

Vallejo City Unified School District

ASSESSMENT AND IMPROVEMENT PLAN



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Eighth Progress Report June 30, 2012

Vallejo City Unified School District

*Assessment and Improvement Plan
Eighth Progress Report
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Submitted by

Fiscal Crisis & Management Assistance Team

Executive Summary

Introduction

This report, dated June 2012, is the Eighth Progress Report of the Vallejo City Unified School District, monitoring the district's progress in addressing the recommendations in the Vallejo City Unified School District Assessment and Improvement Plan, issued on November 1, 2004 by the Fiscal Crisis and Management Assistance Team (FCMAT).

Senate Bill 1190 (Chapter 53, Statutes of 2004) authorized an emergency state loan of \$60 million to the district; the appointment of a state administrator to govern the district; a comprehensive assessment and the development of an improvement plan in the operational areas of Community Relations/Governance, Personnel, Pupil Achievement, Finance and Facilities; and three six-month progress reports monitoring the progress of the district in implementing the recommendations in the improvement plan.

Since SB 1190 provided authorization for only three six-month progress reports through May 2006, language was included in the 2006 State Budget Act authorizing FCMAT to utilize any of its own unexpended balances to conduct a progress report for the district, and thus, a fourth progress report was issued in January 2007. The 2007 state budget trailer bill provided funds for a fifth progress report for the district, which was issued on July 2, 2007. The Sixth, Seventh and current Eighth Progress Reports have not received appropriations from the state budget, and were thus funded by the district. These progress reports provide data to the district, community and legislature to assist the district in achieving fiscal solvency, building capacity to promote student learning, and working toward the return of local governance to the Governing Board.

The initial Assessment and Improvement Plan issued in November 2004 provided an assessment of the district in the five operational areas of Community Relations and Governance, Personnel Management, Pupil Achievement, Financial Management, and Facilities Management, utilizing 415 professional and legal standards of school district operations. Each standard was evaluated on a scale of 0 (not implemented) to 10 (fully implemented and sustained) as to the degree of implementation. The ratings provided baseline data of the district's status at that point in time in meeting the standards, and recommendations were developed by the FCMAT review teams for use as a basic improvement plan for successfully addressing the standards.

In collaboration with the California Department of Education and the state-appointed administrator, FCMAT subsequently identified a subset of standards in each operational area for the district to address to return to local governance. These standards were selected as having the most probability, if successfully implemented, of assisting the district with recovery. It was agreed that an identified subset of 129 of the original 415 standards would become the focus of the ongoing progress reviews. Selecting a smaller subset of standards enables the district to focus its efforts and more quickly achieve a return to governance. Criteria for the return of powers were also established to indicate the level of progress substantial enough for a recommendation to be made to the Superintendent of Public Instruction for the incremental return of governance of an operational area to the Vallejo City USD Governing Board. Additional information on the identified subset of standards and the established criteria can be found in the Study Guidelines section of the executive summary of this report.

FCMAT issued the first six-month progress report on May 1, 2005. The district requested that the two subsequent six-month progress reports be issued at the end of November and May instead of on the first of the month so as not to impede the district's efforts to open the 2005 school year efficiently. FCMAT and the California Department of Education concurred with this request, so the second six-month progress report was issued on November 30, 2005 and the third report authorized by SB 1190 was issued on May 31, 2006. The Fourth Progress Report issued on January 25, 2007 was authorized by language in the 2006 State Budget Act and funded by FCMAT. State funds were provided in the 2007 state budget trailer bill to fund the Fifth Progress Report for the district, dated July 2, 2007. The Sixth, Seventh, and current Eighth Progress Reports were funded by the district.

District operations have been restored to the local control of the Vallejo City Unified School District Governing Board on an incremental basis over time. In July 2007, the Superintendent of Public Instruction restored the board's rights, duties and obligations for the areas of Community Relations/Governance, Personnel Management, and Pupil Achievement. The SPI returned the operational area of Facilities Management per the recommendation of the Sixth Progress Report. Therefore, both the Seventh and this Eighth Progress Report focus on Financial Management, the only remaining operational area still under state control.

The Eighth Progress Report was completed in two stages, with a preliminary report issued in December 2011 and this final report issued June 2012. This was done at the request of the special administrator/trustee and district administration to allow the district to demonstrate improvement in certain standards where the administration believed sufficient progress had been made and an increased rating was imminent. Sufficient progress was, in fact, made in the interim on this Eighth Progress Report to bring the average score in Financial Management to 6.03. The benchmark average score for returning an operational area to the district is 6.0, with no individual standard rated less than a 4. Therefore, FCMAT will recommend to the SPI to return the Financial Management operational area to the district. Should the SPI agree with this recommendation, this will conclude FCMAT's assignment to conduct periodic comprehensive reviews of the district.

Background

Senate Bill 1190, which was signed into law on June 21, 2004, required the Superintendent of Public Instruction (SPI) to assume all the legal rights, duties and powers of the Governing Board of the Vallejo City Unified School District and to appoint, in consultation with the Solano County Superintendent of Schools, an administrator to act on his behalf in exercising authority over the school district. The bill appropriated \$60 million as an emergency loan to the Vallejo City USD, and authorized the school district to sell property owned by the district and use the proceeds from the sale to reduce or retire the emergency loan. The bill, except as specified, required the school district to bear the costs associated with the implementation of the bill's provisions, and prohibited the district from being eligible for financial hardship assistance under the Leroy F. Greene School Facilities Act of 1998 from June 2004 through June 2006.

The bill further authorized the Fiscal Crisis and Management Assistance Team (FCMAT) to conduct comprehensive assessments and develop improvement plans for the Vallejo City Unified School District in five major operational areas: Community Relations/Governance, Pupil Achievement, Personnel Management, Financial Management, and Facilities Management. It was the intent of the Legislature that the Governing Board, staff and community of Vallejo City USD fully participate in this assessment and improvement process. The improvement plans referenced under Education Code Section 41327.1(b) are distinct and unique from the recovery plans required by the Superintendent of Public Instruction (SPI) and referenced under Education Code Section 41327 (a)(1)(2).

Assembly Bill 2756 (Chapter 52, Statutes of 2004), which was signed into law on June 21, 2004, made substantive changes to the provisions governing the existing law that provided emergency apportionments for school districts that have become insolvent. As AB 2756 preceded SB 1190, the district is subject to the changed provisions. One of the changes included Section 41328 of the Education Code, which was amended to read, "The qualifying district shall bear 100% of all costs associated with implementing this article, including the activities of the County Office Fiscal Crisis and Management Assistance Team or regional team." The costs of the development of the comprehensive assessment and improvement plan and the first three six-month progress reports were borne by the district.

The district drew down \$50 million of the \$60 million state loan authorized by SB 1190 on June 23, 2004, within two days of the signing of the legislation. A state administrator was appointed by the Superintendent of Public Instruction on June 23, 2004 and started full-time in the district in July 2004. The state administrator assembled a team of several individuals with expertise to assist in the district's improvement efforts and to serve as a leadership cabinet.

The district drew down the remaining \$10 million of the \$60 million authorized loan amount on May 29, 2007, placing the funds in a special reserve fund to be used only for the payment of unresolved audit findings. The district has indicated its plan to pay off this loan within a few years, or earlier, if pending audit findings are resolved.

FCMAT's Fifth Progress Report issued in July 2007 recommended to the Superintendent of Public Instruction the consideration of the return of three operational areas to local control: Community Relations/Governance, Personnel Management and Pupil Achievement. The SPI issued an Executive Order, effective July 13, 2007, to restore the three areas to the Vallejo City USD Governing Board. The district recruited and selected a superintendent for the three areas returned to local control, and she began her assignment in October 2007. The state administrator became the state trustee over the

three operational areas returned, and remained state administrator over the two areas remaining under state receivership. The SPI returned the operational area of Facilities Management per the recommendation of the Sixth Progress Report.

Study Guidelines

FCMAT's approach to implementing the statutory requirements of SB 1190 is based on a commitment to a standards-based, independent and external review of the Vallejo City Unified School District's operations. FCMAT performed the initial assessment of the district and developed the improvement plan in collaboration with three other external providers selected through a competitive process. Professionals from throughout California contributed their knowledge and applied the identified legal and professional standards to the specific local conditions found in the Vallejo City Unified School District.

The initial assessment, entitled Vallejo City Unified School District Assessment and Improvement Plan, November 1, 2004, was presented to the district on November 1, 2004. Subsequent progress reports for the district have been issued on May 1, 2005 (First Six-Month Progress Report), November 30, 2005 (Second Six-Month Progress Report), May 31, 2006 (Third Six-Month Progress Report), January 25, 2007 (Fourth Progress Report), July 2, 2007 (Fifth Progress Report), June 30, 2008 (Sixth Progress Report), January 13, 2010 (Seventh Progress Report, Pupil Achievement only), September 15, 2010 (Seventh Progress Report, Financial Management only), and this current report, June 30, 2012 (Eighth Progress Report).

Prior to beginning work in the district, FCMAT adopted five basic tenets to be incorporated in the assessment and improvement plans. These tenets were based on previous assessments conducted by FCMAT in school districts throughout California and a review of data from other states implementing external reviews of troubled school districts. These tenets formed the basis of FCMAT's work in the district. The five basic tenets are as follows:

1. Use of Professional and Legal Standards

FCMAT's experience indicates that for schools and school districts to be successful in program improvement, the evaluation, design and implementation of improvement plans must be standards-driven. FCMAT has noted positive differences between an objective standards-based approach versus a nonstandards-based approach. When standards are clearly defined, reachable, and communicated, there is a greater likelihood they will be measured and met.

To participate in the process of the Vallejo City Unified School District review, potential providers responded to a Request for Applications (RFA) that identified these standards as the basis of assessment and improvement. Moreover, the providers were required to demonstrate how the FCMAT-identified standards would be incorporated into their work. It is these standards on which the improvement plans for the Vallejo City Unified School District were based. The standards, while identified specifically for the Vallejo City USD, are benchmarks that could be readily utilized as an indication of success for any school district in California.

Every standard was measured on a consistent rating format, and each standard was given a scaled score from zero to 10 as to its relative status of completeness. The following represents a definition of terms and scaled scores. The single purpose of the scaled score is to establish a baseline of information by which the district's future gains and achievements in each of the standard areas can be measured.

Not Implemented (Scaled Score of 0)

There is no significant evidence that the standard is implemented.

Partially Implemented (Scaled Score of 1 through 7)

A partially implemented standard lacks completeness, and it is met in a limited degree. The degree of completeness varies as defined:

1. Some design or research regarding the standard is in place that supports preliminary development. (Scaled Score of 1)
2. Implementation of the standard is well into the development stage. Appropriate staff is engaged and there is a plan for implementation. (Scaled Score of 2)
3. A plan to address the standard is fully developed, and the standard is in the beginning phase of implementation. (Scaled Score of 3)
4. Staff is engaged in the implementation of most elements of the standard. (Scaled Score of 4)
5. Staff is engaged in the implementation of the standard. All standard elements are developed and are in the implementation phase. (Scaled Score of 5)
6. Elements of the standard are implemented, monitored and becoming systematic. (Scaled Score of 6)
7. All elements of the standard are fully implemented, are being monitored, and appropriate adjustments are taking place. (Scaled Score of 7)

Fully Implemented (Scaled Score of 8-10)

A fully implemented standard is complete relative to the following criteria.

8. All elements of the standard are fully and substantially implemented and are sustainable. (Scaled Score of 8)
9. All elements of the standard are fully and substantially implemented and have been sustained for a full school year. (Scaled Score of 9)
10. All elements of the standard are fully implemented, are being sustained with high quality, are being refined, and have a process for ongoing evaluation. (Scaled Score of 10)

2. Conduct an External and Independent Assessment

FCMAT employed an external and independent assessment process in the development of the Vallejo City Unified School District assessment and improvement plans. FCMAT's reports represent findings and improvement plans based on the external and independent assessments from various professional agencies. The following agencies assisted in the November 1, 2004 comprehensive Assessment and Improvement Plan, the May 1, 2005 First Six-Month Progress Report, the November 30, 2005 Second Six-Month Progress Report, the May 31, 2006 Third Six-Month Progress Report, the January 25, 2007 Fourth Progress Report, the July 2, 2007 Fifth Progress Report and the June 30, 2008 Sixth Progress Report. The Seventh Progress Report, consisting of separate reports for Pupil Achievement and Financial Management, was performed by the two teams for those operational areas.

- California School Boards Association (CSBA) – Community Relations/Governance
- School Services of California (SSC) – Personnel Management

- Community Training and Assistance Center (CTAC) – Pupil Achievement
- Fiscal Crisis and Management Assistance Team (FCMAT) – Financial Management
- School Services of California (SSC) – Facilities Management

The external and independent assessments of FCMAT and its providers serve as the primary basis for the reliability, integrity and credibility of the review.

3. Utilize Multiple Measures of Assessment

For a finding to be considered legitimate, multiple sources need to be utilized to provide the same or consistent information. The assessments and improvement plans were based on multiple measures. Testing, personal interviews, group meetings, public hearings, observations, review and analysis of data all provide added value to the assessment process. The providers were required to utilize multiple measurements as they assessed the standards. This process allowed for a variety of ways of determining whether the standards were met. All school district operations with an impact on student achievement, including governance, fiscal, personnel, and facilities were reviewed and included in the improvement plan.

4. Empower Staff and Community

The development of a strong professional development plan for the board and staff is a critical component of an effective school district. All FCMAT reports include the importance of a comprehensive professional development plan. The success of the improvement plans and their implementation depend on an effective professional development process. For this reason, the empowerment of staff and community is one of the highest priorities, and emphasizing this priority with each of the partners is critical. As a result, a strong training component for board, staff and administration is called for consistently throughout the report.

Of paramount importance is the community's role of local governance. The absence of parental involvement in education is a growing national concern. A key to success in any school district is the re-engagement of parents, teachers, and support staff. Parents care deeply about their children's future, and most want to participate in improving the school district and enhancing student learning. The community relations section of the reports provides recommendations for the community to have a more active and meaningful role in the education of its children.

5. Engage Local, State and National Agencies

It is critical to involve various local, state and national agencies in the recovery of the district. This was emphasized through the Request for Applications (RFA) process, whereby state-recognized agencies were selected as partners to assist with the assessment and improvement process. The city and county, professional organizations, and community-based organizations all have assisted and participate in the improvement of the Vallejo City Unified School District.

Study Team

The study team was composed of the following members:

For the Fiscal Crisis and Management Assistance Team – Administration and Report Writing

Michelle Plumbtree, Chief Management Analyst, FCMAT

Laura Haywood, Technical Writer, FCMAT

For the Fiscal Crisis and Management Assistance Team – Financial Management

Michelle Plumbtree, Chief Management Analyst, FCMAT

Financial Management

Internal Control Environment

The district's Business Services and Administrative Services divisions continue to make changes and improvements to internal controls for accounting. These internal controls are an essential business function and include the elements of risk assessment, information communications and employees' roles and responsibilities.

Internal controls are designed to protect the district from fraud, misappropriation of funds and other potential illegal activities. However, the 2007-08 and 2008-09 audit reports note multiple areas of internal control deficiencies in financial statements and federal and state compliance issues that must be corrected, some of which have been further identified as material weaknesses. Internal controls provide a streamlined solution for organizing all accounting procedures and ensuring that the accounting cycle is completed consistently and successfully. At the time of FCMAT's fieldwork, the 2009-10 independent audit was under way and is projected to be finalized by the State Controller's Office in September 2012. Nonetheless, the district continues to have an excessive number of audit findings with a substantial fiscal impact.

Internal audits during the 2010-11 fiscal year focused more on preparation for the 2009-10 State Controller's audit and less on areas such as student body funds. The director of audit and compliance has developed and initiated an Audit Plan for the 2011-12 fiscal year. These audits have begun and focus on school attendance, control environment, accounts payable, human resources-payroll, and liabilities. Three of the internal audits are in draft format for review. To date, no corrective action has been taken to address any of the discrepancies noted in the internal audit reports. Changes in processes/procedures and revised expectations should be communicated to employees timely.

The school board maintains a code of ethics, a conflict of interest code, and fraud awareness, identification and prevention policies. However, the goals of ethics and integrity are missing from the governing board's goals, and these concepts are not included as a point of evaluation in all employee evaluation forms. Employees should understand these policies and district expectations regarding integrity and ethical behavior. Administrators are conducting an ongoing dialogue regarding ethics at the cabinet level and should routinely communicate their expectations to employees and demonstrate integrity and ethical behavior in their daily activities. The district began to distribute information to existing and new employees about these policies during summer 2011. This should continue on an annual basis, ensuring that all new employees are provided with the policies, and provide mandatory training to all staff to reinforce their understanding of the policies and underscore the policies' importance.

The district implemented changes to its organizational structure effective with the 2010-11 fiscal year for the Business Services and Administrative Services divisions that it anticipates will contribute to the long-term success of both divisions. The new arrangement shows early signs of teamwork and cohesiveness among the departments.

Employees in the Business Services and Administrative Services divisions are being evaluated in a timelier manner, with the expected time frame being every other year. A lot of work has been done in this area. Many of the evaluations that were overdue were completed as of September 13, 2011, although two classified employees are listed as not having received evaluations since 2005.

Evaluators in both the Business Services and Administrative Services divisions show varied levels of detailed comments in their employee evaluations. The district has begun providing the training necessary for its managers to properly assess their employees. All employees should be evaluated every two years or in accordance with their collective bargaining agreements should those agreements provide for a different evaluation schedule.

The district has struggled to meet the required financial reporting time line requirements to the Solano County Office of Education in the past, although improvement has occurred in the past few years. Submissions have varied between on-time and as much as 105 days late; the latter occurring with the district's 2010-11 third interim report. The district has successfully submitted the 2011-12 first interim and second interim reports to the county office of education within the required time frame.

The district should analyze the causes of these delays and determine an effective means to resolve deficiencies and consistently submit its financial reports within the statutory deadlines as provided by the California Education Code. Education Code (EC) Sections 35035(g), 42130, and 42131 require the governing board of each school district to certify at least twice a year to the district's ability to meet its financial obligations for the current and two subsequent fiscal years. Until fiscal management is returned to the district, the state administrator/trustee is responsible for doing the certifications, with the governing board reviewing the reports.

Internal Audits

The district has begun work toward adopting board policies regarding internal audit functions. As a component of the policy development, the district should establish an independent audit committee of the governing board to review audit findings and to ensure that the implementation of audit findings and recommendations aligns with the necessary corrective actions to improve internal controls in all areas.

The district has changed its organizational structure so that the director of audit and compliance reports directly to the governing board, superintendent, and state administrator/trustee. This position continues to discuss issues related to both internal and external audit findings, and makes presentations to and converses with cabinet members about the importance of maintaining internal controls. The internal auditor provides ongoing training and assistance to school site staff to address audit findings related to instructional minutes and student body accounting, and also implements annual site training sessions.

