year program improvement status. However, if it fails to make adequate yearly progress in one year, it will advance into Program Improvement. The intervention team process is a policy option that the State Board of Education may invoke in combination with one or more federal sanctions when a local educational agency advances to Program Improvement year three. As of fall 2007, no protocols had been adopted for defining when a district would be required to contract with an intervention team provider. The state instead engaged in piloting various tools and processes with volunteer districts and providers. These tools and processes will be refined and strengthened through the pilot and ultimately will be used in a statewide model for intervention team work.

FCMAT agreed to participate with the Tehama County Department of Education and entered into an agreement for services to conduct two areas of the review. The department requested FCMAT to conduct the following scope of work in recognition that policies/practices related to fiscal operations and human resources are critical components of districts that fully implement a solid instructional program for all students.

The scope of FCMAT's work included the following:

Phase 1

- 1) To conduct an independent review of the district business office's processes and procedures, resulting in recommendations for improvements to bring the district in line with best practices in the following areas:

- Annual budget development, monitoring, and updates
- Multiyear financial projections
- Processing of new budget requests
- Addressing budgetary needs, particularly related to Program Improvement sites and categorical funding
- Customer service to school sites and other departments
- Equity in the distribution of funds to school sites

- 2) To conduct an independent review of the district personnel office processes and procedures, resulting in recommendations for improvements to bring the district in line with best practices in the following areas:

- Districtwide staffing objectives
- Customer service to school sites and other departments
- Hiring processes
- Position control
- Up-to-date job descriptions and board policies
- Fiscal impact of current collective bargaining unit language

Phase 2

- 1) The fiscal review team will return periodically to the district to evaluate the progress made in the business office and Personnel Department in implementing the recommendations from Phase 1 and provide input relative to how district resources can potentially be redirected to sustain improvements in pupil achievement.

## Study Team

Barbara Dean  
FCMAT Deputy Administrative Officer  
Bakersfield, CA

Linda Grundhoffer  
FCMAT Consultant  
Danville, CA

Leonel Martínez  
FCMAT Public Information Specialist  
Bakersfield, CA

Terry Manges  
FCMAT Consultant  
Chula Vista, CA

### ***Study Guidelines***

The study team traveled to the district on October 7-9, 2007 to conduct interviews and gather documents. This report represents the full findings and recommendations developed by the team for Phase 1 of the project.



# Executive Summary

The Red Bluff Union Elementary School District administration and business office have demonstrated the ability to develop and maintain annual budgets. However, at the district school sites and departments, the process is sometimes viewed as not being collaborative or interactive. The budget serves as a fiscal road map to support district operations and programs through the year. The process ideally is one of collaboration between the business office, administrative cabinet, department heads, and school site administrators. The district should consider a formal, documented budget development process so that all affected groups understand and participate in the process.

The district's Governing Board should adopt an annual budget mission statement, statement of core values, strategic plan, or goals and objectives to refocus resources in the budget to improving student achievement. The budget development processes and board policies should be linked to these objectives and documented in a budget handbook that identifies the time line for tasks to be completed and who is responsible for completing them. The handbook should be included in staff in-service workshops conducted at the beginning of the year.

All staff members who are responsible for monitoring the district budget, school site, or program level should receive annual training on best practices related to budget monitoring and accountability.

Some of the school site staff members interviewed by the team indicated that customer service provided by the district office could be improved. Improved methods of communication and regular visits to sites by the district staff throughout the year will strengthen relationships between the offices. In-service sessions to provide better understanding of the district's forms and processes were mentioned by site administrators as a way to reinforce management of their budgets.

A specific percentage of categorical dollars should be allocated earlier in the year so school sites can maximize the use of these resources to support student achievement.

District staff members should be proactive about their own professional development and inform the administration of upcoming workshops and conferences they would like to attend. Although releasing staff members to attend meetings and workshops can be difficult for a district office with limited personnel, efforts should be made to ensure that staff members receive the training necessary to perform their jobs efficiently.

The district uses the Tehama County Department of Education financial system, which does not have a human resources or position control module. The county office is very interested in acquiring a new financial system and has been investigating the possibilities,

along with Trinity and Modoc county offices. The financial system optimally would have an integrated position control module to use data from the personnel, payroll and the business office systems as a basis for the salary and benefit costs included in a budget development model.

If possible, a representative of the district should participate in group discussions at the county level regarding the selection of a new financial system. Once implemented, the district should ensure that the district office staff is fully trained to use the system. When the new system is implemented, the district should transition from using Excel spreadsheets to an automated position control system for budget development.

The district's business office should consider using a software application for preparing multiyear projections. FCMAT's Budget Explorer software was created as a Web-based software available free of charge to all California school districts. Minimal data entry is needed, and the software provides far greater flexibility in projecting future revenue and expenditure amounts than the state's SACS projection software.

Segregating duties and adding internal controls in some business office areas will help ensure that district assets remain protected.

Approval of requisitions for categorical funds should be routed to the Assistant Superintendent for approval since this position is responsible for overseeing categorical programs.