The internal auditor continues to develop policies and procedures to address audit findings; however, the increased number of exceptions included in the State Controller's letter of July 2011 raises questions as to how well they are being followed.

The district has final resolution on most audit findings for the 2003-04 through 2007-08 fiscal years and has made substantial reductions from the original number of findings. The district has had positive resolutions and has negotiated to reduce the current and future financial impact for many of the findings. The number of findings decreased from 61 in 2003-04 to 28 in 2008-09; however, the 2008-09 fiscal year reflects total penalties costing three times that of the prior fiscal year,.

Budget Development

The budget goal for both the 2011-12 and 2012-13 fiscal years was to adopt a balanced budget and maintain the required 3.5% reserve for economic uncertainties. The target was to reduce expendi-

tures in 2011-12 by \$3 million to \$6 million pending the final outcome of the state budget. The lower amount assumed statewide ballot measures proposed by the governor to extend taxes otherwise scheduled to expire would pass, and the higher amount assumed these measures failed. The areas proposed for reduction included school consolidation and closure; elimination of administrative, instructional and support positions; reduction of supplies, services, travel and capital outlay budgets; reduction of special education expenses; elimination of the summer school program and reduction of the adult education program. The recommended budget savings list for 2011-12 was increased to \$9 million, because \$3 million of the original reductions was subject to negotiations with the district's bargaining units. Supporting documentation was provided to verify most but not all of the savings calculations. The reduction target for the 2012-13 fiscal year was \$6.1 million, to be achieved by personnel cuts, furlough days and expenditure reductions.

The budget development calendar for 2011-12 anticipated discussions of budget reduction options at several board meetings between February and June 2011. Budget options were discussed by the board and the public several times during this time period. Action was taken on a final list of options in June that totaled \$7.1 million in reductions.

The budget development calendar for 2012-13 also anticipated discussions of budget reductions at several board meetings between January and April 2012. Budget options were discussed by the board with very minimal input from the public during this time period, and action was taken on the list of reduction options at the board's March 21, 2012 meeting.

The FCMAT review team again received mixed feedback from site managers regarding their understanding of site budget allocations. Some advised they had complete understanding of their budget allocations and the processes necessary to effectively manage them. Others expressed frustration that discretionary allocations were not articulated effectively, leaving it unclear how the allocations were determined and how unspent funds would be distributed. All site managers indicated a perception that instruction was the highest priority in financial planning and management at the district level.

Ending Balance Projections

The district's 2010-11 financial reports presented an inaccurate projection of the district's financial position and ending fund balance, showing that instead of deficit spending, revenues exceeded expenditures. Narratives that accompanied the Standardized Account Code Structure (SACS) financial reports explained most but not all changes to revenues and expenditures relative to the previous SACS report.

FCMAT observed that the 2011-12 adopted budget and the first and second interim SACS financial reports for the 2010-11 fiscal year were filed timely with the Solano County Office of Education. However, the first and second interim reports were presented to the school board after these filings, and the 2010-11 third interim report was filed with the county office 105 days after the statutory deadline. The district notified the county office of education in advance of the late submission. The district's 2011-12 first and second interim reports were provided to the governing board and filed with the Solano County Office of Education within the deadlines for each. The 2011-12 third interim report was not provided to FCMAT but the county office reported it was filed timely.

Budget Monitoring

Sites are becoming more comfortable utilizing online report monitoring. The district has improved communication between its human resources and payroll departments and has produced a new form to enhance its position control system. However, overshadowing these gains are serious concerns that have arisen due to the district's using a soft-stop on purchase orders that exceed the account budget and lack of approval on changes to purchase orders.

Risk Management

The district provided FCMAT with information including loss statistics and claims frequency reports that were compiled by independent consultant firms and district staff regarding workers' compensation, property and liability claims. District staff review all claims and make recommendations based on claims loss data.

The district obtains its workers' compensation insurance from Edgewood Partners Insurance Center.

The district completed a workers' compensation actuarial study in May 2011. Per this report, expected losses for the district's self-insured period have increased about \$1 million since the last study in 2008. Loss rates for the fully insured periods are projected to increase in 2011 and remain at that level for 2012, consistent with experience rates in the general market for K-12 school districts. Claims frequency was expected to increase as well, although this calculation is affected by reduced total compensation. Claim severity, or the average cost of each claim, also was projected to increase. According to the study, several market factors indicate that workers' compensation costs will continue to rise significantly.

District personnel continue to receive technical training in self-insurance, understanding actuarial data, claims processing, subrogation recoveries, and reinsurance claims. District staff have attended workshops on workstation ergonomic evaluations, work restrictions and return to work programs.

Maintenance and Operations

The district implemented a new Web-based maintenance work order system to monitor maintenance needs. While the system is designed to allow school site staff to track online the status of any outstanding work order that has been submitted, this feature is not functioning as intended because staff has been on extended leave in the maintenance department.

The work order software allows unlimited users at any given time, an improvement over the previous system. This has made it easier for system users to submit work orders.

Custodial staff are primarily responsible for operating the work order system at school sites. The district also cross-trained site clerical staff to use the system. School site staff reported that not all custodians are proficient in using the system, so the clerical staff are the primary system operators at their school.

Work order response times are longer and have increased again compared to the last fiscal year because of budget/staffing reductions. The Maintenance Department has placed a higher priority on certain requests, such as graffiti removal, and those requests are filled typically within 24-48 hours.

The district conducted and completed an asset inventory and valuation project for all capital assets in September 2010. The Governmental Accounting Standards Board Statement 34 (GASB 34) requires the district to maintain complete and current fixed asset records for accounting purposes.

Board policies were established in February 2008 to ensure that the district's accounting records correctly reflect the district's current assets and their value. Policies require an annual inventory and sign-off by each site and certification to verify the location of fixed assets prior to the end of each fiscal year. Site principals were provided with a computerized detailed printout of all fixed assets in summer 2011, but the process was not completed until October 2011 because of school closures.

The Maintenance Department has automated its tracking and monitoring processes for all power and hand tools either checked out or permanently located on district vehicles. Inventory is performed when tools are issued to a new employee, with replacements issued only on return of the used equipment.

Attendance Accounting

The district continues its efforts to improve the training of site and district office staff on the importance of accurate and timely student attendance accounting. Sites have been provided with enrollment and attendance manuals and procedures have been established at the district office for monthly audit of site attendance records. The district has set up a schedule for site visits throughout the year by the district office accounting analyst to review site processes and provide training as needed; however, the visits scheduled for September 2011 had not occurred when FCMAT reviewed progress toward the attendance standards. The district continues to review audit findings related to student attendance at management, department and site staff meetings. All of these efforts mirror actions that the district took in the prior year. Despite these measures, and although the penalties have been reduced from their high of \$4.5 million for the 2006-07 audit, the State Controller's Office continues to have findings in this area.

The district needs to establish a districtwide attendance incentive program or provide further assistance to all sites to develop programs to increase student attendance because its CBEDS/CALPADS enrollment to average daily attendance (ADA) ratio is lower than statewide averages.

Accounting, Purchasing and Warehousing

The district continues to have many audit findings, with increased numbers of findings identified as material weaknesses. Some have been addressed through new policies and procedures developed by the internal auditor, but the continued appearance of audit findings brings into question the effectiveness of and the compliance with those policies and procedures. Previously, the district was late with some state-mandated reports to the Solano County Office of Education, but has been successful in timely submissions of the 2011-12 first and second interim reports and the unaudited actuals reports.

Employees of the county office reconcile cash balances with the county treasurer monthly. The district's revolving cash account is reconciled periodically although not monthly, and the student body accounts are reconciled many months after the fiscal year closes. The district has made improvements in its cash flow forecasting and in its methodology to align with the state's cash deferral system for state apportionments.

The Payroll Department completed the 2010-11 fiscal year with only one payroll deadline extension when the county's financial system experienced technical difficulties. Four requests for exten-

sions have been made for the 2011-12 fiscal year to date. One extension was provided because of a malfunction with the county office of education's payroll system. The remaining three extensions were requested for special circumstances that included the mid-year adoption of one-day furloughs and a significant number of class size overage payments requiring additional data input. Information provided for the 2009-10 and 2010-11 fiscal years reflects an increase in the number of revolving checks issued for payroll adjustments. For 2011-12, the Payroll Department initiated a new procedure that required a more detailed description in the revolving cash fund ledger. This reflected 37 errors related directly to payroll that could not be determined under the prior process. The Payroll Department provides new employee orientation information regarding payroll policies and procedures. The Payroll and Human Resources monthly meetings have resumed, and there is a renewed sense of hope that this relationship can be strengthened to provide more timely information between the departments.

Long-Term Obligations

Actuarial valuations of Other Post-Employment Benefits (OPEB) for retiree benefit programs should be conducted at least biannually according to GASB requirements. A new valuation for the district was due in 2010 but has not been completed to date. Thus, a plan to fund the district's retiree benefit obligation has not been implemented. District staff stated that an actuarial valuation update will be completed during the 2011-12 fiscal year.

The last actuarial report the district received was dated January 1, 2008. At that time, the actuarial accrued liability was \$27,551,000, which included \$7,993,000 for retirees and \$19,558,000 for current employees. No reserves were projected for retiree health benefits as of June 30, 2011. The district needs to establish a funding plan for these benefits.

Impact of Collective Bargaining

The district prepared public disclosure documents for the proposed agreements with CSEA and VEA on May 28, 2010. This analysis included the costs of proposed collective bargaining agreements for the current and two subsequent fiscal years. The disclosure forms were submitted to the county office of education five calendar days before the related tentative agreements were ratified by the school board on June 2, 2010. Of these five days, three were a holiday weekend, leaving the county office two days to review the disclosure forms and develop any comments. According to Government Code Section 3540.2, any school district with a qualified or negative certification of its budget must allow the county office 10 working days to review any such disclosure.

The disclosure forms indicate that compensation increases of \$1.86 million, or 2.84%, were one-time, off the salary schedule in nature and would be funded by "... additional ending balances, transfers of one-time funds from fund 17 and any additional budget reductions which might be needed" FCMAT remains concerned that the allocation of limited or one-time financial resources for compensation increases, regardless of the funding source or the nature, could severely affect the district's ability to sustain its financial solvency. At a time of severe economic distress and with a negative certification of the district budget, these types of decisions send a message that is inconsistent with the reality of the current fiscal environment in public education and at Vallejo Unified School District.

The 2011-12 negotiation parameters for compensation articles were developed and approved by the school district governing board in April 2011. Key items under consideration include implementation of eight furlough days in the 2011-12 fiscal year, which would save an estimated \$3.5 million annu-

ally. Eight furlough days have already been implemented for management staff. The targeted savings amount is derived by reference to potential mid-year state funding decreases. If these reductions occur, the district must complete the negotiations in a timely manner to achieve the intended savings in the current fiscal year.

District management has developed a draft plan that identifies 22 major activities for negotiation of new collective bargaining agreements that expire June 30, 2012. Specific areas of focus have yet to be developed.

Special Education

Special education expenditures in both 2009-10 and 2010-11 were consistent with past reports, with no material changes. Nonpublic schools (NPS) decreases and nonpublic agency (NPA) increases were the more significant variances and were attributed to an increase in foster students and specific requests for least restrictive environment instructional settings. The special education director continues to monitor the special education encroachment and looks for ways to reduce expenditures and develop programs that are more cost effective.

Inter- and Intradepartmental Communications

The Business Services Division continues to do a better job communicating regularly with internal staff and user departments on their responsibilities for accounting procedures and internal controls. The division should continue to plan and conduct numerous trainings that include office managers, principals, and others needing to understand business and related information.

Community meetings continue to be held, allowing broader community participation, understanding and input into the budget and the overall education process. Rather than being held at separate locations and times, they are held in conjunction with regularly scheduled board meetings. The community meetings should continue on a quarterly basis, possibly at the beginning of board meetings rather than at the end to encourage greater community participation.

The Fraud Awareness, Identification and Prevention administrative regulations state that all district staff will be provided with annual training on the district's fraud policy and reporting procedures. Although this had not occurred before the 2011-12 school year, training has recently occurred for administrators and information is now being distributed to other staff. The awareness program needs to be in place to inform the staff about the board policies and procedures addressing fraud, the common types of fraud and theft, and the consequences stated in the policy. Included should be signs of potential misuse of district assets, employee responsibilities to deter and prevent fraud and theft, and the process and procedures for reporting suspected fraud or other illegal activities through an anonymous hot line or other mechanism.

Board and Community Communications

The district continues to provide the board and other stakeholders with more thorough narratives when submitting SACS financial reports than in the past, although FCMAT still has concerns related to future year details. PowerPoint presentations continue to be clear, detailed and useful. It is essential for the budget office to provide the board with accurate multiyear projection information. That information should include all funding sources because of the effect on the unrestricted general fund when restricted funding is not sufficient to cover program expenditures. To be thoroughly understood

and trusted, assumptions supporting multiyear projections need to be clearly identified, detailed and continuously monitored for validity. Updates to projections may need to be done more often than statutorily required if unexpected events occur with a material financial impact on the district in the current and/or future years, rather than waiting until a regularly scheduled update, so that all stakeholders are aware of such changes and so adjustments can take place. Being as transparent as possible to all stakeholders and being prepared to resolve unexpected changes to the fund balance will help strengthen the district.

Multiyear Projections

The district continues to prepare multiyear projections as part of the statutory requirements, such as with interim reports and adopted budgets, using the California Department of Education's SACS software. In FCMAT's opinion, the projections are insufficient because the assumptions are not clear for the future years, do not appear to be based on the most current economic information available, and utilize large negative amounts to achieve a balanced budget.

In spring 2011 CDE advised the district that it would not be required to update its multiyear fiscal recovery plan and should instead utilize the multiyear financial planning component of the SACS report as its financial planning tool. This is of particular concern to FCMAT given the insufficiency of the district's most recent SACS multiyear financial plan.

The district's primary strategy to address continued general fund budget deficits is to reduce expenditures while drawing on resources in Special Reserve for Non Capital Outlay, fund 17. The district's goal is to balance the district budget by the time the special reserve fund is exhausted and Tier III flexibility ends. The 2011-12 second interim report's multiyear financial projection indicates that despite many millions of dollars of board-approved budget reductions, the district projects continued structural budget deficits throughout the planning period.

FCMAT is concerned the district may have identified or committed uses for fund 17 that are more than the available resources in the fund can support. The district has utilized fund 17 reserves in the past to lower general fund budgeted deficits as it strives to reduce expenditures in response to continued fiscal crises at the state and federal levels. This practice included advancing savings from school reorganization and closure as these changes were implemented over multiple years. The district has dedicated these same funds to debt service payments of the outstanding state loan, and as a funding source for audit findings in the State Controller's Office's audits.

A budget technical review letter from the Solano County Office of Education dated August 22, 2011 indicated the multiyear financial projection was not accompanied by assumptions, making it impossible to provide an adequate review of the projection. The county office of education's certification letter for the 2011-12 second interim report reflected concerns with the district's increased deficit spending.

Management Information Systems

The district has made a number of improvements with its use of technology since the last review period. Perhaps most significant is the placement of the technology department in the Academic Achievement and Accountability Division. The goal of this change is to better coordinate, communicate and integrate technology as it relates to classroom instruction. This change is very recent, and its

effectiveness will be enhanced through regularly scheduled meetings and communications between technology and instructional staff.

Also evident was the improvement made in providing direct technology services to the school sites. A prioritization system has been developed and communicated to the schools. Data governance and management has also improved in large part because district staff have enrolled as CALPADS Best Practices Cohort members. To maintain and improve the district use of data, ongoing training should occur at the sites along with strengthened coordination of assessment data and the student information system.

The district has decided to implement a thin client computer infrastructure. This major technology decision has implications throughout the district. While this infrastructure requires less direct desktop support and refresh, careful analysis needs to occur to determine if the districtwide infrastructure can support it. Critical factors need to be examined such as network cabling, wireless access, network electronics, back-end server hardware and storage. Perhaps most important is a detailed study of the user applications and user experience with a thin client installation. During FCMAT's interviews of staff, it was not evident that all of these factors had been considered. If the district is committed to this configuration it will need to adequately analyze and fund all aspects of it.

Staff Professional Development

Business Services Division staff continue to attend both routine and specialized training. Although various training documents were provided, as well as some lists of who attended them, individual staff and/or management employees do not appear to have a specific plan designed to meet their individual professional development needs. Some employees have a professional development goal included in their action plan, but this goal is not contained in all action plans.

An annual staff development plan still is not implemented for nonbusiness services and operations department staff. Staff is notified as trainings are developed and close to occurring, but a plan should be developed at the beginning of the year outlining the trainings that will be offered for the many different types of duties that nonbusiness services and operations department staff must perform that require knowledge of business procedures and the application of routine internal control processes. When manuals or other resources are developed on business and business-related items, they should explain in detail the processes and procedures that are expected and/or necessary to comply with rules and regulations, board policies and district procedures. These resources should be updated at least annually. The completed procedure manuals should also function as a training tool for staff. Desk manuals help ensure the accurate and appropriate discharge of job duties, and provide some level of continuity in the event of staff turnover.

The district should communicate changes in business services and operations policies and procedures by offering in-service training before each school year begins. Such a training is scheduled for August 2012. In the past, training had occurred before the school year began for administrators, but did not occur for other employees until later and was not usually mandatory. The district needs to ensure that all staff, both administrators and site and departmental personnel, understand and properly implement ongoing, new and changed policies, procedures and forms. Separate training sessions may need to be developed based on employees' job duties.

In Summary

The review of Financial Management included the assessment of a selected subset of 39 professional and legal standards of performance. The average rating of this subset of 39 standards, on a scale of 1 to 10, with 10 the highest score possible, is as follows:

November 2004	1.31
May 2005	2.53
November 2005	3.56
May 2006	4.33
January 2007	4.41
July 2007	5.28
June 2008	5.77
May 2010	5.66
December 2011	5.94
June 2012	6.03

The average score of 6.03 of the identified standards for this rating period has met the established criteria of a 6.0 contained in Senate Bill 1190, Chapter 53, Statutes of 2004. Therefore, the Financial Management area is recommended for return to local governance at this time. For the financial component to be recommended for the return to local governance, no individual standard can be rated less than 4, and the average of all standards must achieve a score of 6.0 or greater.

This review was completed in two stages. Standards are either dated December 1, 2011 or June 30, 2012. Initial fieldwork was done and all standards were reviewed as of December 1, 2011, but then the FCMAT team returned and reviewed a number of the standard areas again. These standards are dated June 30, 2012. The average score of 6.03 is based on a combination of December 1 and June 30 scores, with the most recent score used in the average.

1.1 Internal Control Environment—Integrity and Ethical Values

Professional Standard:

Integrity and ethical behavior is the product of the district's ethical and behavioral standards, how they are communicated, and how they are reinforced in practice. All management-level personnel exhibit high integrity and ethical values in carrying out their responsibilities and directing the work of others. [SAS-55, SAS-78]

Progress on Implementing the Recommendations of the Improvement Plan:

The governing board has established the district's goals, which primarily target student achievement and how the district will attain those goals through hiring quality teachers and personnel. The district's goals are posted on the website and appear on the board's agendas. Neither the goals established in 2010-11 nor the goals for 2011-12 relate to integrity and ethical values. However, the statement of "[h]onesty, integrity, and respect" is listed in the core values on the front cover of the 2011-12 FY Attendance Manual under Educational Effectiveness.

The district's governing board maintains a civility policy, code of ethics, conflict of interest code, fraud awareness, identification and prevention policy, personnel complaints policy, personnel safety policy, and technology policy. New employee packets include copies of these policies and of the district's student bullying and threats policy and sexual harassment policy. FCMAT's interviews with district staff reflected that employees are aware of the policies, and most remembered receiving a copy of them. FCMAT's review of minutes from the district's cabinet meetings reflect ethics and risk management conversations at the management level; however, not all employees have had the opportunity to read and understand the district's policies relating to integrity and ethical behavior, and the district has offered no formal training beyond that provided to administrators this past spring. All employees should understand the policies and district expectations regarding integrity and ethical behavior, and the district should provide mandatory training of all staff to reinforce their understanding of the policies and the policies' importance.

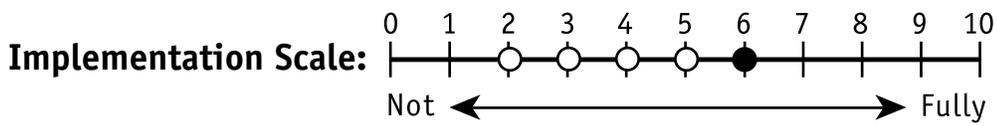
Performance evaluation forms should be updated to include management's expectations regarding ethical behavior. FCMAT's review of the district's current evaluation forms reflect that while the Management Performance Appraisal and Development Form under Factor #4 contains a standard regarding the manager demonstrating honesty, fairness, integrity and respect, the evaluation forms for the other two bargaining units do not have similar criteria.

Employees were eager to converse with FCMAT about their district, the positives that have occurred over the past year and the work they have been engaged in to become more efficient in their job performance. As a group, employees continue to accept change and appear to display a renewed energy, especially with regard to the district having selected a new superintendent.

The rating in this area will remain at a 6. A rating of 6 reflects that elements of the standard are implemented, monitored and becoming systematic. Although most elements have been implemented, some have not, such as all employees understanding and knowing about the policies and district expectations regarding integrity and ethical behavior. Therefore, a rating of 7 is not yet appropriate.

Standard Implemented: Partially

November 1, 2004 Rating:	2
May 1, 2005 Rating:	2
November 30, 2005 Rating:	3
May 31, 2006 Rating:	4
January 25, 2007 Rating:	4
July 2, 2007 Rating:	5
June 30, 2008 Rating:	6
November 18, 2009 Rating:	6
December 1, 2011 Rating:	6
June 30, 2012 Rating:	6



1.4 Internal Control Environment

Professional Standard:

The organizational structure clearly identifies key areas of authority and responsibility. Reporting lines are clearly identified and logical within each area. [SAS-55, SAS-78]

Progress on Implementing the Recommendations of the Improvement Plan:

The district provided FCMAT with an organizational chart reflecting revisions as of May 3, 2012. Each division in the district identifies reporting lines and major areas of responsibility. This reporting structure represents the configuration initiated in the 2010-11 fiscal year, with most changes having occurred in the Business Services and Administrative Services divisions.

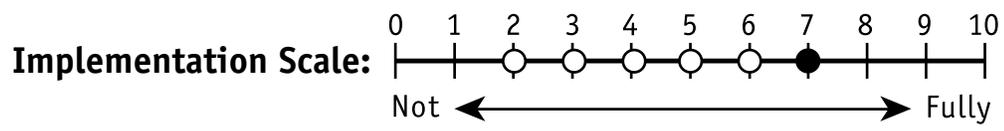
The Business Services Division is now separate from Operational Services and is headed by the chief business officer (CBO), who oversees the accounting, budget, payroll, student nutrition, warehouse and reproduction operations. Operational Services is now incorporated into the Administrative Services Division, which is headed by the former assistant superintendent for business services and operations. This former assistant superintendent for business services and operations now oversees the human resources, facilities, custodial, maintenance/grounds and transportation operations. These two division leaders are working to develop a more unified and supportive atmosphere between the payroll and human resources operations to streamline processes/procedures between the units and reduce the number of payroll errors.

Under the current organizational structure, the Business Services Division and Academic Achievement and Accountability Division have no vacant positions. The management level of the Administrative Services Division also is fully staffed. The new organizational structure is yielding positive results, particularly between Payroll (Business Services Division) and Human Resources (Administrative Services Division).

Improvement is evident in this standard because of the changes to the organizational structure and the improvements seen to date. This new organizational structure will need to be monitored and re-evaluated to determine if it works effectively within the entire organization.

Standard Implemented: Partially

November 1, 2004 Rating:	2
May 1, 2005 Rating:	2
November 30, 2005 Rating:	3
May 31, 2006 Rating:	4
January 25, 2007 Rating:	5
July 2, 2007 Rating:	5
June 30, 2008 Rating:	6
November 18, 2009 Rating:	6
December 1, 2011 Rating:	6
June 30, 2012 Rating:	7



1.7 Internal Control Environment

Professional Standard:

All employees are evaluated on performance at least annually by a management-level employee knowledgeable about their work product. The evaluations criteria are clearly communicated and, to the extent possible, measurable. The evaluation includes a follow-up on prior performance issues and establishes goals to improve future performance.

Progress on Implementing the Recommendations of the Improvement Plan:

Overall, employees in the Business Services and Administrative Services divisions are evaluated in a timely manner. The district's list of classified evaluations for the 2011-12 fiscal year reflects the evaluation schedules for many district departments and sites. The Business Services Division lists one classified employee whose last evaluation date was in 2005. The Administrative Services Division also shows one classified employee whose last evaluation was due in 2005. Many of the other evaluations that had not been done for several years had been completed as of September 13, 2011, but some remain to be addressed. Although most performance evaluations are current as of May 2012, steps should be taken to ensure that all evaluations are completed in a timely manner.

FCMAT's interviews with staff reflect that employee goals receive inconsistent application throughout the district. Some employees are given goals, others set their own, and others have none. The Business Services and Administrative Services divisions provided copies of their action work plans for 2011-12. Most goals in these plans had a September 2011 start date, except for joint meetings between Human Resources and Payroll that commenced in July 2011. The goal of hiring highly qualified teachers was set for the beginning of the 2011-12 school year. No action work plans were provided for the 2010-11 year. Measurable goals and objectives should be in place for all positions.

The criteria for employee evaluations are provided to certificated staff members, classified staff members and managers in their new employee orientation packets either as a separate document or as an appendix to a copy of their respective collective bargaining agreement. Employees should know the standards used to evaluate them, and these should be reflected in the evaluation instrument.

Completed evaluation forms provided to FCMAT reflect varying degrees of the depth to which managers evaluate their employees, ranging from the evaluation form plus three typewritten pages to an evaluation form with boxes checked but no additional comments. Paragraph 14.8 of the CSEA collective bargaining agreement provides that if a unit member is rated below satisfactory for any factor in the evaluation that "[t]he evaluator shall include specific recommendations for improvement and provision for assisting the unit member in implementing such recommendations." While individual employees noted needed improvements, in some cases no suggestions were given of ways to improve skills or improve abilities to handle tasks, or the types of assistance that would be provided. Recommendations need to be provided that assist employees with suggested ways to succeed when areas are noted as needing improvement in the evaluation. The vast differences seen in evaluations provided to FCMAT indicate that the evaluators have had little training and do not use consistent evaluation techniques.

Employees attend workshops/trainings that are offered at the county office of education and by other vendors. The district authored "The School Administrator's Guide to Conducting Effective and Meaningful Evaluations," revised July 30, 2010, and held the following three trainings in September:

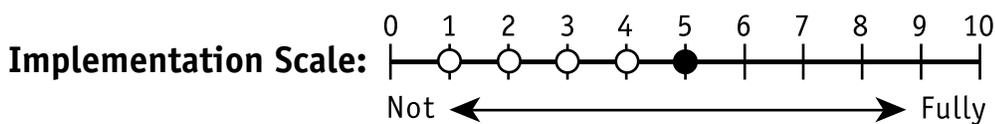
- September 12, 2011, covering the topics of evaluation forms, time lines and managers' rights with 20 elementary administrators in attendance
- September 14, 2011, covering teacher evaluations with 14 secondary administrators in attendance
- September 15, 2011, covering classified evaluations/discipline with 58% of those listed on the sign-in sheet in attendance

All district employees who participate in the evaluation of other staff should be fully trained to properly assess employees. Training should be mandatory and include the areas of the collective bargaining agreements applicable to evaluations, time lines, district procedures, proper use of district evaluation forms, and discipline and performance improvement procedures.

This rating remains at a score of 5, which reflects that staff is engaged in the implementation of the standard and that all standard elements are developed and are in the implementation phase. To increase to a 6, elements of the standard would need to be implemented, monitored and becoming systematic.

Standard Implemented: Partially

November 1, 2004 Rating:	1
May 1, 2005 Rating:	1
November 30, 2005 Rating:	2
May 31, 2006 Rating:	2
January 25, 2007 Rating:	3
July 2, 2007 Rating:	4
June 30, 2008 Rating:	5
November 18, 2009 Rating:	5
December 1, 2011 Rating:	5
June 30, 2012 Rating:	5



1.8 Internal Control Environment

Professional Standard:

The responsibility for reliable financial reporting resides first and foremost at the district level. Top management sets the tone and establishes the environment. Therefore, appropriate measures are implemented to discourage and detect fraud (SAS 82; Treadway Commission).

Progress on Implementing the Recommendations of the Improvement Plan:

The district continues to attempt to improve internal accounting controls, but adequate controls are not yet fully implemented. Various activities have occurred in the district to identify internal control weaknesses, including the State Controller's Office questionnaire prepared during May and September 2011, the district's self-assessment questionnaire prepared by the director of audit and compliance and provided to the administration in draft form in spring 2012, and the director of audit and compliance's internal audit of internal controls.

The weaknesses listed below are mainly from the analysis completed by the director of audit and compliance, with a few from the responses to the State Auditor's questionnaires in 2011. The director of audit and compliance requested various district departments to complete internal control questionnaires to assist in identifying weaknesses. Below are some of the weaknesses identified; however, as of May 2012, the district had not modified any of the internal control processes as a result of the responses:

- No payroll manual containing detailed payroll and personnel procedures
- Internal auditors or other designated employees do not conduct regular payroll audits
- Overtime is not approved in advance or reviewed for compliance with policy
- Sick leave, vacations and holidays are not reviewed for compliance with policy
- Payroll is not checked periodically against personnel records for terminated employees, fictitious employees, etc.
- Payroll checks are distributed by the same person who prepares the payroll
- Purchases are allowed without a purchase order (PO), yet the questionnaire is answered "yes" regarding whether pre-numbered POs are used for all purchases, which calls into question the purchasing procedure knowledge of the employee completing the questionnaire
- Receipts for blanket POs are not monitored, and quantities exceeding the authorized total are not returned to the vendor
- Aged receivables are not reviewed
- No procedures exist to follow up on delinquent accounts
- No procedures exist for monitoring the appropriate disposition of property acquired with grant funds
- Equipment items purchased with grant funds are not specifically marked as such, which is a violation if federal funds are used (34 CFR Section 80.32)

The district has engaged in numerous presentations and conversations with its cabinet and management staff on the subject of internal controls. Among them is a July 12, 2011 presentation to cabinet regarding what are internal controls, why they are important, and what departments can do to have better internal controls, with working materials provided to cabinet members in the form of a short quiz and a self-assessment. All departments were asked to complete the self-assessment form for a follow-up meeting. Based on discussions with district staff, departments did not understand the self-assessments and they were not completed as planned.

The district conducted informal internal audits and reviews to prepare for the 2009-10 independent audit that is now being conducted by the State Controller's Office. The district also sample tested its accounts payable transactions for the months of January through March 2011. Audit findings and recommendations were generated in response to items discovered during the accounts payable testing. However, execution of the necessary changes appeared to be in the initial stages at the time of FCMAT's fieldwork because the name or title of the responsible party had yet to be included in the document. The district has devised a plan for internal audits to be conducted for the 2011-12 fiscal year consisting of five school attendance audits, a control environment audit, accounts payable audit, human resources-payroll audit, and a liabilities audit. All of these audits have been started, with three currently in draft format. Changes in processes/procedures and revised expectations that result from these audits should be communicated to employees in a timely manner.

External independent and internal audit findings continue to identify items as internal control weaknesses as well as material weaknesses. Material weaknesses rise to a higher level of concern in that they are a significant deficiency that results in a higher likelihood that the district's internal controls will not prevent or detect a material misstatement of financial statements. As is also discussed in Standard 12.2, the number of material internal control weaknesses as audit findings continues to be an issue in comparing the 2007-08 and 2008-09 audits. While the timing of audits lags behind the work being done at the district to strengthen internal controls, an increase in audit findings is of great concern because it indicates that the district's efforts are not yielding results.

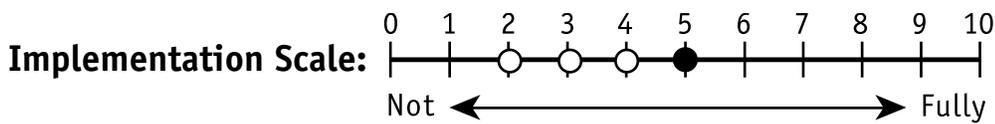
The district has struggled in the past with timely submission of its financial reports to the county office of education. The district's 2010-11 third interim report was submitted to the county office 105 days past the due date. Since that time, all budget and interim reports have met the county office's required due dates.

Board policy has been adopted addressing fraud awareness, identification and prevention, the misuse of funds, and conflict of interest. The district has also established an anonymous hot line that can be accessed by e-mailing a Fraud Alert form to the director of audit and compliance and, if the individual chooses, they may include their contact information. The compliance and audit page of the district's website provides information on fraud and the anonymous hot line, with a link recently moved to the home page to make it easier to locate. District administrators and staff stated they are comfortable with their ability to report fraud to their immediate supervisor; however, some district employees were unaware of the anonymous hot line, some reported not to have received copies of the fraud policies, and many employees reported having received no training on fraud policies. Per discussions with the district, fraud training recently has been provided to management, who are then required to provide the information to their staff. For consistency, the district should ensure that all employees are provided copies of the fraud prevention policy and attend training on this subject presented by the compliance and audit staff.

This rating remains at a score of 5, which reflects that staff members are engaged in the implementation of the standard and that all standard elements are developed and are in the implementation phase. To increase to a 6, elements of the standard would need to be implemented, monitored and becoming systematic.

Standard Implemented: Partially

November 1, 2004 Rating:	2
May 1, 2005 Rating:	2
November 30, 2005 Rating:	3
May 31, 2006 Rating:	4
January 25, 2007 Rating:	4
July 2, 2007 Rating:	5
June 30, 2008 Rating:	5
November 18, 2009 Rating:	5
December 1, 2011 Rating:	5
June 30, 2012 Rating:	5



2.1 Inter- and Intradepartmental Communications

Professional Standard:

The Business Services Division communicates regularly with internal staff and all user departments on their responsibilities for accounting procedures and internal controls. The communications are written whenever possible; particularly when they (1) affect many staff or user groups; (2) are issues of high importance; or (3) reflect a change in procedures. Procedures manuals are necessary to the communication of responsibilities. The departments also are responsive to user department needs, thus encouraging a free exchange of information between the two (excluding items of a confidential nature).

Progress on Implementing the Recommendations of the Improvement Plan:

The Business Services Division continues to make improvements in communicating regularly with internal staff and user departments on their duties and responsibilities for accounting policies, procedures and internal controls. Site staff members show more familiarity and knowledge about many of the procedures, policies and communications being developed by the Business Services Division. Past practice usually was to either distribute the communications at administrative meetings and/or to send them to the school sites, with the expectation that the applicable employees would read the information and comply with all provisions. The district now conducts training on many of these policies and procedures when communications are developed, and site staff seem more knowledgeable and feel supported by district office personnel.

Whenever possible, training should be conducted on policies and procedures as they are approved, whether they are updated or added, to ensure that the staff understands them and can be held accountable for following them. When training is not provided, a system is needed to ensure staff is aware of the communication. One option is sending a cover sheet that requires each staff member to certify that they have received the communication and understand their responsibility to follow it. By ensuring that staff receive and know they are responsible for what is communicated to them, the district can then hold staff accountable.

Numerous trainings continue to be developed and offered on existing policies and procedures. The Business Services Division should continue to plan and conduct trainings throughout the year that include office managers, principals, and other positions needing to understand business and related information.

When manuals or other resources are developed, they should explain in detail the processes and procedures that are expected and/or necessary to comply with rules and regulations, as well as board policies and procedures. These resources should be updated at least annually. The completed procedure manuals should also function as a training tool for the staff, help ensure the accurate and appropriate discharge of job duties, and provide some continuity in the event of staff turnover.

The district should communicate changes in business services policies and procedures by providing mandatory in-service training before each school year begins. Such a training is being planned for August 2012, coinciding with the work year calendar for the largest influx of new administrators, office staff, etc. New administrators and other team members whose work calendars begin earlier than August or who start working during the school year will be provided with one-on-one training.

The Business Services Division has developed a Business Services Procedure Manual containing many business procedures and other documents, with internal control mechanisms incorporated for internal use. Staff has already begun compiling and developing updates to be included in the manual for the 2012-13 year. Updates to the procedure manual could be distributed and explained at the planned August 2012 training. This would help ensure that site and department staff understand and properly implement the updated procedures as well as the ongoing ones. These trainings should be provided for administrators and site and departmental personnel who regularly handle business tasks. Separate trainings may need to be developed based on job level (e.g., administrators attending less detailed training than office managers). In the past, training has been provided for administrators, but not for other staff, before the school year begins.

The district provided organizational charts of several district operational areas to FCMAT, including a chart for the Business Services Division. Although the organizational chart for Administrative Services was dated April 2012, the Chief Academic Officer section was dated 1/11/12 and the overall administration chart was dated 5/3/12, the Business Services chart did not include a date so FCMAT could not determine when it was last updated.

Sites and departments seem more familiar with information on who to call regarding issues, and report that response time has improved overall when compared to previous review periods. Information needs to be provided at the beginning of each school year and when changes occur so that sites and departments know who to contact in the district office for routine issues involving payroll, accounts payable, budget questions and purchase requisitions. The district office list should include staff name, department and phone extension. The district gave FCMAT a copy of a district office list. The list was not dated, so FCMAT could not ascertain when it was developed or distributed.