Unrestricted and categorical allocations to school sites are distributed based on formula amounts per average daily attendance (ADA) or California Basic Educational Data System (CBEDS) student counts. Annual meetings should be conducted with each school site to familiarize the sites with funded amounts and ensure they plan to use these resources consistent with overall district goals and objectives.

Hard coded "stops" in the financial system should be implemented to ensure expenditures cannot occur until sufficient funds are budgeted and available in the selected account string.

The Personnel Program Coordinator was hired approximately two years ago for a position conceived as a high-level technician with primary responsibility in the areas of employment, personnel records maintenance, district compliance with statutory personnel requirements, and the development/application of district personnel policies and procedures.

The coordinator is often limited to using and maintaining a variety of district-developed tables, spreadsheets and databases to maintain personnel records because the district does not have an integrated Human Resources Information System. This contributes to duplicate efforts in data entry and sometimes causes difficulties in developing administrative reports pertaining to employees' demographic data and employment status.

The personnel area needs to continue to develop the role of the Personnel Program Coordinator; develop, refine, and maintain basic personnel systems and tools; develop and refine employee selection systems and procedures; maximize professional development for the district instructional staff; and consider reintroducing the concept of an interest-based approach to collective bargaining and problem solving.





# Findings and Recommendations

## Fiscal and Budget Issues

### *Background*

On August 24, 1994, the Fiscal Crisis and Management Assistance Team issued a report on the Red Bluff Union Elementary School District's budget and the procedures used to develop and monitor its spending plan. The district experienced deficit spending for four years, and enrollment levels had fluctuated, making it difficult for administrators to forecast funding levels. In 1994, the district took significant steps to balance the 1994-95 budget.

In 2002, FCMAT helped the district develop a multiyear financial forecast. Because the district's enrollment had continued to fluctuate, the administration and Governing Board took further steps to stabilize the district's financial position, restoring the reserve level to 8% in 2004 and 7% in 2005. In 2006, the reserve decreased to the minimum required 3% level, according to the June 30, 2006 Annual Independent Audit. The June 13, 2007 SACS MYP report indicated that the 2007-08 June adopted budget maintained a reserve level of 3.86%. During the FCMAT October visit, the reserve was estimated by the director to be approximately 5%.

The district administration and business office have demonstrated their ability to develop and maintain annual budgets. However, the school sites and departments sometimes perceive the process as not being collaborative or interactive. The Superintendent and Director of Business Services initiate the budgeting process by meeting to review initial assumptions for the upcoming year. Determination of the cost of employee salaries and benefits by site or resource are based on Excel worksheets and updated with information from the payroll office. Staffing is reviewed both at the beginning of the year and midway through the year.

The director reviews each cost center or resource individually. In March or April, the director meets with the Assistant Superintendent to review categorical program assumptions and needs. The director also meets with the Supervisor of Maintenance and the Director of Food Service to gather information.

The director calculates allocations of unrestricted general fund and lottery dollars for each site based on standard formula amounts. Allocation categories include general dollars added to site budgets, mandated costs, custodial/janitorial/cleaning, lottery supplies – flat amount, and extra lottery funds for intervention only.

Budget printouts are sent to the sites with year-to-date information on expenditures for supplies, services, and equipment categories. According to the director, site principals note any requested changes on the printouts and send them back to the business office for updating.

### *Budget Development*

Regardless of the district's financial condition, the process of developing an annual spending plan should be viewed as a high priority between January and June each year. The budget serves as a fiscal road map to support district operations and programs through the year. The process ideally is one of collaboration between the business office, administrative cabinet, department heads, and school site administrators. The original budget adopted by the board in June represents *anticipated* revenue and expenditure allocations that are based on known variables including the following:

Changes in enrollment/ADA	State cost of living adjustment (COLA)
Inflation factors (CPI, interest)	Changes in staffing, salaries, and benefits
Increases or decreases in staff	Adjustments for utility costs
Equipment purchases	Contributions to restricted programs
Long-term debt/liabilities	Impact of new requirements/compliance issues

All site and program administrators should play an active role in developing their budgets each year. Site plans should be reviewed to ensure that these budgets reflect site and district goals and objectives. The district should consider developing a formal, written budget development process and ensuring that all affected groups understand this process and participate.

Although very large districts may begin the process in fall, average or small districts typically initiate budget development by adopting a budget calendar in January, after the Governor releases the proposed state budget. The calendar identifies dates for the completion of each function and assigns responsibility for completion to a specific individual/department/school site.

Many types of budget development models exist, including the following:

- Decentralized budgeting: Major budgeting and related decisions are made at the school-site level.
- Centralized budgeting: Budget decisions are made in a “top-down” fashion, commonly used when a district is small, has a severe financial condition, or needs to exert greater fiscal control over the annual spending plan.
- Blended decentralized/centralized method: Combines the two previous models and uses budget committees to gain broad participation while maintaining control.

- Zero-based budgeting: The entire budget is analyzed and recreated each year.
- Rollover budgeting: Prior-year budgets are moved forward and updated with additions or deletions.
- Enrollment-based budgets: Accurate demographic information becomes the basis for budget allocations.
- Program budgeting: Spending plans are based on the expected results of services to be performed by the organizational units.