Agendas indicated that district leadership meetings and principals' meetings regularly include time to share financial and other business-related information with department managers, principals, and program managers. Interviews reveal that administrators receive a significant amount of financial information and material regarding procedural changes, and in some cases, the administrators are requested to share the information with their staff. However, unless the administrator actually shares that information with their staff, the information often stops with the administrator.

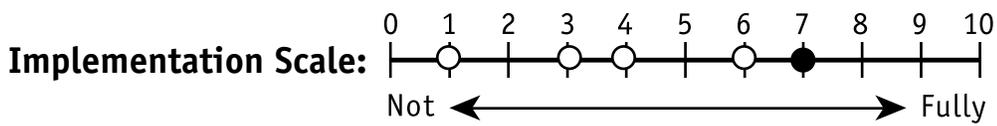
Periodic office manager/clerical meetings also should occur for information sharing and policy/procedure updates. Although specific trainings do occur for these staff, periodic meetings also should occur regularly for information sharing. Interviews revealed that such meetings would be welcomed.

The Payroll and Human Resources departments have been meeting again regularly in the 2011-12 fiscal year to discuss ongoing issues and develop solutions to common problems. Interviews revealed that the meetings have been welcomed and helpful. Meetings should also be held as needed between individual staff members. FCMAT strongly suggests continuing with the monthly department meetings rather than only meeting when issues arise.

The rating for this standard has increased from a 6 to a 7 because all elements of the standard have been fully implemented and monitored, and appropriate adjustments are taking place.

Standard Implemented: Partially

November 1, 2004 Rating:	1
May 1, 2005 Rating:	1
November 30, 2005 Rating:	3
May 31, 2006 Rating:	4
January 25, 2007 Rating:	6
July 2, 2007 Rating:	7
June 30, 2008 Rating:	6
November 18, 2009 Rating:	6
December 1, 2011 Rating:	6
June 30, 2012 Rating:	7



2.2 Inter- and Intradepartmental Communications

Professional Standard:

The financial departments communicate regularly with the governing board and community on the status of district finances and the financial impact of proposed expenditure decisions. The communications are written whenever possible, particularly when they affect many community members, are issues of high importance to the district and board, or reflect a change in policy.

Progress on Implementing the Recommendations of the Improvement Plan:

The district has improved in submitting narratives and assumptions for current year budget submissions, even though improvements could be made for future years in the multiyear projections that accompany the budget. It is essential for the district to continue submitting updated assumptions for each reporting period because assumptions quickly become outdated and irrelevant, especially during this difficult economic time where educational budgets have been severely affected.

The district should continue to train new board members, and the board as a whole, to better help them understand the district's programs and culture, their specific role as board members, mandated reports and other educational requirements. The more training board members receive, the more knowledgeable they become and the more comfortable they will be asking questions regarding financial and related data.

The district continues to provide the board and others who attend board meetings with more thorough narratives than in the past, along with the SACS reports. When the board receives financial reports, whether or not they are SACS compliant, the accompanying narratives should always thoroughly describe the assumptions used to prepare the information, explain variances from the last time the budget information was presented to the board, and detail all relevant data on ongoing and one-time revenues and expenditures. Financial reports must be user-friendly.

The board members interviewed seemed comfortable with the timeliness and content of financial information. When they request additional information, it is provided in a timely and understandable manner.

The district contracted with the California School Boards Association (CSBA) to work with key district managers to review and revise all board policies. The revision process was completed in December 2011 when the governing board adopted the revised policies, as well as adding one new policy regarding transitional kindergarten. A policy team reviews proposed changes to policies related to new laws, district-initiated changes, and suggestions from CSBA, and then proposes revisions to the governing board.

Now that board policies have been reviewed, revised and approved as needed, the district staff must understand and follow them. The district should consider training and other communications to ensure the staff is aware of the contents of these important documents.

On March 26, 2007, the district revised Board Policy 3000, Concepts and Roles, to include the superintendent's role of providing the board with frequent multiyear financial projection information. At that time, the word "frequent" was not defined in the policy, which FCMAT recommended, because providing more frequent projections than statutorily required would allow the board to make more informed expenditure decisions as assumptions change and would facilitate better understanding and timelier use

of restricted categorical funding. The district updated the policy in December 2011, and the word “frequent” no longer appears in the policy. FCMAT’s continued suggestion is to prepare multiyear projections whenever significant financial assumptions change and affect the district’s bottom line.

Multiyear financial projections should always include budget assumptions underlying the future year calculations and should be thoroughly explained to ensure the board members’ familiarity with the data. Currently, projections are provided when statutorily required, which includes at adopted budget and interim reporting periods. They were also provided as part of the Fiscal Recovery Plan when previously required.

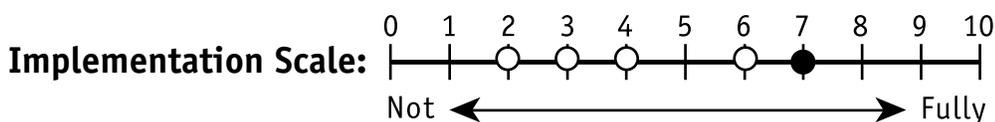
The previous Board Policy 3000 also included in the superintendent’s role “providing the board with monthly budget and financial information that includes issues that will affect district finances as well as routine budget reports on the status of the general fund and categorical programs.” The policy as updated December 2011 no longer contains such language. Review of board agendas and meeting minutes did not find that monthly budget information is specifically provided, although it is presented at various meetings during the year, as are reports on surplus property disposal, gifts, and donations. Interviewed board members continue to report that the information they receive is sufficient. The current types of financial information brought monthly to the board include contract approval and purchase order approval. Bid authorizations and bid awards are brought as needed.

Continuing to hold community meetings will help the district ensure that financial communications are clear and concise. Community meetings are held quarterly, at the end of a board meeting. Many people who might not want to attend a board meeting may attend a community meeting, as it is more topic specific and less formal. This type of forum should continue, although FCMAT recommends that the community meeting is held prior to the board meeting rather than afterward to retain a larger audience that is less tired than after sitting through a board meeting.

The rating in this area has been increased to a 7 because all elements of the standard are fully implemented and monitored, with appropriate adjustments taking place.

Standard Implemented: Partially

November 1, 2004 Rating:	2
May 1, 2005 Rating:	2
November 30, 2005 Rating:	3
May 31, 2006 Rating:	3
January 25, 2007 Rating:	2
July 2, 2007 Rating:	4
June 30, 2008 Rating:	6
November 18, 2009 Rating:	6
December 1, 2011 Rating	6
June 30, 2012 Rating:	7



2.3 Inter- and Intradepartmental Communications

Professional Standard:

The governing board is engaged in understanding globally the fiscal status of the district, both current and as projected. The board prioritizes district fiscal issues among the top discussion items.

Progress on Implementing the Recommendations of the Improvement Plan:

The district website continues to contain useful general information, including the number of schools, students, and staff members, as well as information on the various programs the district offers. The website contains miscellaneous budget and financial information in the Business Services section, including the mission of the division, organizational chart, various departments within the division, financial and audit reports, past FCMAT comprehensive reviews, division accomplishments, and various business forms for employees and consultants. The website previously contained a section titled Budget Issues, with categories on the state takeover and loan, the recovery plan, current budget information, and status and progress reports. That section no longer exists. Rather, there is now a state administrator/state trustee tab in the Board of Education section. In FCMAT's opinion, information on the district's state loan and the state administrator/trustee should be more accessible because its current location is difficult to find. Making this information more accessible helps highlight that the district is still having fiscal difficulties. The website is an effective way to communicate with the community that should continue to be updated and easy to navigate.

Summary budget information should also be included on the website in a more accessible place, rather than only in the business department section. For instance, adding a "quick link" to the home page would assist greatly in making the information easier to find. Community meetings continue to be held, allowing broader community participation, understanding and input into the budget and overall education process. They currently occur quarterly, which should continue.

Board members who were interviewed continue to speak positively about staff responsiveness to their requests for additional information, as it is always provided in a clear, positive manner. It remains important for the board to understand the district's true fiscal status, including audit findings and recommendations, and to have adequate time to review financial data before board meetings. This will allow them to ask pertinent questions at board meetings and have input into corrective actions.

Detailed information should accompany budget reports to explain existing funding and how long it will be available. This will allow the board to make more informed expenditure decisions. Receiving this information will allow the board and community to better understand the specific funding sources and could potentially assist in the timelier use of restricted categorical funding.

In the past, districts receiving state loans were required to keep their multiyear fiscal recovery plans updated. During the last review, the district's latest plan had been approved by the governing board in February 2010 and was under review by the CDE. On August 24, 2011, CDE sent a letter to the state administrator/trustee stating that the plan no longer needed to be updated. Rather, the district was directed to focus on the budget and interim reports, helping the district to submit timely and accurate data and valid projections.

FCMAT continues to recommend that the budget office provide the board with frequent multiyear projection information while the district's fiscal health is being restored, even though Board Policy

3000 no longer contains this guideline. To date, only state-mandated multiyear financial projections have been completed and distributed, such as with interim reports and adopted budgets and as part of the recovery plan. Although “more frequent” cannot be easily quantified, revised multiyear financial projections would only be completed, in addition to when statutorily required, when a material change occurs to the district’s financial position that alters the fiscal condition of the district in the current and/or future years. Being as transparent as possible to all stakeholders and prepared to resolve unexpected changes to the fund balance will help strengthen the district.

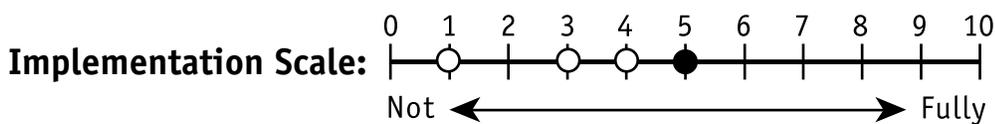
School boards must understand the effects of all their fiscal decisions and how these decisions affect future year budgets. The budget assumptions presented with the multiyear projections for the current and subsequent years must be clear, detailed, understandable and based on the most current information available. Assumptions supporting multiyear projections need to be clearly identified and continuously monitored for validity. When multiyear projections are presented, they need to be explained in detail to be thoroughly understood and trusted.

The board should receive quarterly updates on audit matters, including past findings, resolution of the findings and status of appeals. Because a large fiscal impact can stem from the audit resolution, the board must be apprised. In addition, to comply with Education Code Section 41020.3 requirements, by January 31 of each year the board is to review a copy of the annual audit at a public meeting and review all corrective actions developed by staff. A board presentation was given on March 7, 2012 providing an audit update for years 2003-04 to 2008-09.

This rating remains at a score of 5, which reflects that staff is engaged in the implementation of the standard and that all standard elements are developed and are in the implementation phase. To increase to a 6, elements of the standard would need to be implemented, monitored and becoming systematic, which would include changes to the website.

Standard Implemented: Partially

November 1, 2004 Rating:	1
May 1, 2005 Rating:	1
November 30, 2005 Rating:	3
May 31, 2006 Rating:	3
January 25, 2007 Rating:	3
July 2, 2007 Rating:	4
June 30, 2008 Rating:	5
November 18, 2009 Rating:	5
December 1, 2011 Rating:	5
June 30, 2012 Rating:	5



2.4 Inter- and Intradepartmental Communications

Professional Standard:

The district has formal policies and procedures that provide a mechanism for individuals to report illegal acts, establish to whom illegal acts should be reported, and provide a formal investigative process.

Progress on Implementing the Recommendations of the Improvement Plan:

The governing board approved a fraud awareness, identification and prevention board policy and administrative regulation, No. 3405, in 2005, revised it April 18, 2007, and is revising it again (second reading was April 11, 2012). Both the policy and administrative regulation are clear, thorough and well written, providing direction to avoid fraud and fraudulent activities and a system for reporting suspicious activity while protecting the informant.

The code of ethics, Board Policy 4219.21, initially approved by the district September 7, 2005, outlines the expectations that employees will perform duties and conduct themselves with the utmost integrity, efficiency and reliability and will comply with all applicable laws, board policies, regulations and procedures. It states that the superintendent is expected to provide for implementation of the code of ethics and hold all employees responsible for its implementation using the district's supervision and evaluation policies and procedures.

Prior to this visit, FCMAT was not able to locate a more recent letter than the one dated March 14, 2007 where the Business Services Division reminded employees about fraud and theft reporting procedures. Since March 2012, the district has put renewed emphasis on re-educating staff about the subject of fraud, including distributing an information flier dated May 7, 2012 that gives information about the fraud hot line, as well as the link and a list of information to include on a Fraud Alert form if an employee needs to complete the form. Other evidence of improvement in this area includes updated website information on fraud, and a presentation titled "Understanding and Reporting Fraud" that was presented to administrators on May 10, 2012, with plans to present it to further audiences in fall 2012. Communication about fraud is a positive step. Even though the fraud and ethics policies have been in place for some time, most staff members interviewed during prior visits were unable to recall whether the policies had been explained and/or shared with them.

Employees have been aware of a mechanism on the website to report suspected fraud or other illegal acts, but until recently, the reporting tool was not easily found on the site. Rather than the hot line being placed on the internal audit and compliance website, the link has now been placed on the district's home page so it is easy to access. The improved location should cause employees or others to be more likely to report the actions that might signify fraud.

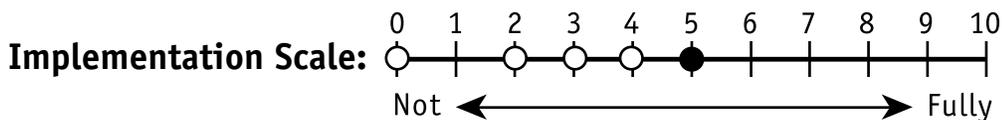
The fraud awareness, identification and prevention administrative regulations state that all district staff will be provided with annual training on the district's fraud policy and reporting procedures. This had not occurred until recently. Although only administrators have had training so far, there are plans to expand the audience in fall 2012. The awareness program is a key component to inform the staff about the board policies and procedures addressing fraud, the common types of fraud and theft, signs of potential misuse, employee responsibilities to deter and prevent fraud and theft, the process and procedures for reporting suspected fraud or other illegal activities through an anonymous

hot line or other mechanism, and the consequences to employees who are found to have committed fraud.

The rating has increased from a 4 to a 5, reflecting that staff is engaged in implementing the standard and all standard elements are developed and are in the implementation stage. To increase to a 6, elements of the standard would need to be implemented, monitored and becoming systematic, which is not yet the case because the improvements are very recent, only administrators have received the training to date, and there has not been adequate time to monitor the improvement.

Standard Implemented: Partially

November 1, 2004 Rating:	0
May 1, 2005 Rating:	0
November 30, 2005 Rating:	2
May 31, 2006 Rating:	3
January 25, 2007 Rating:	3
July 2, 2007 Rating:	4
June 30, 2008 Rating:	4
November 18, 2009 Rating:	4
December 1, 2011 Rating:	4
June 30, 2012 Rating:	5



2.5 Inter- and Intradepartmental Communications

Professional Standard:

Documents developed by the fiscal department for distribution to the governing board, finance committees, staff and community are easily understood. Those who receive documents developed by the fiscal department do not have to wade through complex, lengthy computer printouts.

Progress on Implementing the Recommendations of the Improvement Plan:

In the 2006-07 fiscal year, the district started to provide more thorough and user-friendly narratives to the board along with the SACS reports. That practice has continued.

Board Policy 3000q, Roles and Responsibilities Related to Financial Management, was first adopted on April 17, 2007, outlining the superintendent's roles and responsibilities in this area. The policy was updated on December 11, 2011. The updated policy is now more global, covering not only the fiscal operations of the district as it did in the first version, but also the operational areas that work so closely with the fiscal departments. The previous version was more reflective of Vallejo's history in addressing areas that were of more concern, such as the expectation that the superintendent and staff provide the board with complete information. Even with the changes, the new version specifies the respective roles of the board and administration.

Board members told FCMAT that they are satisfied with the information they receive in both quantity and content, and do not feel they need more to be fiscally accountable and knowledgeable.

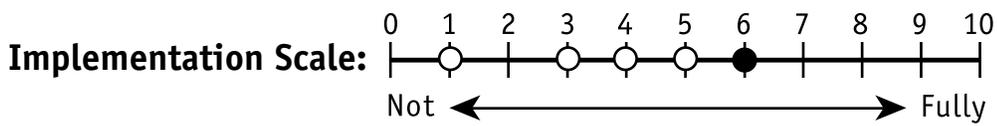
Previously, Board Policy 3000q stated that the superintendent was to provide the governing board with frequent multiyear projection information that would enable the board to make more informed expenditure decisions and that facilitates better understanding and oversight of restricted categorical funding. The policy included the statement that "Multiyear projections should include assumptions underlying the future year calculations." Although the policy no longer contains such language, it is essential that the budget office provide the board with frequent multiyear projection information while the district's fiscal health is being restored, and that information should include all funding sources because the unrestricted general fund is affected when restricted funding is not sufficient to cover program expenditures. Assumptions supporting multiyear projections need to be clearly identified, detailed and continuously monitored for validity to be thoroughly understood and trusted.

Detailed information should accompany budget reports explaining existing funding and how long it will be available to the district. This will allow the board to make more informed expenditure decisions related to specific funding in a timely manner. Adequate, easily understood information should accompany all business-related items brought to the board. The district's intent has been to ensure that board members have adequate information on the issues so they can make informed decisions. The interviewed board members continue to be comfortable with the timeliness and format used on business-related items.

This score has increased from a 5 to a 6 since the review in November 2009. A 6 means that elements of the standard are implemented, monitored and becoming systematic.

Standard Implemented: Partially

November 1, 2004 Rating:	1
May 1, 2005 Rating:	1
November 30, 2005 Rating:	3
May 31, 2006 Rating:	3
January 25, 2007 Rating:	3
July 2, 2007 Rating:	4
June 30, 2008 Rating:	5
November 18, 2009 Rating:	5
December 1, 2011 Rating:	6
June 30, 2012 Rating:	6



3.1 Staff Professional Development

Professional Standard:

The district has developed and uses a professional development plan for training business services staff. The plan includes the input of business services and operations supervisors and managers, and, at a minimum, identifies appropriate programs officewide. At best, each individual staff and management employee has a plan designed to meet their individual professional development needs.

Progress on Implementing the Recommendations of the Improvement Plan:

Various lists and documents were provided to FCMAT to document the specific trainings that staff has attended during 2009-10, 2010-11 and 2011-12 to date. The lists and documents include both routine and specialized training in a variety of areas such as the CECC financial system, Financial 2000, Categorical and Site Councils Purchasing/Stores, EduReports, attendance, Standardized Account Code Structure (SACS), and Title II. These trainings appear consistent with the employees' job duties.

Although various training documents were provided, as well as some lists of who attended them, individual staff and/or management employees do not appear to have a specific plan designed to meet their individual professional development needs. Some employees have a professional development goal included in their action plan, but this goal is not contained in all action plans. Individual professional development plans should be unique for each employee based on their specific position, past professional development, and areas needing improvement or further knowledge. These employee-specific professional plans should be included as part of the annual performance report filed with Human Resources.

All employees working in the Business Services Division should continue to attend workshops related to their duties, whether they are new to the job or need a refresher course. FCMAT received some evidence of attendance at a variety of workshops and other training sessions for both Business Services and Human Resources.

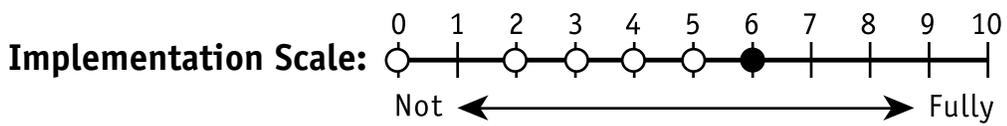
Regular, joint meetings between the Human Resources and Payroll departments did not occur from December 2007 until July 2011, although individual meetings did occur during that time as needed for specific issues. Scheduled monthly meetings have resumed as of August 2011. Ten joint meetings had been held during 2011-12 at the time of FCMAT's fieldwork. Attendance is mandatory, as the meetings provide valuable time to discuss issues and strategic planning between the two departments. These meetings are essential because the two departments share so many controls and processes.

Until recently, evaluations of the Business Services staff had not been performed within expected time frames of every other year, although all performance evaluations are current as of May 2012. Much work has been done in this area since FCMAT's last review. Evaluations should include the employee-developed individual training plan and supervisor's identified training needs for the employee. In subsequent evaluations, the completion of training and updated plans for future training should be noted.

This score has increased from a 4 to a 6. A 6 means that elements of the standard are implemented, monitored and becoming systematic.

Standard Implemented: Partially

November 1, 2004 Rating:	0
May 1, 2005 Rating:	0
November 30, 2005 Rating:	0
May 31, 2006 Rating:	2
January 25, 2007 Rating:	3
July 2, 2007 Rating:	5
June 30, 2008 Rating:	5
November 18, 2009 Rating:	4
December 1, 2011 Rating:	4
June 30, 2012 Rating:	6



3.2 Staff Professional Development

Professional Standard:

The district develops and uses a professional development plan for the in-service training of school site/department staff by business services staff on relevant business procedures and internal controls. The plan includes the input of the Business Services Division and the school sites/departments and is updated annually.

Progress on Implementing the Recommendations of the Improvement Plan:

A professional development plan still has not been developed or implemented for school site and department staff. The plan should outline what trainings will be offered throughout the year and where they will be held so managers can work with assigned staff to decide which trainings would benefit specific employees. Professional development plans should include trainings related to internal controls, budget, financial systems, student body, student attendance, purchasing, nutritional services and other operational areas, along with a review of any procedural changes made in the last year. The district offers a variety of trainings that are advertised to school sites as the training dates approach, but a list of trainings that will be offered throughout the year would help managers to be proactive in enhancing their employees' skills. While the district may not know with complete certainty what trainings will be offered throughout the year, the initial list can be updated as the year proceeds. Although the district provided FCMAT with a Professional Development Plan for In-service Training, the list included trainings that have occurred rather than those that are planned.

It is essential to annually update departments and sites on changes in business procedures and the application of routine internal control processes. FCMAT noted that trainings are offered in specialized areas like student attendance, Financial 2000 and employee leave tracking.

Manuals or other resources for business and business-related items should explain in detail the processes and procedures that are expected and/or necessary to comply with rules and regulations, including any board and district policies and procedures. The resources developed to date on student attendance and student body are thorough. These resources should be updated at least annually. The completed procedure manuals also should be utilized to train staff. The manuals help ensure the accurate and appropriate discharge of job duties, and provide some continuity in the event of staff turnover.

Each staff in-service training on business subjects should be geared to a specific audience, with mandatory or optional attendance as dictated by the subject matter. Currently the training on specialized topics is optional. Because attendance is not mandated, employees often are unaware of the policies and procedures covered in these trainings. The topics covered in specialized trainings should pertain to the staff members invited so attendees feel their time is not wasted and they better understand the value of attending trainings. Employees should be informed when the meetings are mandatory, and sign-in sheets maintained.

The district should offer mandatory in-service training to site and department staff before each school year begins so that staff understand and properly implement ongoing, new and revised business services policies, procedures and forms. In past years, some specific training occurred before the school year for administrators, and training on student attendance, student body and risk management was given to non-administrators. Training is being planned for August 2012, prior to school

beginning, which will coincide with the work-year calendar for most new administrators and office staff.

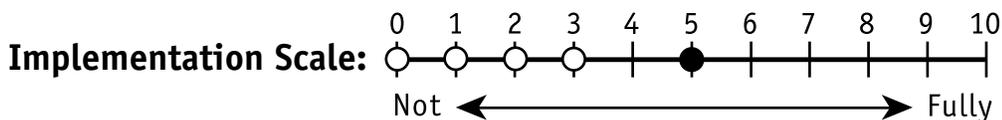
Sites and departments seem more familiar with information on who to call in Business Services regarding issues, and report that response time has improved overall as compared to previous review periods. Even when site staff do not know exactly who to contact for assistance, they are directed to the appropriate person if the original contact was not the right person. The district has distributed a list of district office staff so that sites and departments know who to contact in the district office for routine issues involving payroll, accounts payable, budget questions and purchase requisitions. This information should be updated regularly.

A work climate of mutual support should be encouraged so that ongoing questions and information sharing are the norm. Customers of the Business Services Division need to feel comfortable asking questions so that communication is kept open, positive and cooperative. Improvement has occurred in this area because most of the interviewed staff state that their questions are answered in a timely and thorough manner.

The rating for this standard remains at a 5. To increase to a 6, elements of the standard would need to be implemented, monitored and becoming systematic.

Standard Implemented: Partially

November 1, 2004 Rating:	0
May 1, 2005 Rating:	0
November 30, 2005 Rating:	1
May 31, 2006 Rating:	2
January 25, 2007 Rating:	3
July 2, 2007 Rating:	5
June 30, 2008 Rating:	5
November 18, 2009 Rating:	5
December 1, 2011 Rating:	5
June 30, 2012 Rating:	5



4.1 Internal Audit

Professional Standard:

The governing board has adopted policies establishing an internal audit function that reports directly to the superintendent/state administrator and the audit committee or governing board.

Progress on Implementing the Recommendations of the Improvement Plan:

The district provided an updated organizational chart dated fall 2011 reflecting that the position of director of audit and compliance reports directly to the governing board, the state administrator/trustee, and the district superintendent.

The district does not maintain an audit committee of the governing board, nor is there board policy on the internal audit function. The district is drafting a board policy regarding internal audits, and the policy is expected to be presented to the board to begin the adoption process in the near future.

The director of audit and compliance continues to be tasked with providing continuing training and assistance to school site staff to address audit findings. Policies and procedures continue to be developed to address these findings, and internal controls continue to improve but are not fully implemented. Several audit findings in the 2007-08 and 2008-09 audit reports cited internal control deficiencies in financial statements and federal and state compliance that must be resolved.

The director of audit and compliance developed and issued procedural manuals and instructions for student attendance and cash handling. District office and site employees received training and are reportedly adhering to the new internal control policies in these operational areas. The district has also developed a guidelines and procedures manual regarding student body funds and should conduct mandatory annual training for all staff involved in student attendance and student funds accounting.

The district has final resolution on most audit findings for 2003-04 through 2007-08. The following is a comparison of the total initial findings to the estimated amount due for the fiscal years 2003-04 through 2008-09:

	Total Findings	Estimated Liability at the Time of FCMAT's Visit
2003-04	\$53,510,410	\$1,633,974
2004-05	54,915,417	1,634,999
2005-06	5,014,987	879,793
2006-07	7,863,229	837,493
2007-08	5,961,812	250,685
2008-09	20,089,324	2,139,358*

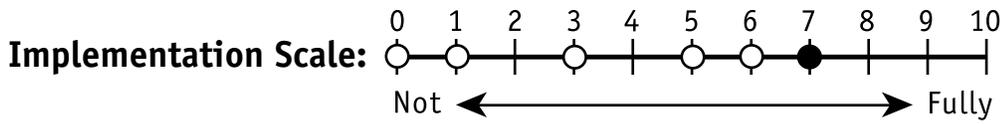
*Amount could be inflated as this is the only year that does not include appeals and other resolutions.

These are substantial potential penalties. The number of audit findings has decreased from 61 in 2003-04 to 28 in 2008-09. However, even though the 2008-09 fiscal year reflects total findings penalties more than tripling over the prior year, with estimated amounts due having increased eightfold over the same period, these amounts could reduce once the appeals and resolutions are taken into account after December 2012.

The rating remains at a 7 because no significant improvement has occurred.

Standard Implemented: Partially

November 1, 2004 Rating: 0
May 1, 2005 Rating: 1
November 30, 2005 Rating: 3
May 31, 2006 Rating: 5
January 25, 2007 Rating: 5
July 2, 2007 Rating: 6
June 30, 2008 Rating: 7
November 18, 2009 Rating: 7
December 1, 2011 Rating: 7
Not Reviewed Again in June 2012



4.2 Internal Audit

Professional Standard:

Internal audit functions are designed into the organizational structure of the district. These functions include periodic internal audits of areas at high risk for non-compliance with laws and regulations and/or at high risk for monetary loss.

Progress on Implementing the Recommendations of the Improvement Plan:

FCMAT was provided the district's Audit Plan for the 2011-12 fiscal year, but no similar document was provided for the 2010-11 year.

The 2011-12 Audit Plan shows that audits of student attendance, instructional minutes and student body funds are to be completed by an accounting technician who reports to the CBO. However, this plan was changed during FCMAT's fieldwork so that the internal audit department will handle the audits of attendance and student funds, which were scheduled for September, October and November 2011. FCMAT's inquiries as to the progress on these audits revealed none had been performed as of the end of October 2011. Other audits of federal compliance and financial compliance are to be completed by the accounting analyst, who reports to the director of audit and compliance. The accounting analyst is newly promoted to this position and, at the time of FCMAT's fieldwork, was training her replacement on attendance procedures, which may place this department behind on its audit schedule.

Areas of the audit that continue to generate findings are financial statements, Title I and Title II federal funding, student attendance, instructional time and the administrator-to-teacher ratio calculation. Some findings may not generate a monetary penalty. The following table provides a condensed review of the findings and the penalties attached:

Year	No. of Findings	Gross Amount of Penalties	Estimated Liability at Time of FCMAT'S Fieldwork
2003-04	61	\$53,510,410	\$1,633,974
2004-05	67	54,915,417	1,634,999
2005-06	49	5,014,897	879,793
2006-07	38	7,863,229	837,493
2007-08	34	5,961,812	250,685
2008-09	28	20,089,324	2,139,358*

*Amount partially inflated as this is the only year that does not include appeals and other resolutions.

The district reviews instructional minutes at least twice each fiscal year to ensure compliance. The instructional services section of the district generates these calculations, which are reviewed for accuracy by the director of audit and compliance before the start of the school year. The district's Technology Department sets the bell schedules at the sites and locks them in the software to prevent unauthorized changes. Bell schedules are again reviewed during the spring to determine that changes have not been made without district knowledge. However, the district continues to experience audit findings in this area, with five of its schools reported for deficiencies. This resulted in a \$6,546 pen-

alty for the 2008-09 audit. While there has been a significant drop in the monetary penalties from a high of \$2.6 million for the 2003-04 audit, they continue to show internal controls weaknesses.

FCMAT reviewed the calculations of instructional minutes for the 2009-10 and 2010-11 school years and noted that for 2009-10, many sites did not include calendars or calculations of school days in the documents provided to the district office, which then generated district office miscalculations of instructional minutes. However, all sites reported the number of regular school days as well as minimum days for the 2010-11 school year, which should yield more accurate instructional minutes calculations.

The district's director of audit and compliance conducted informal audits and reviews to prepare for the 2009-10 independent audit and provided documentation of audits performed on the 2009-10 Form CAT and a reconciliation of the 2009-10 prepaid asset account, along with an audit of January 1-March 31, 2011 accounts payable transactions. The Schedule of Findings and Responses for the audit of accounts payable transactions was provided to FCMAT and reflected 22 findings in a sample of 50 transactions tested. However, the findings and responses are incomplete because either the management response portion is missing or is blank as to the person responsible for implementation.

Audit findings were provided to FCMAT by the district's director of audit and compliance after completing the informal audit and review of the district's 2009-10 Form CAT in preparation for the SCO audit, which contains 100 programs.

The district findings reflected that of the 62 federal, state and local programs subject to deferred revenue:

- The Form CAT was calculated incorrectly for 19 (30.6%) of the programs
- The resource budget at 6-30-10 was not correct and/or balanced in 47 programs (75.8%)

Of the 38 federal, state and local programs subject to restricted ending balances:

- The Form CAT was calculated incorrectly or questioned for 19 of the programs (50%)
- The resource budget at 6-30-10 was not correct, balanced or was questioned by the internal audit reviewer in 34 programs (89.5%)

While it is important to determine the internal weaknesses and areas of improvement that need to be addressed, it is equally important to devise strategies to correct those problems. Those strategies should include:

- Ensuring that the district's internal controls are adequate to provide management with reliable financial information
- Testing compliance with all laws and regulations
- Assisting district personnel in performing their duties and meeting their responsibilities by implementing good business practices and policies
- Properly training employees
- Authorizing internal audit personnel to access all district records, physical property and personnel relevant to each area under audit
- Correcting deficiencies related to audit findings

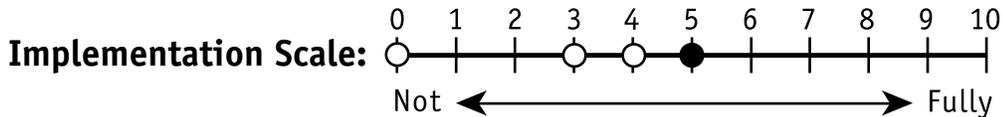
As noted above, the district has devised a plan for conducting internal audits for the 2011-12 fiscal year. Those audits should be completed as early in the fiscal year as possible so corrective action can be taken and problems resolved as they are identified. Changes in processes/procedures and revised expectations should be communicated to employees timely.

The district should continue its work to establish an independent audit committee of the governing board to review audit findings and ensure that the necessary corrective actions are taken to implement audit recommendations and improve internal controls in all areas.

The score remains at a 5 because no significant improvement has occurred.

Standard Implemented: Partially

November 1, 2004 Rating:	0
May 1, 2005 Rating:	0
November 30, 2005 Rating:	0
May 31, 2006 Rating:	3
January 25, 2007 Rating:	3
July 2, 2007 Rating:	4
June 30, 2008 Rating:	5
November 18, 2009 Rating:	5
December 1, 2011 Rating:	5
Not Reviewed Again in June 2012	



5.4 Budget Development Process (Policy) — Strategic Process to Analyze All Resources and Allocations

Professional Standard:

The district has a clear process to analyze resources and allocations to ensure that they are aligned with strategic planning objectives and that the budget reflects district priorities.

Progress on Implementing the Recommendations of the Improvement Plan:

The 2011-14 Governing Board goals of the district focus on:

- Equity
 - All students performing at grade level
 - All students passing the exit exam the first time
 - All students attending school in a safe and supportive environment
- Excellence
 - All students graduate meeting A-G requirements
 - Parents and community members involved and supportive
 - Attract and retain excellent teachers, administrators and support staff
- Educational Effectiveness
 - Achievement gap eliminated
 - Increase student attendance rates
 - Decrease dropout rates
 - Reduce referrals, suspensions and expulsions
- Economic Sustainability
 - Actively pursue resources through grants and donations
 - Invest in human resources
 - Gain full authority over district fiscal management

These goals are included at the beginning of each board meeting agenda, and each agenda item in 2010-11 listed the board goal with which the report is associated. However, the practice of connecting the board item with a board goal did not continue into the 2011-12 fiscal year. While the board has received analysis showing changes in student performance since the inception of the first fiscal recovery plan, including the achievement of underperforming groups, the district has provided little documentation to FCMAT demonstrating the link between budget priorities and board goals and resulting effects on student performance.

The budget goal for both 2011-12 and 2012-13 was to adopt a balanced budget while providing a 3.5% reserve for economic uncertainties. The district was not required by the CDE to update its multiyear fiscal recovery plan in 2011-12 or 2012-13, a previous requirement of receiving a state appropriation, which had reflected a multiyear approach to resolving the district's structural budget deficit. Rather, the district is to utilize the multiyear financial projection component of the budget and interim financial reporting processes as its primary financial planning tool in the future.

The district set an initial expenditure reduction goal of \$3 million to \$6 million for the 2011-12 fiscal year. This was revised to \$9 million, and \$7.1 million in reductions/adjustments was ultimately approved by the board. Areas of focus included:

- School consolidation and closure
- Elimination of administrative, instructional and support positions
- Reduction of supply, service, travel and capital outlay budgets
- Reduction of special education expenses
- Elimination of the summer school program
- Reduction of the adult education program

The reductions in these areas totaled \$5.4 million. An additional \$1.7 million in expenditures was transferred to the one-time federal Education Jobs Act resource, including K-3 class size reduction teachers, custodians and attendance review team positions.

The district estimated expenditure reductions of \$6.1 million as of March 21, 2012 for the 2012-13 fiscal year and designated staff reductions, furlough days and spending reductions to meet this goal. During its February 15 and March 7 board meetings, the district took the following actions:

- Chose not to re-elect 20 certificated employees
- Issued preliminary layoff notices to 115.1 FTE in certificated positions
- Released 12 temporary certificated employees
- Issued preliminary layoff notices or preliminary intent to reassign notices to 42.5 FTE in administrative/supervisory positions
- Accepted 17 irrevocable letters of retirement from classified employees
- Accepted five irrevocable letters of retirement from certificated employees

The board approved eliminations of 93.725 FTE in classified positions and reductions of hours and days in seven classified positions at its April 25, 2012 meeting, and approved final layoff notices to be issued to 65.0 FTE in certificated positions during its May 4, 2012 meeting. The district has finalized MOUs with each of its bargaining units wherein one furlough day was taken in 2011-12 and five will be taken in 2012-13 under the assumption that voters do not pass the governor's proposed tax initiative in November 2012. The district is closely reviewing its transportation services and focusing on door-to-door services provided for the special education program to help meet its \$1 million expenditure reduction goal in this area; however, district administrators expressed concern as to whether these efforts will succeed in reaching that goal.