Because one budget approach seldom meets all of a district's needs or requirements, many districts have created a process that combines elements from several models. The primary consideration in choosing a budget development process is to assess the district's budget needs and tailor the process to the district's unique characteristics. All budget methods must be carefully communicated to interested parties so that the advantages of the chosen method are evident.

The district uses a blended approach, including the rollover method, to prepare each upcoming annual budget. Districts using the rollover method should consider using a more comprehensive method every other year. Rollover budgeting is based on the prior-year working budget, with adjustments added for the annual impact of step-and-column movement, utility increases and other areas where costs increase annually due to inflation. Districts that use rollover budgeting often make further adjustments to budgets based on need or local priorities. However, with the constant changes in instructional programs, fiscal reporting, district goals and objectives and compliance, taking the time to review the budget with renewed objectivity will help the district stay abreast of new priorities and the changing economy.

Budget guidelines are defining statements that include budget-development criteria that reflect the goals and objectives adopted by the board. Examples of budgetary guidelines are as follows:

- General fund budgeted expenditures will not exceed budgeted revenue and/or reserves, except by the amount of authorized funds carried over from the fiscal year 20xx-xx budget, in accordance with board policy and state law.
- The budget format will be based on the California School Accounting Manual and use the Standardized Account Code Structure (SACS).
- Basic allocations for staffing and budget will be established in the same manner at each school site, regardless of availability of supplemental resources (e.g. Title I) to ensure that the district complies with Title I comparability requirements.

- The cafeteria fund operating budget will show a positive fund balance as stipulated by Education Code requirements and the Governing Board.
- Projected costs of current operations will be budgeted within the general fund based on enrollment projections, revenue calculations, and reasonable inflation factors. Information from the county office and School Services of California will be applied to revenue and expenditure allocations where appropriate.
- A transfer to the deferred maintenance fund will be budgeted at a level that, at a minimum, will entitle the district to the maximum amount of state matching funds and ensure continuing eligibility for modernization and hardship funding. The funds will be expended for projects approved by the state under the district's five-year plan.
- Funds generated from developer fees will be placed in the capital facilities fund-Developer fees and expenditures will be incurred in accordance with board-approved construction/reconstruction projects.

The adoption budget includes an *estimate* of the beginning balance for the new year. The actual beginning balance will not be confirmed by the business office until the financial records for the fiscal year have been closed out in August or September. The estimated beginning balance used in the adoption budget should be validated by a thorough fiscal analysis, completed in May, of the projected ending balances through June 30.

Reconciliation of projected enrollment and staffing full-time equivalents (FTEs) should be completed through a joint effort between the business office, curriculum/instruction, and the personnel office. Staffing levels should reflect and comply with formulas included in collective bargaining agreements.

A budget calendar for a single adoption district might incorporate some or all of the following factors:

<u>DATE</u>	<u>FUNCTION</u>	<u>RESPONSIBILITY</u>
12/xx/xx	Adoption of budget calendar	Governing Board and Superintendent
12/xx/xx	Approval of budget guidelines	Governing Board
01/xx/xx	Distribution of budget development Materials to cabinet, departments, and school sites	Business office
02/xx/xx	Submittal of preliminary budget requests to business office	Cabinet, departments, and school sites

02/xx/xx	Update enrollment projections, calculate revenue limit, supply allocations, utility/salary/benefit increases	Business office
02/xx/xx	Project new year grant and entitlement amounts	Special projects and Business office
02/xx/xx	Identify one-time funds and Supporting expenditures	Business office
03/xx/xx	Return preliminary budget Print-outs to cabinet, departments, and school sites for review	Business office
04/xx/xx	Conduct board study sessions on preliminary budget	Superintendent, CBO cabinet
05/xx/xx	Update June 30 projections for current year	Business office
06/xx/xx	Update preliminary budget as needed to reflect May revise information	Business office
06/xx/xx	Public hearing on budget	Governing Board
06/xx/xx	Adoption of budget	Governing Board
On or before 07/01/xx	Filing of budget at county office	Business office

#### ***Budget Monitoring***

The budget represents the best projection of the district's financial plan and should be regularly reviewed and updated as material changes occur. Districts are required to report financial information and projections up to three or four times during the fiscal year. If the state budget is adopted after June 30, school districts are required to report material district budget revisions caused by the effect of the state budget to the county office within 45 days after the Governor signs it.

By September 15, the Governing Board is required to certify the unaudited actuals for each fund and forward the information in a Standardized Account Code Structure (SACS) report to the county office for review. The beginning balance of each fund is updated by the district to replace the estimated beginning balance with the actual amount. If the

actual amount is substantially more or less than originally estimated at the June adoption, adjustments to revenue and the expenditure allocations may be needed to maintain a balanced budget. By late September or early October, budget revisions for carryover amounts for grants and entitlements should be added to the budget so school sites and special programs can use the funds. The district should maximize the use of categorical funds by identifying the specific goals that can be met with restricted funds.

During the first and second interim reporting periods, the district is required to complete projections through June 30, which often creates the need for additional budget revisions. At the same time, cash flow projections, enrollment/ADA, and revenue limit calculations should be recomputed, with any necessary budget revisions being completed for both revenue and expenditure accounts.