Staff prepared a narrative for the preliminary 2011-12 and 2012-13 budgets showing projected economic assumptions for revenue and expenditures. Revenue assumptions were developed consistent with industry standards, including the district's revenue limit and categorical program cost-of-living adjustment (COLA) and deficits. Expenditure assumptions were developed utilizing factors and formulas consistent with industry practices, including step and column increases, staffing allocations and statutory and inflationary cost increases for items such as health benefits and utilities. Contributions to restricted programs continued to be estimated to be limited to special education, transportation and the Vallejo Education Academy programs. Funds in the Special Reserve Fund for Other Than Capital Outlay Projects, fund 17, were designated for state loan debt service payments, but some of the resources in this fund were also committed to repayment of potential audit findings.

District staff provided supporting documentation for most of the 2011-12 budget reduction calculations to show it was possible to achieve the proposed reductions, and that the estimated savings could be relied on for budget planning. A few of the 2011-12 and 2012-13 budget reductions lacked sufficient detail in the narratives to the school board or to FCMAT validating how and to what degree the reduction could be implemented. The expenditure reduction estimates dated March 21, 2012 for the 2012-13 budget included a combined 36.60 FTE in the classified and certificated units, but the district had reduced its certificated personnel by more than three times this number prior to the date of the budget reduction estimates. However, the budget reductions as listed on March 21, 2012, do not seem to parallel these personnel reductions nor do they convey that the significant potential substitute costs under Education Code Section 44956 are considered if, in fact, the estimated personnel reductions materialized.

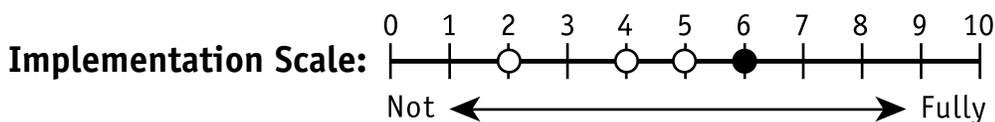
A School Consolidation and Surplus Property Advisory Committee was established to evaluate and present recommendations to the governing board regarding school consolidation options. The committee presented its report to the board in October 2009. The state administrator/trustee developed recommendations that same month and included closure of one elementary school in 2010-11, and one middle school and one high school in the 2011-12 fiscal year. Other school reconfiguration recommendations were provided to the board, along with a recommendation to declare a middle school facility as surplus in fall 2010. In January 2010 the board voted to close one middle school and one high school at the end of the 2010-11 fiscal year. Budget reductions of \$1.9 million were estimated by staff (exclusive of savings for custodial staff and utilities).

The 2010-11 and 2011-12 SACS first and second interim financial reports included narratives specifying changes to revenue and expenditure assumptions and fund balances.

This rating remains unchanged because the elements of the standard continue to be implemented, monitored and becoming systematic. To improve the rating the district must provide specific evidence of the link between budget priorities and board goals, as well as verifiable supporting documentation regarding all budget reduction options.

Standard Implemented: Partially

November 1, 2004 Rating:	2
May 1, 2005 Rating:	4
November 30, 2005 Rating:	5
May 31, 2006 Rating:	5
January 25, 2007 Rating:	4
July 2, 2007 Rating:	5
June 30, 2008 Rating:	5
May 31, 2010 Rating:	6
December 1, 2011 Rating:	6
June 30, 2012 Rating:	6



5.5 Budget Development Process (Policy) — Policy Methodology Used to Build the Preliminary Budget

Professional Standard:

The district has policies to facilitate development of a budget that is understandable, meaningful, reflective of district priorities, and balanced in terms of revenues and expenditures.

Progress on Implementing the Recommendations of the Improvement Plan:

Governing board policies 3000 and 3100 and administrative regulation 3100 define roles and responsibilities in general business functions related to fiscal management, particularly budget development. The policy also includes expectations of the superintendent to provide the board with regular budget and financial information that includes the issues that will affect district finances.

The Business Services Division presents financial information to the board that includes the Standardized Account Code Structure (SACS) documents and narrative reports. Data is presented that includes graphical charts and tables, and the economic assumptions used to develop or adjust the budget are clearly shown.

The budget development calendar for 2011-12 anticipated that discussions of budget reduction options would be held at several board meetings between February and June 2011. Budget options were discussed by the board and the public during this time, with action taken on March 16 and June 1, 2011. Additional reductions that were subject to collective bargaining were approved with the adopted budget on June 29, 2011.

The budget development calendar for 2012-13 anticipated that budget-related discussions would occur during three scheduled board sessions: January 10, March 14 and April 11, 2012. FCMAT's review of the board agendas and minutes of these meetings revealed that two of the three meetings discussed quarterly academic progress. The March 14 meeting included a board budget study session where three community members and six non-administrative district employees provided input, although not always on budgetary topics. The board's March 21, 2012 meeting contained a District Business item for discussing budget options. Minutes for that meeting reflected that two community members and five non-administrative district employees spoke to this item. Whether the meeting included a community listening session, a board budget study session or a board item, all were held at the end of the meeting, from 1.5 to three hours after it started. This placement does not encourage community participation because the later an item appears on an agenda, the more likely that community members will decide not to attend the meeting or to leave before the item comes before the board for discussion. The district has attempted to alleviate that issue by allowing a community forum item on the agenda at the beginning of each board meeting where community members and others are encouraged to speak even if their topic is an agenda item.

The state administrator remains responsible for overseeing financial management, and serves as state trustee for the four areas returned to local control. The state administrator/trustee is directly involved in district finances and works with the assistant superintendent of administrative services and the CBO on fiscal issues, including budget development, budget reduction option analysis and multiyear projection assumptions. The state administrator/trustee is required to take all fiscal actions until governance over fiscal management is returned to the governing board by the state superintendent of

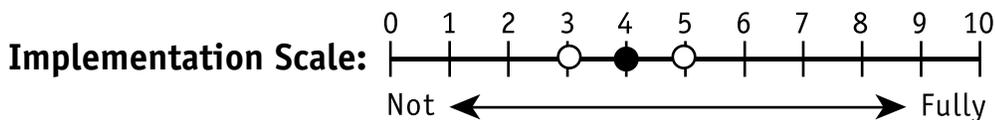
public instruction. The state administrator/trustee works closely with the board, however, in seeking the members' support for district budget actions.

The district's 2011-12 adopted budget included revenues exceeding expenditures by \$343,868; however, the district's 2011-12 second interim report showed increased expenditures over the adopted budget resulting in \$8,742,000 in deficit spending, which reduces the district's general fund balance by 52%. This is an extremely troubling forecast for the 2011-12 fiscal year that will require immediate analysis and action to prevent the district's fiscal status from deteriorating.

The rating in this area has decreased from 5 to 4 because while staff continue to be engaged in the implementation of most elements of the standard, the district needs to maintain a balanced budget through interim reporting periods. In this reporting period, community forums addressing budget reduction options were conducted to seek input and feedback from interested parties; however, very little was obtained and controls to produce a balanced budget in terms of revenues and expenditures have been ineffective.

Standard Implemented: Partially

November 1, 2004 Rating:	3
May 1, 2005 Rating:	5
November 30, 2005 Rating:	5
May 31, 2006 Rating:	5
January 25, 2007 Rating:	4
July 2, 2007 Rating:	5
June 30, 2008 Rating:	5
May 31, 2010 Rating:	4
December 1, 2011 Rating:	5
June 30, 2012 Rating:	4



5.7 Budget Development Process (Policy) — Projection of the Net Ending Balance

Professional Standard:

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

Progress on Implementing the Recommendations of the Improvement Plan:

The CBO updates the budget at key financial reporting periods and as necessary throughout the fiscal year. The following tables show changes to the combined, unrestricted and restricted general fund budget for the 2010-11 and 2011-12 fiscal years, in millions:

2010-11	Adopted	First Interim	Second Interim	Third Interim	Unaudited Actuals
Revenues	\$121.5	\$131.0	\$132.0	\$132.0	\$129.3
Expenditures	\$122.3	\$128.0	\$131.7	\$133.6	\$124.8
Net Change	-\$0.8	\$3.0	\$0.3	-\$1.6	\$4.5
Other Sources/Uses	\$1.7	\$1.6	\$1.3	\$1.5	-\$1.8
Surplus/-Deficit	\$0.9	\$4.6	\$1.6	-\$0.1	\$2.7
Beginning Fund Balance	\$13.1	\$14.0	\$14.0	\$14.0	\$14.1
Restatements	\$0.0	\$0.0	\$0.0	\$7.4	\$0.03
Adjusted Beginning Fund Balance	\$13.1	\$14.0	\$14.0	\$21.4	\$14.1
Ending Fund Balance	\$14.0	\$18.6	\$15.6	\$21.4	\$16.8

2011-12	Adopted	First Interim	Second Interim
Revenues	\$119.1	\$123.1	\$119.4
Expenditures	\$116.5	\$124.8	\$128.8
Net Change	\$2.6	-\$1.7	-\$9.4
Other Sources/Uses	-\$2.3	-\$2.4	\$0.7
Surplus/-Deficit	\$0.3	-\$4.1	-\$8.7
Beginning Fund Balance	\$21.1	\$16.8	\$16.8
Restatements	\$0.0	\$0.0	\$0.0
Adjusted Beginning Fund Balance	\$21.1	\$16.8	\$16.8
Ending Fund Balance	\$21.4	\$12.7	\$8.1

First Interim Financial Reporting Period, 2010-11

Revenues increased \$9.5 million (7.8%) between the adopted budget and first interim financial report because the state restored funding of \$3.4 million, federal Education Jobs Act funds increased \$2.9 million, revised charter school ADA yielded a \$.5 million increase in general purpose block grant, and \$1.9 million in restricted funds was carried over from the prior year.

Expenditures increased \$5.7 million (4.7%) between the adopted and first interim financial reports. New costs of \$.5 million were incurred to fund a mid-year retirement incentive program negotiated with the district's bargaining units. The program yielded \$1.6 million in reduced staffing costs for a net savings of \$1.1 million in the 2010-11 year. Expenses of \$.4 million were incurred relative to a class-action settlement with Microsoft; the related revenues had been received in the 2009-10 fiscal year. The narrative did not explain the rest of the expenditure changes.

The above changes increased the projected ending fund balance by \$4.6 million (32.9%). This percentage increase is common between the adopted and first interim budgets because unspent funds are recorded from the prior year and the state budget has been approved.

The first interim financial report was certified by the state administrator/trustee and filed with the Solano County Office of Education by the deadline of December 15, 2010 per the Solano COE. The report was presented to the board for information and training at its meeting on January 12, 2011.

Second Interim Financial Reporting Period, 2010-11

Revenues increased \$1 million (.8%) between the first and second interim reports. The revenue limit deficit factor was corrected, adding \$.3 million, while the charter school categorical block grant was adjusted \$.3 million for the ADA revision. Title I and ARRA funding entitlements were adjusted upward by \$1.5 million, but this was largely offset by a reduction to special education funding allocations of \$1.2 million.

Expenditures were increased \$3.7 million (2.9%) between the first and second interim reports; \$1.1 million of the increased expenditures was due to allocated carryover and increased revenues. The increase of \$2.6 million was attributable to the one-time Education Jobs Act funds.

The net effect of the above changes increased the projected ending fund balance by \$1.6 million (11.43%). This variance is within acceptable industry standards because it consists primarily of allocation of reserved and designated funds in the ending fund balance.

The Solano COE reported the second interim financial report was signed by the state administrator/trustee and received in their office on or before the deadline of March 15. The second interim report was presented to the board at its meeting of March 16, 2011.

Third Interim Financial Reporting Period, 2010-11

Revenues remained unchanged with the third interim report, while expenditures increased \$1.9 million. Narratives supporting this change were not provided to FCMAT.

The net effect of the above and other changes decreased the projected ending fund balance by \$0.1 million (0.7%). The report was filed 105 days after the June 1 deadline prescribed in Education Code Section 42131, per the Solano County Office of Education.

Unaudited Actuals Report, 2010-11

Revenues declined by \$2.7 million (2.1%) between the third interim report and the unaudited actuals primarily because of decreased funding for resources associated with the No Child Left Behind (NCLB) program. FCMAT was not provided further narratives supporting the decrease.

Expenditures decreased by \$8.8 million (6.6%) between the third interim report and the unaudited actuals because of decreases in actual expenditures for noncapitalized equipment, professional/consulting services and operating expenditures.

These changes increased the ending fund balance by \$2.7 million (19.15%). The district had been granted an extension by the CDE to file its unaudited actuals financial report until November 17, 2011. The district reported to the governing board at the December 14, 2011 meeting that the report was submitted to the Solano County Office of Education on October 28, 2011; however, the final SACS forms are dated November 9, 2011 and emails from the county office reflect a final submission date of November 10, 2011.

Adopted Budget, 2011-12

The district included a \$7.4 million restatement of the general fund beginning balance in its 2011-12 adopted budget. The restatement was recorded to reflect the district's intent to return flexibility funds to the general fund 01 from special reserve fund 17. Per the California School Accounting Manual, the other restatements object code is used to record material corrections of prior year errors that restate the beginning fund balance. This transfer of the balance of the SFSF funds from fund 17 to fund 01 should be treated as an authorized transfer of moneys between funds, and therefore the object codes 7619 and 8919 should be used to record this transfer. Using these object codes would remove the transaction from the Other Restatements category and correctly place it in the Authorized Transfer category.

First Interim Financial Report, 2011-12

Revenues increased \$4 million between the adopted budget and the first interim report primarily because of revised revenue projections in federal resources and to include carryover from the 2010-11 fiscal year that can now be spent. The first interim report includes an additional \$1.1 million in other state revenue, although FCMAT received no narrative supporting the increase.

Expenditures increased by \$8.3 million (7.1%) between the adopted budget and the first interim report, with the largest increases in services and other operating expenditures, certificated salaries, books and supplies, and capital outlay. The largest single increase related to a \$2.7 million settlement with KB Home regarding the sale of a parcel of district property. Most of the rest of the increase was carryover from the prior fiscal year becoming available for expenditure, which is a normal and accepted industry standard.

These changes for the first interim report decreased the projected ending fund balance by \$4.1 million (24.4%). Seventy-two percent or \$2.9 million of the decrease in total fund balance is attributed to the restricted general fund. This meets acceptable industry standards because restricted revenues should be utilized before unrestricted, and this accounting policy is also expressed in the notes to the district's audited financial statements.

The first interim report was reviewed and approved by the state administrator/trustee and submitted to the Solano COE by the December 15, 2011 deadline. It was presented to the board at its December 14, 2011 meeting.

Second Interim Financial Report, 2011-12

Revenues decreased by \$3.7 million (3%) between the first and second interim reports because the deficit factor increased while average daily attendance (ADA) and special education funding decreased.

Expenditures increased by \$4.0 million (3.2%) between the first and second interim reports, with only \$40,000 of the increase in restricted resources. The remaining increase in spending (\$3.9 million) related to increased expenditures in unrestricted budgets, and all expenditure categories increased between \$236,000 and \$920,000. These increased expenditures related to extra service agreements for certificated staff, increases in substitutes for classified staff, early retirement incentive payments, and nonpublic school spending for special education students. This reflects a continual and disturbing increase in deficit spending at each reporting period in the 2011-12 fiscal year.

These changes at second interim decreased the projected ending fund balance by \$8.7 million (52.0%). This is not within industry standards and is cause for immediate, in-depth analysis and action to halt further erosion of the district's financial position.

The second interim report was presented to the board at its March 14, 2012 meeting. The Solano County Office of Education reports that it was filed on or before the March 16, 2012 deadline.

Third Interim Financial Report, 2011-12

Per Education Code Section 42131(e), a district that files a qualified or negative certification for the second interim report shall provide, no later than June 1, a financial statement projection of the district's fund and cash balances through June 30 for the period ending April 30. FCMAT inquired about the status of this report during fieldwork and the CBO confirmed that the report was being prepared, but FCMAT received no documentation for review.

Report Filing

As noted in this and previous reports, the district has not filed all its budget reports in a timely manner. The Solano County Office of Education has prepared a table indicating the number of days after the due date that each report was filed. A dash indicates no filing, a negative number indicates a late filing and a zero indicates a timely filing.

Fiscal Year	July Budget	First Interim	Second Interim	Third Interim	Unaudited Actuals
2004-05	-14	-2	-34	-	-52
2005-06	0	-27	-18	-18	-9
2006-07	-60	-27	-16	-	-84
2007-08	-5	-30	-9	-	-28
2008-09	-17	-57	-72	-2	0
2009-10	-16	-14	-6	-	-30
2010-11	-1	0	0	-105	-48*
2011-12	-1	0	0	0	

*A filing extension was granted, which the district met. See the narrative below for greater detail.

The district filed timely first and second interim financial reports during the 2010-11 fiscal year. The third interim report was filed later than any other report in the previous six years. Staff stated the report was filed late because the CBO and business management team were involved in external audits

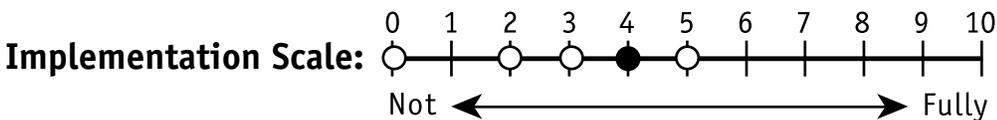
and budget development. The unaudited actuals report also was filed late, as noted in the table. The district requested a filing extension to close the 2010-11 fiscal year books while applying corrective actions gleaned from the 2009-10 State Controller’s Office preliminary observations. The district is using this strategy to avoid repeating audit findings from previous years.

The district filed its July budget one day late but filed its first, second and third interim reports timely during the 2011-12 fiscal year. However, no board agenda or meeting minutes of the third interim report had been posted as of the writing of this report that reflected its presentation to the district’s governing board.

The rating for this standard increased from 3 to 4 between the 7th and 8th progress reports (May 31, 2010 to June 30, 2012) but is in danger of decreasing to a 3 because of the alarming rate of deficit spending reflected in the district’s second interim report. To sustain a rating of 4, staff would need to be engaged in implementing most elements of the standard and, more specifically, maintaining a balanced budget with early warning mechanisms in place for discrepancies between the budget and actual amounts. To obtain a rating of 5, all standard elements would need to be developed and staff would need to be engaged in the implementation phase. Although report filings are becoming timelier, and explanations have been provided for varying projections of fund balances, to achieve a 5 or higher, all reports must be filed timely and presented to the board before they are submitted to the county office. The district also would need to demonstrate the ability to accurately reflect its net ending balance throughout the budget monitoring process. All budget changes should be identified in the narrative, and tools and processes should be in place to ensure early warnings of discrepancies between budget projections and actual amounts.