### *Recommendations*

#### *The district should:*

1. Include with the annual budget a mission statement, statement of core values, strategic plan, or goals and objectives that has been approved by the Governing Board based on a realistic projection of available funds.
2. Draft and approve budget development processes and board policies to link the district's spending plan to the adopted goals, objectives, concepts and guidelines.
3. Consider using a zero-based budget model every other year to ensure that an objective and open-minded perspective of the district's needs is applied.
4. Annually review formula allocations to ensure that they are equitable and provide adequate support for basic needs.
5. Prepare a comparison of current revenue and expenditures with anticipated revenues and expenditures for the budget year, and compare the two for reasonableness.
6. Continue to conduct board study sessions and community meetings to solicit public input on the budget and report on progress to date. The district should provide reports during open session to verify recommendations that were incorporated into the budget and explain why other recommendations were not.
7. Ensure that program and/or department expenditures are linked in the budget to the district's priorities and core values, and document the link in each budget narrative throughout the year.

8. Conduct the annual budget development collaboratively, relying on input from key groups, including the board, cabinet, departments, and school sites. This process should emphasize the utilization of unrestricted and categorical funds appropriately and to their full benefit on behalf of students.
9. Document the formal budget development process in a budget handbook. The handbook should identify the time line for tasks to be completed and who is responsible for these tasks. The handbook should be included in staff in-service workshops conducted at the beginning of each year.
10. Ensure that carryover amounts from the previous year are budgeted no later than October 1 to allow sites and programs to spend the dollars effectively.
11. Ensure deferred revenues are reversed by July 30 of each year, and budgets are in place so that sites and programs can spend the dollars effectively.

#### *Customer Service and Communication*

Site principals as a group believe they are not considered customers in a service delivery model. It is important for district personnel to understand the schools' daily issues and that these issues are frequently a top priority for the sites. It would be helpful for district office personnel to visit sites during the year to observe the many activities that occur simultaneously. This will help staff members understand why their requests cannot always be considered top priority and promote better relations between personnel based on personal contact.

The principals are aware that the budget process begins in spring and indicated that they receive some information on funding by August. However, the group indicated that it would be beneficial to have a budget calendar, chart of accounts, and a list of allocation formulas. The group also expressed an interest in having access to at least a portion of the categorical carryover amounts earlier in the year. General practice for the district is to update budgets with carryover dollars sometime in October or November. Funds are unavailable for expenditure until November, and annual purchasing cutoff notices are issued in April. As a result, the window for spending categorical dollars is restrictive. Some districts have instituted a policy of including a percentage of the carryovers (25-50%) in the budget in September, allowing school sites to begin submitting orders earlier.

Although principals receive monthly fiscal printouts, the group indicated that additional training is needed on how to read the printouts and that it would be helpful to receive detailed transaction printouts for some categories. Budget revisions are processed when requested. The principals indicated that prior notice from the business office for cleanup expenditure transfers would be appreciated.



The business office should conduct annual meetings with principals, site secretaries, and district office personnel to review changes to procedures and forms and to seek input on what has worked well and what has not. These meetings will help promote participation and collaboration at all levels. In addition, regular meetings increase cohesiveness and provide the district office staff with a clearer understanding of its role in supporting student achievement. Changes should not be made to procedures or forms without prior discussion and notification.

The Director of Food Services meets with the Superintendent and Fiscal Director to discuss any budget revisions that are needed in the food services program. Initial budget development for 2007-08 categorical programs was processed in the business office, with little interaction with the assistant superintendent who has the responsibility to oversee these programs. The budget process for categorical programs was described to FCMAT as being reactive rather than proactive by the assistant superintendent.

Annual back-to-school in-service meetings should include an update from the business office on any changes in processes for the new year. The same session should include a brief refresher session on reading budget printouts. A differentiation should be made between fiscal sessions for principals and for the site support staff (school secretaries, attendance clerks, etc.)

#### *Staff Development*

Professional development opportunities help staff members receive updates on compliance issues, peer networking groups, cross-training, and new ways of viewing existing programs or software applications. Although releasing staff to attend meetings and workshops can be difficult for a district office with a limited staff, efforts should be made to ensure that staff members can attend at least one workshop or meeting during the year.

#### *Financial System*

The district uses the Tehama County Department of Education's financial system, which does not have an HR or position control module. Many districts in the county have created spreadsheets to track salary and benefits. Red Bluff Union Elementary and Corning Elementary reportedly have spreadsheets that are quite functional.

The county office is interested in acquiring a new financial system and has been investigating options along with the Trinity and Modoc county offices. The primary interest is in Escape Technologies. The county office has funds for the purchase and implementation and expects to continue making progress on a selection later this year.



The county office system includes a budget development module. However, most of the data is entered manually and according to county staff, when users have tried to use it they were not satisfied and switched to using something else. Optimally, the financial system would have an integrated position control module to pull data from personnel, payroll and the business office systems as a basis for salary and benefit costs loaded into a budget development model.

### *Recommendations*

#### *The district should:*

1. Increase district communication, and create a budget process that provides up-to-date and detailed information on revenue sources and expenditure uses.
2. Ensure that all staff members who monitor a budget at a district, site, or program receive annual training on best practices related to budget monitoring and accountability.
3. Ensure the business office and school sites or departments collaborate during budget development and throughout the year to keep budgets up to date.
4. Schedule one or two visits each year to school sites from the Director of Fiscal Services and the Assistant Superintendent as well as other key district office staff members as appropriate. These visits should be conducted during the school day so that district office staff members can observe and become familiar with regular activities on the campus and in the school office.
5. Ensure that employees contacting the district office for assistance receive the same treatment as other customers such as vendors, parents or other community members.
6. Consider allowing each district office employee to attend at least one professional development activity each year. The district should ensure that every employee shares what he or she learned with other staff members after the activity takes place.
7. Participate in group discussions at the county level regarding the selection of a new financial system. The district should ensure that district office staff members are fully trained to use the system once it is purchased and implemented.
8. When a new system is implemented, transition from using Excel spreadsheets to an automated position control system for budget development in the business office and for monitoring staffing levels in the personnel office.

*Multiyear Projections*

Multiyear projections represent revenue and expenditure scenarios for future years, based on a valid set of assumptions and the best information available at the time of preparation. It is crucial that the assumptions reflect past trends as well as anticipated changes in ADA, spending practices and staff increases and/or decreases. The district uses the multiyear projection form included in the SACS software. Although this meets the requirement for state reporting, SACS does not provide flexibility in identifying the detail of information that should be presented to the district administration, board, and public. The district identifies detailed assumptions in interim reports, but includes few of these assumptions used to develop the adopted budget. Unless this budget is supported by a written narrative or in-depth discussions with the board in a budget workshop or open session, the absence of this information could lead to a lack of confidence in the data and process.

*Recommendations*

*The district should:*

1. Consider using a software application created specifically to prepare multiyear projections. FCMAT's Budget Explorer is a Web-based software available free of charge to all California school districts. Minimal data entry is required, and this product includes other advantages including the following:
  - Data is imported from the same dat.file that is used by the LEA to load the SACS software.
  - Historical enrollment and ADA data are automatically transferred to the projection from CDE files.
  - The data can be loaded into the software at an object code or resource level.
  - The district can use global rules and/or individual rules as needed for unique situations, including salary increases and benefit cost changes.
  - There is a "self-balancing" feature for resources.
  - Reports can be detailed or summarized for easy presentation.
2. Prepare a written narrative for budget study sessions with the board before budget adoption to identify the basis for developing the budget and how the budget reflects and supports the district's goals and objectives for student achievement.

### *Internal Control Environment*

The district financial system does not integrate payroll and personnel, requiring staff members in both departments to maintain data on separate spreadsheets or in other databases. A reliable position control system would establish positions by site or department and prevent overstaffing by ensuring that staffing levels conform to district-approved formulas and standards. To be effective, position control must be integrated with the budget and budget development modules. However, the position control functions must also be supported through segregated duties for proper internal controls. These controls must ensure that only board-authorized positions are entered into the system; that the Personnel Department hires only employees authorized by the board, and that Payroll pays only employees hired for authorized positions. The proper separation of duties is a key factor in creating strong internal controls to ensure a reliable position control system.

It is a widespread practice in the industry for the Personnel Department to oversee posting, recruiting, interviewing and hiring processes. Personnel would also enter employee demographic information, salary placement and credential information into an integrated finance, human resources and payroll system. Payroll would typically have access to information needed to pay employees and would enter the retirement system, W-4 deductions and benefit information into the system. At Red Bluff Union Elementary, Personnel enters some demographic and credential information into the student system (Aries) while payroll enters much of the same data into the AS400 and into an Access database. Several issues arise from this practice, including the following:

- Work is duplicated. There is a higher likelihood of errors when data is entered into more than one database. In most districts, the data is entered once and retrieved from a common reporting system.
- There is no integration between Human Resources, Payroll and Finance. Because these modules do not interact with each other, different information could be used in each area, with no edits or reports warning of these errors.
- The same person can enter information on a new employee and pay that employee. This is the biggest internal control issue with the current setup. Without establishing controls to address this, the district is vulnerable to fraud.

Because the district is small, accounts payable and accounts receivable functions are performed by one position. As an internal control practice, all mail should be opened by a different employee than the one who processes accounts payable and accounts receivable items. All checks coming to the district should be recorded in a log listing the date received, check number and amount and name of payer. The current procedure does not provide necessary safeguards to protect district assets. Providing a clear separation of responsibilities will ensure district assets are protected.

*Recommendations**The district should:*

1. Use only one personnel database, to be utilized by Personnel and Payroll at the district office until the county office purchases and implements a new financial system. Demographic information should be entered by Personnel, and all other personnel information should be entered by Payroll.
2. Train additional staff to use the Access database, which contains a portion of the district personnel information. Access is a very robust database.
3. Continue the practice used by the Fiscal Director to compare position control spreadsheet information with actual payroll information for each reporting period.
4. Reassign the function of opening mail to another position, possibly the CSIS Coordinator/Office Technician position.
5. Create a log where checks are recorded by date received, check number and amount and name of payer.