Standard Implemented: Partially

November 1, 2004 Rating:	0
May 1, 2005 Rating:	2
November 30, 2005 Rating:	3
May 31, 2006 Rating:	4
January 25, 2007 Rating:	4
July 2, 2007 Rating:	5
June 30, 2008 Rating:	5
May 31, 2010 Rating:	3
December 1, 2011 Rating:	4
June 30, 2012 Rating:	4



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

Professional Standard:

The budget office has a technical process to build the preliminary budget that includes: the forecast of revenues, the verification and projection of expenditures, the identification of known carryovers and accruals, and the inclusion of concluded expenditure plans. The process clearly identifies one-time sources and uses of funds. Reasonable ADA and COLA estimates are used when planning and budgeting. This process is applied to all funds.

Progress on Implementing the Recommendations of the Improvement Plan:

A 2011-12 budget development calendar was approved by the board in February 2011. Major budget development activities were identified chronologically. Categorical program budget planning meetings were conducted in April 2011 to develop budgets for the 2011-12 fiscal year. Meetings were held with 21 program managers, including principals, and preliminary budgets were reviewed. A Principals Budget Planning Guide document was provided to site managers identifying budget allocations by resource and title. Staff funded from each resource were also identified with cost projections. Notes were included to help program managers understand the various restrictions regarding use of funds and district allocation criteria.

Funding reductions for public schools were proposed by the governor in January 2011; final outcomes rested on the governor's proposal to raise taxes via a voter referendum and mitigate budget reductions for schools.

On March 2, 2011, a budget report was presented to the board identifying budget deficits for the 2011-12 year of \$3.4 million if the measure passed and \$6.7 million if it did not pass. The report served to present budget assumptions to the board for its review.

Revenue assumptions were presented reflecting industry-standard projections of cost of living adjustments and deficits for the district's revenue limit, as well as for federal and state categorical programs and lottery funding. ADA projections also were presented, and the prior year P2 ADA was utilized per the greater of current or prior year funding guarantee, as the district assumed continued declining enrollment. Teacher staffing levels were to be allocated based on enrollment; for the K-3 class size reduction program, class sizes were to be maintained at 28:1. Step and column salary schedule movement costs were included. The consumer price index was applied to fixed cost budgets such as utilities and insurance. Contributions to restricted programs were to be limited to special education, transportation and the Vallejo Education Academy. Savings of \$2.05 million from school closure also were included in the budget assumptions.

The district continues to transfer some of its Tier III categorical flexible funding into fund 17, and annual debt service payments of \$2.9 million for the district's outstanding balance on the first state loan allocation of \$50 million are to be made from those funds. Fund 17 also contains the \$10 million second state loan allocation (for a total state loan of \$60 million), and is being used for the annual debt service for this \$10 million loan. The loan payments are automatically deducted from the district's principal apportionment; the district transfers funds from fund 17 to the general fund to cover these loan payment obligations. However, the \$10 million amount was also identified as the source for pending State Controller's Office audits and related apportionment-significant findings. These

totaled \$6.7 million in outstanding audit finding penalties as of the date of FCMAT's September 2011 fieldwork based on information provided by the district. An administrative law judge recommended waiver of an additional \$4.7 million in outstanding penalties, which was approved by the state Education Audit Appeals Panel.

Fund 17 also was the source of funding to reduce general fund deficits. A transfer of \$2.25 million from fund 17 to the general fund was assumed for the 2011-12 year, which is a continuance of the long-term deficit reduction strategy utilized by the district.

Fund 17 also was the source of an interfund transfer of \$7.3 million to return categorically flexed funds transferred to fund 17 in prior years. These dollars are outside the loan proceeds deposited into fund 17, but such a transfer will reduce fund 17 balances significantly.

An economic uncertainties reserve of 3.5% of budgeted expenditures and other uses was included. New and existing cash deferrals also were specified in the report to the board.

On March 9, 2011, the board conducted a study session on the 2011-12 district budget. Budget assumptions were revised, and a detailed list of 15 budget reduction options totaling \$8.2 million was presented. Of this total, \$3.2 million would be subject to collective bargaining. Staff targeted reductions of \$3.4 million should the state ballot measures pass and \$6.7 million should the measures not pass.

On March 16, 2011, the board was presented a revised reduction list of \$9.1 million that included two additional budget reduction options. Staff recommended two actions, one to approve a list totaling the lower targeted amount of \$3.4 million and another to approve a list to address another \$3.3 million, increasing the total to \$6.7 million. The board approved two lists totaling \$7.1 million in budget reductions for the 2011-12 fiscal year.

Staff presented budget update reports to the board on May 4 and May 18, 2011, with additional budget reduction options of \$3.2 million should negotiations with the district's bargaining units not yield projected savings. The board approved these options on June 1, 2011.

Final certificated staff layoff notices of 40 FTE positions were issued in May 2011 in anticipation of reduced funding levels for the following year. All these positions were restored in September 2011 as a function of the state budget act limitation on program cuts for services offered the prior school year. Classified staff layoff notices affecting 96.8 FTE positions were issued in April 2011. Management positions were also affected, with 13 FTE positions eliminated as a result of school closure or reorganization.

The district conducted a public hearing on the 2011-12 proposed budget on June 29, 2011. The budget was adopted with a total of \$7.1 million in budget reductions, none of which required collective bargaining. Staff also reported the uncertain status of the state budget given that a final state budget had not been enacted at that time.

No forums or other efforts to inform and solicit feedback from the community, except the public board meetings, were conducted during the 2011-12 budget development process.

The Solano County Office of Education approved the district's adopted 2011-12 budget but cited continuing concerns regarding the district's fiscal health. Areas of concern included audit adjustments, declining enrollment, debt service payments, pending litigation, structural deficit spending, multiyear projections, cash deferrals, reserves for economic uncertainties and the state budget.

The county office of education also provided the district a 2011-12 Budget Financial Review letter and a 2011-12 Budget Technical Review letter. These two letters totaled 13 pages, wherein the county office identified many specific issues regarding the district's adopted budget. The issues were of a technical nature regarding factual information that was either incorrect or of concern to the county office. Included in the letters were areas of concern specific to Vallejo as well as recommendations provided to all districts in the county.

A new budget manager position was created and filled in December 2010. However, the person promoted to this position was not able to assume their new duties until August 1, 2011, as a result of the unfilled vacancy in their previous position with the district. At the time of FCMAT's fieldwork in September 2011, FCMAT was advised in various interviews that the individual in this position will require additional training to effectively perform the duties as listed in the job description.

A 2012-13 budget calendar was approved by the board at its regular meeting on February 1, 2012. As in prior years, major budget development activities were listed chronologically and center on board activities. Activities at the business office and sites are driven by a calendar authored by the new budget manager. Meetings for all 22 sites were scheduled for late February or early March 2012, and some site administrators reported that these 2012-13 fiscal year meetings were their first meetings ever to develop budgets, although district administration reported to FCMAT that these meetings have actually occurred with principals for the last three to four years. Each principal received a Principal's Budget Planning Guide, categorical budget worksheets, guidance and needs assessment worksheets regarding EIA-LEP funds, schedule of cost of positions, schedule of categorical expenditure options and a checklist for completing categorical budgets.

The governor proposed flat funding for school districts for the 2012-13 fiscal year in his January budget proposal and May revision; however, final outcomes rest on the governor's proposal to raise taxes via a voter referendum in November 2012 and mitigate mid-year budget reductions for schools.

Prior to the board approving the budget calendar, the district's CBO gave a PowerPoint presentation regarding the governor's budget proposal at the January 25, 2012 board meeting. Budget assumptions were presented to the board at its February 15 and March 7, 2012 meetings.

Revenue assumptions were presented reflecting industry-standard projections of cost of living adjustments and deficits for the district's revenue limit, as well as for federal and state categorical programs and lottery funding. ADA projections also were presented, and the prior year P2 ADA was utilized per the greater of current or prior year funding guarantee, as the district assumed continued declining enrollment. Teacher staffing levels were to be allocated based on enrollment; for the K-3 class size reduction program, the district was determining the feasibility of maintaining class sizes at 28:1. Step and column salary schedule movement costs were included as well as the payment on the 2010-11 early retirement incentive program. Five furlough days that had recently been negotiated with the certificated unit were included. The consumer price index was applied to fixed cost budgets such as utilities and insurance. Contributions to restricted programs were to be limited to special education, ongoing major maintenance, transportation and the Vallejo Education Academy. The unrestricted general fund also supports the Widenmann after-school program whose funding ended in 2008-09. Tier III flexibility funding continued to be transferred into fund 17, and fund 17 continued to be the source for both the \$50 million and \$10 million state loan debt service payments and assistance with general fund deficit spending. Any projected deficit spending beyond the initial transfer amount was to be proposed as budget reductions to maintain economic stability and reduce reliance on temporary Tier III funding transfer options.

An economic uncertainties reserve of 3.5% of budgeted expenditures and other uses was included. New and existing cash deferrals also were listed in the report to the board.

As noted in Standard 5.4, the board took action to make personnel cuts and approve the retirement incentive program for the 2012-13 fiscal year to meet the goal of reducing expenditures and maintaining fiscal stability during its February 15, March 7, March 14 and April 25, 2012 meetings. Final certificated staff layoff notices of 65 FTE positions were issued in May 2011.

Budget reduction options were discussed at the board's March 14, 2012, board study session. The district's CBO estimated the district's 2012-13 budget deficit to be between \$5.8 and \$6.1 million and provided the board with 22 options totaling \$6.95 million. This included staffing and spending reductions as well as the certificated concessions achieved. These items were presented as informational, and no board action was taken.

Budget options were again discussed by the board at its March 21, 2012 meeting wherein the CBO presented the same \$5.8 to \$6.1 million structural deficit and 28 options totaling \$7.5 million including staffing and spending reductions as well as certificated and classified concessions achieved. All 28 options were approved by the board.

A tentative 2012-13 budget was made available to the board and the public for review at the district's business office on June 8, 2012. Initially, the plan was to make the budget available on May 14, 2012, but the date was postponed to ensure the accuracy of the calculations for the additional furlough days. The district had scheduled a public hearing on the 2012-13 proposed budget on June 13, 2012. FCMAT did not review the 2012-13 proposed budget, as it was still a work in progress during FCMAT's fieldwork.

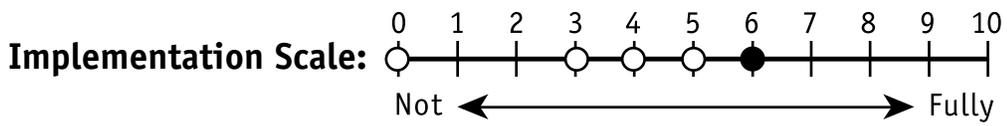
Fund 17 continues to receive a transfer of the Tier III flexibility funding; however, that flexibility is scheduled to terminate at the end of the 2014-15 fiscal year. Fund 17 is to be responsible for the annual debt service payments of the two state loans, assistance with general fund deficit reduction and payment of audit penalties as assessed by the State Controller's Office. FCMAT maintains its concerns that the resources in fund 17 are insufficient to carry all of these obligations through to the final payoff of the state loans.

The new budget manager position, which began in December 2010, participated in the budget development process for the 2011-12 and 2012-13 budgets. Her role for the 2011-12 budget was largely that of oversight and performing reconciliations, including reconciling position control. In 2012-13 the budget manager, in addition to her role in 2011-12, also prepared documents for and ran meetings with the site and district office managers to develop their individual budgets. She also utilized outside documentation to verify the estimated amounts for the 2012-13 budget and reviewed the expenditures of the different sites and departments. The administration anticipates that with additional training the position will expand into preparing the SACS forms for financial reporting.

The rating for this standard has been increased to 6 from the prior rating period in May 2010 because elements of the standard are implemented, monitored and are becoming systematic. To achieve a higher score, the district should provide additional training to the budget manager and allow that employee the opportunity to fulfill their duties, including the preparation of complete and technically sufficient budget reports. The district also needs to develop a sound financial plan for fund 17 resources that addresses all district obligations, including outstanding audit finding penalties and related revenue recapture.

Standard Implemented: Partially

November 1, 2004 Rating:	0
May 1, 2005 Rating:	3
November 30, 2005 Rating:	4
May 31, 2006 Rating:	4
January 25, 2007 Rating:	3
July 2, 2007 Rating:	5
June 30, 2008 Rating:	5
May 31, 2010 Rating:	5
December 1, 2011 Rating:	6
June 30, 2012 Rating:	6



7.5 Budget Adoption, Reporting, and Audits — Fund Balance Projections

Professional Standard:

The first and second interim reports show an accurate projection of the ending fund balance. Material differences are presented to the board of education with detailed explanations.

Progress on Implementing the Recommendations of the Improvement Plan:

First Interim Financial Reporting Period, 2010-11

Revenues increased \$9.5 million (7.8%) between the adopted and first interim budget reports as a result of the state restoring funding cuts of \$3.4 million, the addition of one-time federal Education Jobs Act funds of \$2.9 million, revision of projected charter school ADA resulting in a \$.5 million increase in general purpose block grant, and the carryover of restricted funds from the prior year of \$1.9 million. No narrative was provided to explain the balance of the changes, although they were immaterial.

Expenditures were increased \$5.7 million (4.7%) between the adopted and first interim budget reports. New costs of \$.5 million were incurred relative to funding a mid-year retirement incentive program negotiated with the district's bargaining units; the program yielded \$1.6 million in reduced staffing costs for a net savings of \$1.1 million in the 2010-11 year. Expenses of \$.4 million were incurred relative to a class-action settlement with Microsoft; the related revenues had been received in the 2009-10 fiscal year. Narrative explaining the balance of these adjustments was not provided.

The net effect of the above changes and minor changes to other sources and uses increased the projected ending fund balance by \$4.6 million (32.9%). This percentage increase in the ending fund balance is normal between the adopted and first interim budgets because of the recording of carryover funds from the prior year and approval of the state budget.

The first interim budget report was submitted to the Solano COE by the December 2011 deadline after the review and approval by the state administrator/trustee. It was presented to the board at its meeting of January 12, 2011.

Second Interim Financial Reporting Period, 2010-11

Revenues increased \$1 million (.8%) between the first and second interim financial reports. The revenue limit deficit factor was corrected, adding \$.3 million, while the charter school categorical block grant was adjusted \$.3 million for the aforementioned ADA revision. Title I and ARRA funding entitlements were adjusted upward by \$1.5 million, but this was largely offset by a reduction to special education funding allocations of \$1.2 million.

Expenditures were increased \$3.7 million (2.9%) between the first and second interim budget reports. \$1.1 million of this increase was because carryover and increased revenues were allocated to expenditure line items of the budget. \$2.6 million of the increase was budgeted relative to allocation of the one-time Education Jobs Act funds.

The net effect of the above changes and minor changes to other sources and uses increased the projected ending fund balance by \$1.6 million (11.43%). This variance is within acceptable industry standards because it consists primarily of allocation of reserved and designated funds in the ending fund balance.

The second interim financial report was reviewed and approved by the state administrator/trustee and submitted to the Solano COE before the March 17, 2011 filing deadline. It was presented to the board at its meeting of March 16, 2011.

Third Interim Financial Reporting Period, 2010-11

Revenues remained unchanged with the third interim financial report, while expenditures increased \$1.9 million. The district did not provide a narrative to FCMAT to explain these changes. The net effect decreased the projected ending fund balance by 0.7%.

Unaudited Actuals Report, 2010-11

Revenues declined by \$2.7 million (2.1%) between the third interim financial report and the unaudited actuals primarily because of a decrease in funding for resources associated with the No Child Left Behind (NCLB) program. Further narratives supporting the decrease were not provided to FCMAT.

Expenditures decreased by \$8.8 million (6.6%) between the third interim financial report and the unaudited actuals because of a decrease in expenditures for noncapitalized equipment and professional/consulting services and operations.

The net effect of the above changes increased ending fund balance by \$2.7 million (19.15%) and reflects a \$4.6 million decrease (21.43%) from the fund balance projected in the third interim report and the fund balance on year-end closing for 2010-11. The CDE had granted a filing extension to November 17, 2011, for filing the unaudited actuals financial report.

The district reported to the governing board at its December 14, 2011 meeting that the report was submitted to the county office on October 28, 2011. However, the final SACS forms are dated November 9, 2011, and e-mails from the county office to the district reflect a final submission date of November 10, 2011. FCMAT noted that the district assumed a restatement of the beginning fund balance of \$7.4 million for its 2011-12 adopted budget. This restatement reflected the district's desire to transfer flexibility funds from special reserve fund 17 back to the general fund. Solano County Office of Education advised in its review letter that recording the transfer in this manner was inconsistent with the California School Accounting Manual and should be adjusted accordingly.

First Interim Financial Report, 2011-12

Revenues increased by \$4 million between the adopted budget and the first interim report primarily because of revised revenue projections in federal resources and to include carryover from the 2010-11 fiscal year that is now available for expenditure. The first interim report includes an additional \$1.1 million in other state revenue; however, additional narrative supporting the increase was not provided to FCMAT.

Expenditures increased by \$8.3 million (7.1%) between the adopted budget and the first interim report, with the largest increases in services and other operating expenditures, certificated salaries, books and supplies, and capital outlay. The largest single increase was related to a \$2.7 million settlement with KB Home regarding the sale of a parcel of district property. Most of the remainder of the increase was carryover from the prior fiscal year becoming available for expenditure, which is a normal and accepted industry standard.

The net effect of the above changes decreased the projected ending fund balance by \$4.1 million (24.4%). Seventy-two percent (\$2.9 million) of the decrease in total fund balance is attributed to the restricted side of the general fund. This is within acceptable industry standards because restricted

revenues should be utilized before unrestricted, and this accounting policy is also expressed in the notes to the district's audited financial statements.

The first interim financial report was reviewed and approved by the state administrator/trustee and submitted to the Solano COE by the deadline of December 15, 2011. The report was presented to the board at its December 14, 2011 meeting.

Second Interim Financial Report, 2011-12

Revenues decreased by \$3.7 million (3.0%) between the first and second interim reports because of the increase in the deficit factor and the effects of a decrease in average daily attendance (ADA), as well as decreases in special education funding.

Expenditures increased by \$4.0 million (3.2%) between the first and second interim reports, with only \$40,000 of the increase in restricted resources. The rest of the increase in spending (\$3.96 million) related to increased expenditures in unrestricted budgets, and all categories of expenditure increased between \$236,000 and \$920,000. The expenditures that caused those increases related to extra service agreements for certificated staff, increases in substitutes for classified staff, early retirement incentive payments, and nonpublic school spending for special education students.

The net effect of the above changes decreased the projected ending fund balance by \$8.7 million (52.0%). This decrease is excessive and not within industry standards, and is cause for immediate and in-depth analysis and action to halt further erosion of the district's financial position.

The second interim report was reviewed and approved by the state administrator/trustee and submitted to the Solano COE by the deadline of March 16, 2012. The report was presented to the board at its March 14, 2012 meeting.