*Purchase Orders*

The purchase-order approval process does not include the signature of the Assistant Superintendent. A site manually prepares a requisition and forwards it to Accounts Payable, where it is manually converted to a purchase order and routed for the approval signatures of the CBO and Superintendent. The Assistant Superintendent should be included in the approval of purchase orders using categorical funds. This will ensure these purchase orders are reviewed for compliance with program regulations, laws, and site plans. Noncompliance can lead to loss of funds.

*Recommendations**The district should:*

1. Include the Assistant Superintendent in the purchase-order approval process when categorical funds are involved.
2. Request that any new financial system being considered by the county include an online requisition module. This would alleviate the use of paper requisitions, ensure that requisitions are not lost and can be tracked electronically, and provide for automatic printing of purchase orders.

*Equity in Distribution to Sites*

Unrestricted funds are allocated to sites on a per-ADA basis, a common practice among school districts. The method of distribution and the dollar amount of the distribution should be reviewed annually to ensure they are sufficient to achieve district goals and student achievement. When applicable, categorical funds are distributed according to program regulations. Undistributed categorical funds should be reviewed for distribution based on district goals and site plans. Other than indirect costs, all categorical funds should be spent in the classroom to promote student achievement or on professional development for classroom personnel.

FCMAT reviewed the monthly system reports and the annual allocation worksheets sent to sites. It is common practice to send a more detailed report monthly so that sites know what is encumbered and what has been paid, by vendor. The annual report of unrestricted allocations is clear and shows the ADA used for those items based on that formula. The report of categorical allocations, by program, is clear but incomplete. While the report is detailed in showing certificated names, FTEs, salaries and benefits, it does not include this level of detail for classified staffing.

With appropriate budget preparation procedures, budgets at the beginning of the year should reflect the spending plan at an object level by resource/site. In reviewing system reports, the team found that even though it was the first week of November, many budgets were missing or were in one account code and not allocated based on where funds were being spent. This makes accountability difficult, reflects a lack of budget monitoring and could result in spending beyond budgeted levels.

*Recommendations**The district should:*

1. Conduct annual meetings with each school site starting in February to review allocations, site plans, additional needs and staffing to ensure that budgets are set up in accordance with both site and district goals.
2. Review both the unrestricted and categorical allocation sheets with each site to ensure thorough understanding.
3. Update categorical allocation worksheets to include the detail of classified staffing.
4. Ensure that monthly reports include detail on the items encumbered and paid, by vendor, to ensure that expenses are not charged to the wrong site or program.

5. Start budget preparation in February for the subsequent year so that budgets for the subsequent year can be set up with all of the appropriate account codes.
6. Use hard coded “stops” in the financial system so expenditures cannot occur until sufficient funds are budgeted and available in the selected account string.

## Personnel

### *General Issues*

The district personnel office is headed by a Personnel Program Coordinator who provides human resources services for the district's approximately 280 certificated and classified employees. The Superintendent serves as the chief human resources officer for the district and provides guidance, leadership and supervision to the personnel office and the coordinator.

Changing the name of the Personnel office to the Human Resources office and the Personnel Program Coordinator to the Human Resources Program Coordinator would be more consistent with prevailing professional practices in California public education.

It would also be beneficial to draft annual written goals and objectives for the development of the district's personnel operations and written annual/monthly calendars and accompanying lists for personnel and employee relations activities. These should designate both the activity and the position with primary responsibility for the activity.

### *Recommendations*

*The district should:*

1. Consider changing the name of the Personnel office to the Human Resources office and the Personnel Program Coordinator to Human Resources Program Coordinator.
2. Draft annual written goals and objectives for the development of the district's personnel operations.
3. Develop written annual/monthly calendars and accompanying lists for personnel and employee relations activities that designate both the activity and the position with primary responsibility for the activity.

### *Personnel Program Coordinator*

The Personnel Program Coordinator was hired approximately two years ago. The position was conceived as a high-level technician with primary responsibility in the areas of employment, personnel records maintenance, district compliance with statutory personnel requirements, and the development/application of district personnel policies and procedures.

The coordinator lacks the comprehensive background of knowledge, skill and ability of an experienced school personnel administrator. However, the coordinator and the Superintendent intend to develop the coordinator's role in the administration of the district's personnel program.

There may be opportunities to enhance the visibility and standing of the coordinator. These include assigning the coordinator to make presentations at district meetings, attend regular management meetings such as the Superintendent's cabinet, and conduct board presentations such as an annual summary of personnel activities and accomplishments.

Development of the Personnel Program Coordinator position could also include matching the incumbent's interests, aptitudes and career aspirations with the interests of the district for enhancement of the personnel program. The coordinator could also take advantage of professional development opportunities such as the ACSA Personnel Institute (which next occurs in February 2008) to enhance and develop core knowledge, skill and ability to play an expanded role in the management of the district's personnel program. Other resources include professional networking groups such as the county office personnel administrators' meetings.

The coordinator also should be provided with direction to actively seek and identify emerging personnel issues and challenges and assertively provide leadership, counsel and training to the district staff in dealing effectively with them.

#### ***Recommendations***

*The district should:*

1. Identify opportunities to improve the visibility and standing of the Personnel Program Coordinator as detailed in this report.
2. Provide the coordinator with direction in seeking and identifying emerging personnel issues and challenges and providing leadership, counsel and training to the district staff in dealing effectively with them.
3. Explore options for developing the coordinator position as described in the previous section of this report.

#### ***Processes and Procedures***

The district Governing Board has adopted a comprehensive array of personnel policies that appear to be based on the California School Boards Association model policies. A project to review and update the entire board policy manual (including personnel policies) was recently completed. The coordinator has developed written operating procedures and guides such as those pertaining to the certificated hiring process.

The coordinator uses a variety of tables, spreadsheets and databases that were developed in-house to maintain personnel records. There is no integrated Human Resources Information System (HRIS). This contributes to duplication of effort in data entry and sometimes causes difficulties in developing administrative reports pertaining to employees' demographic data and employment status.



Efficiency could be increased with the implementation of a fully functioning personnel database (HRIS) containing employee demographic and employment data elements. The coordinator would ideally be primarily responsible for the maintenance of HRIS records that would interface with a position control system integrated with the district's budget system.

Maintaining up-to-date board policies and regulations for personnel operations and functions can be a challenging task. However, external resources such as the California School Boards Association's (CSBA) GAMUT are available to help systematically review and update policies on an ongoing basis.

Districts should also ensure staff members receive the appropriate in-service training in areas such as child abuse reporting, blood-borne pathogens, hepatitis B vaccinations, etc. pursuant to Education Code 44691 and Government Code 8355. This training should be regularly reviewed to ensure consistent compliance.

The district has written classification descriptions for most district job classifications, however, there is no standard procedure for reviewing and maintaining classification descriptions over time.

The coordinator and the fiscal office staff regularly meet to discuss current issues and plan for the coordination and delivery of services in areas of shared responsibilities such as records maintenance and reporting, leave accrual, and employee benefits.

### ***Recommendations***

#### ***The district should:***

1. Work toward developing and implementing a fully functioning personnel database (HRIS) containing employee demographic and employment data elements.
2. Consider obtaining assistance from an external resource such as the CSBA's GAMUT to review and update policies on an ongoing basis.
3. Ensure that the staff is provided with the required annual notices and in-service training in topics such as child abuse reporting, blood-borne pathogens, hepatitis B vaccinations, etc. pursuant to Education Code 44691 and Government Code 8355. These areas should be reviewed to ensure consistent compliance.
4. Develop a procedure to review and update district job classification descriptions to reflect current duties, qualifications, requirements and the job's physical demands in compliance with ADA requirements. The district should also consider negotiating language on the review and update process and establishing an agreed-upon procedure to consider revised/updated classification descriptions.

5. Further refine the practice of holding regular meetings between the Personnel Program Coordinator and the fiscal office staff to discuss current issues and plan for the coordination and delivery of services in areas of shared responsibility.

### *Communication*

Communication could be improved by using the district's Web site or an intranet accessible only by the district staff for internal communications regarding personnel matters, employee orientation and/or employee benefit information, employee orientation materials and commonly used forms.

Any changes in practice and compliance requirements should be regularly communicated in writing and orally to the district departmental and school site staff. These communications should cover areas such as policy changes, organizational changes, and personnel actions.

Needs and expectations related to human resources could be measured by initiating a survey involving sites and departments. This type of survey should facilitate the improvement of human resources service delivery in the most critical areas.

### *Recommendations*

*The district should:*

1. Explore the use of the district's Web site or an intranet accessible to district staff only, for internal communications regarding personnel matters, employee orientation and/or employee benefit information, employee orientation materials and commonly used forms.
2. Review department and school site client needs and expectations and develop a plan to improve human resources service delivery in the most critical areas.
3. Regularly communicate in writing and orally to the district departmental and school site staff any changes in current practices and requirements for compliance. This should include areas such as policy changes, organization changes, and personnel actions.

### *Staff Development*

Many employees would benefit from additional staff development, including the district's instructional staff. The district could consider sponsoring training for appropriate district administrators and teacher representatives in interest-based bargaining techniques and processes. Developing district teachers as trainers and mentors is also a key part of any effective professional development program.

Training could be provided to managers and supervisors regarding collective bargaining and contract administration, including performance evaluation. The district should ensure consistent preparation among all members of the management team.

Another option is for the district to consider negotiating incentives for completion of district-sponsored training and for district trainers.

### *Recommendations*

#### *The district should:*

1. Consider developing district teachers as trainers and mentors as a key part of a professional development program.
2. Provide the district instructional staff with appropriate professional development opportunities consistently and over time (recognizing the limited resources in a small school district).
3. Consider sponsoring training for appropriate district administrators and teacher representatives in interest-based bargaining techniques and processes.
4. Review the training and orientation of managers and supervisors in collective bargaining contract administration, including performance evaluation. The district should ensure consistent preparation among all members of the management team.
5. Consider reintroducing interest-based collective bargaining and problem solving, particularly with the teachers' bargaining unit.
6. Consider negotiating compensation incentives for completion of district sponsored training, and for district trainers.

### *Recruitment, Screening and Hiring*

The district encourages the participation of principals and district office managers in efforts to screen/interview/select teacher candidates for employment. Principals support recent innovations in the hiring process for teachers, such as cooperative screening and interviewing and the establishment of hiring pools of qualified teacher applicants.

Written guidelines and procedures are being developed to select classified and certificated employees.

Principals perceive a need for better communication and improved customer service in personnel services as well as improved teacher recruitment planning. This should include starting earlier each year to recruit/select qualified candidates.

New employees could benefit from an orientation program that incorporates aspects of the district's current new employee processing and mandated training.

*Recommendations*

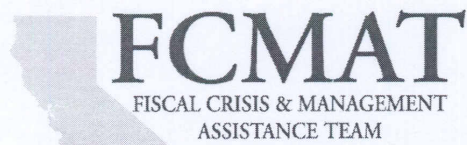
*The district should:*

1. Continue to encourage the participation of principals and district office managers in cooperative efforts to screen/interview/select teacher candidates for employment. The district should also establish a pool of highly rated teacher candidates through annual teacher recruitment/screening/selection.
2. Continue to foster teacher recognition as a district resource as opposed to a school-based resource. The district should also encourage the development of screening and selection criteria that will contribute to obtaining excellent teacher candidates.
3. Continue developing written guidelines and procedures to select classified and certificated employees.
4. Develop an orientation program for all new employees. This type of program could incorporate aspects of the district's current new employee processing and mandated training.

# Appendix

## A. *Study Agreement*





CSIS California School Information Services

FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM  
STUDY AGREEMENT  
October 12, 2007

The FISCAL CRISIS AND MANAGEMENT ASSISTANCE TEAM (FCMAT), hereinafter referred to as the Team, and the Tehama 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 Red Bluff 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.

2. SCOPE OF THE WORK

A. Scope and Objectives of the Study

As the coordinating agency for the District Assistance and Intervention Process (DAIT) for Red Bluff Elementary School District, the COE requests FCMAT to conduct the following scope of work in recognition that policies/practices related to fiscal operations and human resources are critical components of districts that fully implement a solid instructional program for all students.

Phase 1

- 1) To conduct an independent review of the District Business Office processes and procedures, resulting in recommendations for improvements to bring the District in line with best practices in the following areas:

- Annual budget development, monitoring, and updates
- Multi year financial projections
- Processing of new budget requests
- Addressing budgetary needs, particularly related to Program Improvement sites and categorical funding
- Customer service to school sites and other departments
- Equity in the distribution of funds to school sites



- 2) To conduct an independent review of the District Personnel Office processes and procedures, resulting in recommendations for improvements to bring the District in line with best practices in the following areas:

District-wide staffing objectives  
 Customer service to school sites and other departments  
 Hiring processes  
 Position control  
 Up to date job descriptions and board policies  
 Fiscal impact of current collective bargaining unit language

#### Phase 2

- 1) The Fiscal review team will return periodically to the District to evaluate the progress made in the Business Office and Personnel Department in implementing the recommendations from Phase 1 and provide input relative to how district resources can potentially be redirected to sustain improvements in pupil achievement.

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

- 1) Orientation Meeting - The Team will conduct an orientation session at the District to brief District and COE 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 for Phase 1 activities.
- 3) Progress Reports - The Team will hold an exit meeting at the conclusion of the Phase 1 on-site review to inform the District and COE of significant findings and recommendations to that point.
- 4) Phase 1 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) Phase 1 Draft Reports - Sufficient copies of a preliminary draft report will be delivered to the District and COE administration for review and comment.
- 6) Phase 1 Final Report - Sufficient copies of the final study report will be delivered to the District COE following completion of the review.
- 7) Follow-Up Support – The Fiscal review team will revisit the District in coordination with the DAIT project schedule over the two year grant period.



### 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. Barbara Dean, FCMAT Deputy Administrative Officer
- B. Linda Grundhoffer, FCMAT Fiscal Consultant
- C. Terry Manges, FCMAT Personnel 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 \$10,000. The COE will be invoiced at actual costs following the completion of the Phase 1 review and the remaining amount billed as progress billings as Phase 2 activities are completed.
- 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 District and COE will provide office and conference room space while on-site reviews are in progress.
- B. The District and COE 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 COE and District Administration will review a preliminary draft copy of the Phase 1 report. 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 Phase 1 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:

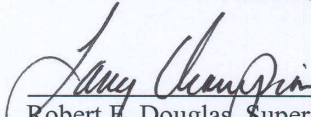
Orientation:	November 7, 2007
Staff Interviews:	November 7-8, 2007
Exit Interviews:	November 9, in the A.M.
Preliminary Phase 1 Report due:	December 21, 2007
Final Phase 1 Report due:	By February 2008
Phase 2 Follow-Up Support:	to be determined

7. CONTACT PERSON

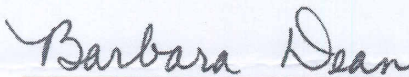
Please print name of contact person: Sarah Kania, DAIT Coordinator

Telephone 530 527-5811 FAX

Internet Address skania@tehamaed.org

  
 Robert E. Douglas, Superintendent  
 Tehama County Office of Education

10-19-07  
 Date

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

10/15/07  
 Date