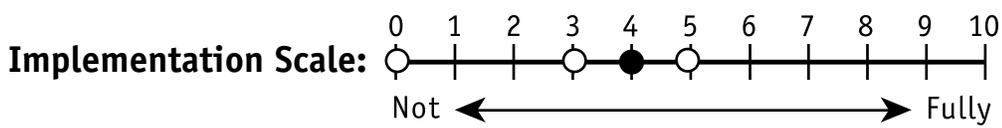
Third Interim Financial Report, 2011-12

Education Code Section 42131(e) states that a district that files a qualified or negative certification for the second interim financial report shall provide, no later than June 1, a financial statement projection of the district's fund and cash balances through June 30 for the period ending April 30. FCMAT inquired regarding the status of this report during the May visit and the CBO confirmed that the report was being prepared; however, no documentation was provided to FCMAT for review when it was requested.

This score increased from a 3 to a 4 between May 2010 and June 2012. To obtain a rating of 5, staff must be engaged in implementation of the standard, and all standard elements must be developed and in the implementation phase. Although improvement in this area supported the rating of 4, some of the analysis of budget changes between financial reports is incomplete or lacking clear explanation, the projection of the 2010-11 ending fund balance showed a pronounced inaccuracy, and the district has not yet closed its books for the 2011-12 year. A higher score could not be allowed until the unaudited actuals are determined and the accuracy of the 2011-12 ending fund balance can be verified.

Standard Implemented: Partially

November 1, 2004 Rating:	0
May 1, 2005 Rating:	0
November 30, 2005 Rating:	3
May 31, 2006 Rating:	4
January 25, 2007 Rating:	3
July 2, 2007 Rating:	4
June 30, 2008 Rating:	4
May 31, 2010 Rating:	3
December 1, 2011 Rating:	5
June 30, 2012 Rating:	4



8.1 Budget Monitoring

Professional Standard:

All purchase orders are properly encumbered against the budget until payment.

Progress on Implementing the Recommendations of the Improvement Plan:

The online purchase order system module has been implemented districtwide, giving those with budget responsibility greater access and accountability for their budgets.

Supporting documentation provided to FCMAT verified numerous trainings were offered in the Financial 2000 system during the 2010-11 fiscal year. Interviewed staff told FCMAT they received formal training on the system, that the purchasing staff is very helpful when issues arise, and one-on-one assistance is available if requested. Formal training is essential, and should increase user efficiency overall.

The online purchase order system automatically verifies fund availability and account coding when the site/department enters a purchase requisition. It immediately encumbers the funds to avoid timing differences. If sufficient funds are not available or the budget code is invalid, the system issues a warning that a budget transfer will be needed for the transaction but allows the transaction to proceed without a budget transfer if all approvers override the warning as they approve transactions. Business Services Division staff enter budget adjustments at the request of the site or department. Purchase orders that involve adjustments to categorical funding must also be approved by the Special Projects Department before they are forwarded to the Business Services Division because of the many constraints on restricted funding. Site staff understand there will be delays in categorical fund purchases when a budget revision needs to be approved by another department before processing.

The Solano County Office of Education reported to FCMAT that CECC provides the capability of utilizing a soft or advisory code in processing purchase orders. An internal audit performed by the district confirms this. The soft code issues a warning that a budget transfer will be necessary but allows the transaction to proceed. This contradicts information the district previously provided to FCMAT. The county office also reported that the district had eliminated a hard-code block for purchase orders, but asked that FCMAT verify this with the district. A hard-code block cannot be overridden and requires a budget transfer to be entered into the system before allowing the encumbrance. This block is essential for school districts because expenditure transactions should not proceed until the related budget transfer has been approved and processed. The lack of a hard-code block has resulted in purchases being made that exceed budgetary limits, and in some cases have no funds budgeted in the account. Although the district has since explained to FCMAT that an alternative process exists that results in the same outcome with budgets or purchase orders as a hard-code block system, FCMAT does not agree.

The district's internal audit also revealed that changes to purchase orders already in the system are not properly approved. If a purchase order is revised, a change order should be printed in the district's purchasing department. That change order should then go through the district's normal approval process. However, the district's internal audit reported the following:

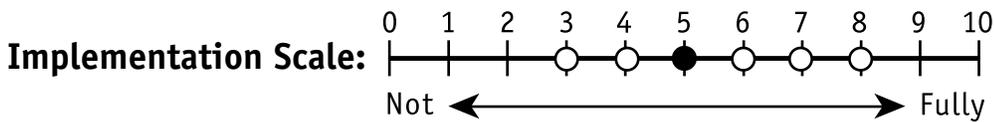
- Department managers did not authorize five of the 22 change orders tested.
- The categorical manager and CBO did not approve 21 of the 22 change orders tested.
- The governing board did not approve five of the 22 change orders tested.

- The division managers and the state administrator did not approve any of the 22 change orders tested.

This rating is decreased to a 5 because, while the online purchase order system module has been implemented districtwide, the soft-stop on purchase order encumbrances and lack of proper approvals of change orders allow spending to occur without regard to encumbrances or budgets. These issues can seriously affect budgets and the district's deficit spending level, placing this standard very close to a score of 3 or 4. To increase the score, the district would need to implement all elements of the standard, including procedures to ensure that encumbrances do not exceed budgets.

Standard Implemented: Partially

November 1, 2004 Rating:	3
May 1, 2005 Rating:	4
November 30, 2005 Rating:	5
May 31, 2006 Rating:	5
January 25, 2007 Rating:	6
July 2, 2007 Rating:	6
June 30, 2008 Rating:	7
November 18, 2009 Rating:	7
December 1, 2011 Rating:	8
June 30, 2012 Rating:	5



8.2 Budget Monitoring

Professional Standard:

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

Progress on Implementing the Recommendations of the Improvement Plan:

The Business Services Division continues to dedicate staff time to develop, monitor, and maintain the budget. Budget monitoring controls have been strengthened at the district office.

Budget functions at the sites have improved. School site staff still expressed some concern about communication issues between the district office and the sites, but they also indicated that certain individuals in the Business Services Division are always helpful.

The Business Services Division utilizes the EduReports system, which references Financial 2000 system data, allowing greater access to detailed financial information in a more user-friendly manner.

The Business Services Division does not send financial reports to the sites and departments, other than reports on staffing levels and student attendance information, because school sites and departments can run their own budget reports from the Financial 2000 and EduReports systems. Site level administrators and staff reported they are comfortable running these reports and are able to monitor budgets accordingly.

Online budget revisions have not been implemented for sites and departments, which has been a FCMAT recommendation for some time. The county office reported that the norm in Solano County is that budget revisions from sites and departments are handled via a paper form, as CECC does not currently have an online budget revisions process for sites and departments. At Vallejo USD, sites are responsible to start the budget transfer process. FCMAT's concern is that a check and balance does not seem to exist to ensure that sites and departments are, in fact, running and reviewing budget reports, or submitting necessary budget revisions. Since both the June 30, 2008 and June 30, 2009 audits identify expenditures exceeding appropriations, and FCMAT also found the same when reviewing budget reports, FCMAT's concern is that the current process is not adequate to ensure up-to-date and accurate budgets.

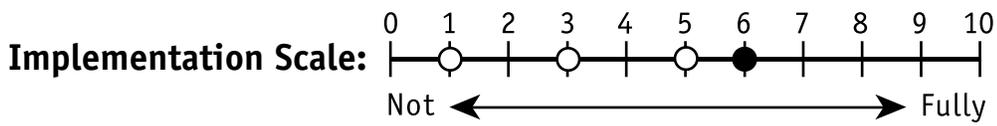
If the CECC system were to be modified, online budget revisions would give the Business Services Division greater budget control, provide site and department administrators with greater budget responsibility and promote better communication regarding assigned budgets. Until that can occur, greater oversight is recommended to ensure that budget monitoring controls are strengthened at the department and site levels to lessen the potential for overexpenditure of budgeted amounts.

The county office reported that the norm in Solano County is that budget revisions from sites and departments are handled via a paper form, as CECC does not currently have an online budget revisions process for sites and departments.

The rating for this standard is unchanged.

Standard Implemented: Partially

November 1, 2004 Rating:	1
May 1, 2005 Rating:	3
November 30, 2005 Rating:	5
May 31, 2006 Rating:	5
January 25, 2007 Rating:	5
July 2, 2007 Rating:	5
June 30, 2008 Rating:	6
November 18, 2009 Rating:	6
December 1, 2011 Rating:	6
June 30, 2012 Rating:	6



8.5 Budget Monitoring

Professional Standard:

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

Progress on Implementing the Recommendations of the Improvement Plan:

The district's internal controls for position control continue to be effective. The Human Resources Department and Business Services Division have different roles in the process and have improved overall efficiency and accountability.

Meetings between the two departments were reinstated in the 2011-12 fiscal year. To date, 10 of these meetings have been conducted, and staff from both departments reported the meetings were helpful. The purpose of the meetings is to improve communications between the departments and increase understanding of the responsibilities of each staff member and how their work affects the work of other employees.

Departmental roles and responsibilities for the position control system have been clarified. Business Services Division employees, from budget to payroll, understand the purpose of position control and its importance in budgeting, allocating, and ultimately paying employee salaries. Human Resources Department employees that work directly with position control connect the person to the budgeted position and the internal control and accountability components. Responsibilities of each staff member that is involved in managing position control have been identified. A new position control form that incorporates all aspects of position authorization and changes to existing positions has been developed and was scheduled for full implementation on July 1, 2012. The form combines the requestor's information, approvals from both the Human Resources and Business Services Department and budget review before action is taken on a position.

Position control drives the contracted salary and benefits in the adopted budget. Once the position control information is entered and validated during budget development, it is rolled into the adopted budget. During the year, as changes occur to contracted positions or positions are added, position control is updated. The budget also is updated independently for changes in salary and benefits to include position additions and eliminations, but the information does not come directly from position control. Because position control does not include non-contracted positions, such as extra duty, stipends, overtime or substitutes, the data in position control cannot continue to be rolled into the budget once the fiscal year begins. Adjustments are made to salary and benefit accounts through budget revisions. If the data were rolled into the budget, all manual salary and benefit adjustments for non-contracted positions and other types of budget revisions would be deleted and would need to be re-entered each time position control data is rolled. Staff reported they are researching system options that will provide for integration of extra pay lines to position control and the budget, but have not been successful to date.

The district manually reconciles position control data to the budget periodically throughout the fiscal year since the changes do not occur electronically. The financial system does not allow salaries and benefits to be encumbered, so it is even more difficult and time consuming to accurately reconcile actual amounts to projections. The budget must reflect the current and most accurate data because salaries

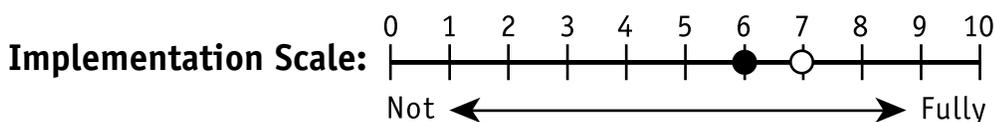
and benefits are the district's largest expenditures. Reconciliations are performed for school site staffing with the director of technology (formerly the director of assessment and then the director of human resources), who manages enrollment and certificated staffing allocations. This occurs during the budget process and periodically between August and October as certificated staffing allocations are added and amended at the start of the school term. This exercise is repeated in the late fall as a result of course offerings and enrollment changes, and again in the spring to confirm that each site has the appropriate FTE allocation. Human Resources simultaneously reports the actual staffing components of position control to address transfers and vacancies related to the allocated and budgeted positions. The district provided a memo to FCMAT dated May 17, 2012, regarding its reconciliations on October 31, 2011 and May 7, 2012 that reported discrepancies of 4.4 FTE and 4.6 FTE, respectively. Neither of these reconciliations provided a detailed explanation of the differences.

The Business Services Division completes FTE allocations by program and department. The department periodically analyzes position control to monitor how employees are paid, located and attached to positions throughout the district and as it relates to the accuracy of their salary payments in conjunction with their position calendar (the dates and number of days the employee is scheduled to work within the fiscal year) and the frequency of their payments. This then coincides with how the salary is budgeted monthly. The district also reviews work calendars and prevents overlapping, where employees are contracted in position control but then a new position is requested, e.g., for summer school activities, and the dates scheduled to work on the existing contract and the summer school contract overlap. The Business Services Division generates and analyzes a monthly department Headcount Report. The sites are responsible for confirming if the individuals listed on the report are at their site and are affixed to the correct FTE and funding resource.

The score for this standard has not changed. To improve the score, the district must implement a position control system that incorporates all aspects of positions relative to the budget modification process, such as extra duty, stipends, overtime, vacation pay or substitutes.

Standard Implemented: Partially

November 1, 2004 Rating:	6
May 1, 2005 Rating:	7
November 30, 2005 Rating:	7
May 31, 2006 Rating:	7
January 25, 2007 Rating:	7
July 2, 2007 Rating:	7
June 30, 2008 Rating:	7
November 18, 2009 Rating:	6
December 1, 2011 Rating:	6
June 30, 2012 Rating:	6



11.1 Attendance Accounting

Professional Standard:

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

Progress on Implementing the Recommendations of the Improvement Plan:

The school sites continue to be provided with attendance manuals that include Education Code, forms, and strategies to find errors in reports on a daily and weekly basis, and a question-and-answer section to help ensure that attendance is reported properly. This manual is updated annually, most recently as of August 2, 2011.

The district continues to provide training for site attendance clerks prior to the beginning of each school year. The district also has an Audit Plan reflecting site visits beginning in September 2011 and continuing throughout the year to review the processes sites use and to do on-site training where needed. However, some sites reported that the visits have not always occurred. Those noted on the Audit Plan for September and October 2011 have yet to be completed. They should begin and be completed as early in the fiscal year as possible so corrective action can be taken and problems resolved as they occur.

School site staff are informed regarding whom to contact at the district office for student attendance issues and appear to feel comfortable asking attendance questions. Replies to FCMAT's inquiries regarding response times to staff questions were inconsistent. Some staff members reported always being able to speak with a person directly, and others stated that voice mails were not returned, requiring a personal visit to the district office.

Responsibility for student attendance and instructional minutes continues to reside under the supervision of the director of audit and compliance, with the department's account analyst completing the state attendance reports and the director reviewing and approving the data. Attendance audits are to begin at sites, with the director of audit and compliance reviewing and approving the data. The district has imposed daily system closing times, so sites must input attendance by 6 p.m. each business day.

The district should ensure that an employee is cross-trained to perform the district office account analyst's duties regarding attendance monitoring and report preparation because they are essential.

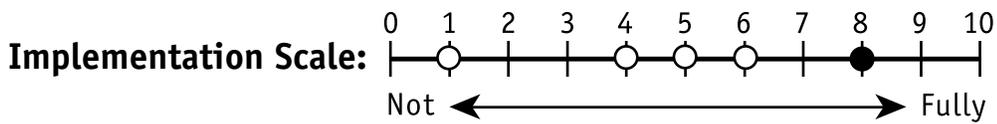
The district should continue to reconcile site attendance reports with the district summary reports for each attendance reporting period. The district should continue to ensure that P2 and annual state attendance reports are revised as attendance accounting is adjusted at the school sites.

Attendance variances should be investigated monthly, with results reported to the Business Services Division to ensure that budget adjustments can be made as needed.

This score remains unchanged because no significant improvement has occurred.

Standard Implemented: Fully - Substantially

November 1, 2004 Rating: 1
May 1, 2005 Rating: 4
November 30, 2005 Rating: 5
May 31, 2006 Rating: 6
January 25, 2007 Rating: 6
July 2, 2007 Rating: 6
June 30, 2008 Rating: 6
November 18, 2009 Rating: 8
December 1, 2011 Rating: 8
Not Reviewed Again in June 2012



11.3 Attendance Accounting

Professional Standard:

Students are enrolled by staff and entered into the attendance system in an efficient, accurate and timely manner.

Progress on Implementing the Recommendations of the Improvement Plan:

The district continues to provide annual training on the standard attendance reporting procedures and additional training to the sites that request it. The training manual emphasizes the importance of the accuracy and reliability of the district's records.

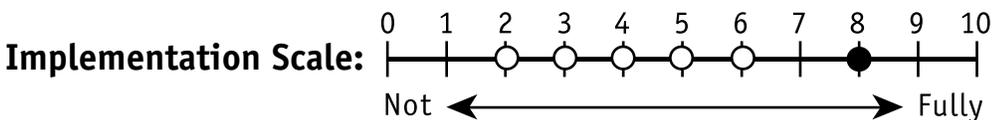
Enrollment is monitored at the district level, and actual student body counts continue to be taken during the first few days of school to ensure the data in the attendance system is correct and current. According to data collected by the district in the first six days of the last two school years, the attendance-to-enrollment ratio fell from 94.5% in 2010-11 to 93.45% in 2011-12.

The importance of accurate and timely student attendance accounting, as well as review of annual audit findings, has been emphasized throughout the district to help staff perform their jobs in a more accountable and compliant manner. However, the district's audit reports continue to note findings in student attendance, with a district average of 5.5 findings per year over the past five years.

To increase the score for this standard, the number of audit findings would need to decrease, reflecting improvement in the accuracy of the information.

Standard Implemented: Fully - Substantially

November 1, 2004 Rating:	2
May 1, 2005 Rating:	3
November 30, 2005 Rating:	3
May 31, 2006 Rating:	4
January 25, 2007 Rating:	5
July 2, 2007 Rating:	6
June 30, 2008 Rating:	6
November 18, 2009 Rating:	8
December 1, 2011 Rating:	8
Not Reviewed Again in June 2012	



11.6 Attendance Accounting

Professional Standard:

The district utilizes standardized and mandatory programs to improve the attendance rate of pupils. Absences are aggressively followed up by district staff.

Progress on Implementing the Recommendations of the Improvement Plan:

The district has a comprehensive student attendance calendar that alleviates confusion among parents/guardians when children in the same household attend different schools.

The district's 2011-12 FY Attendance Manual includes daily and weekly strategies for attendance clerks to follow to identify irregularities and errors. These strategies include running a Missing Aeries Browser Interface (ABI) report to find attendance discrepancies and reviewing attendance reports to see if teachers have recorded 100% attendance, possibly indicating attendance was not taken or not properly recorded. FCMAT asked site staff whether sites have the proper equipment for recording accurate attendance. Some sites reported that all teachers have the proper equipment, while others reported that teachers must stand in line to enter attendance because they lack computers in their classrooms.

The district makes diligent efforts to follow up on student absences, as follows:

- Daily calls after 6 p.m. to parents of all students who have been reported absent during the school day
- Follow-up calls on days two and three of continued absences
- Providing an email address for parents to clear student absences
- House visits
- Truancy letters
- Conferences with School Attendance Review Team (SART) workers or district administrators

The district has a Saturday school program for its high schools per Education Code Section 37223 to recover instructional time and lost revenue from student absences. However, district policy only allows recovery of student absences in the same month as the absence. This may unnecessarily reduce the district's ability to recapture ADA.

The district has no attendance incentive program; each site determines its own strategy. The district did establish a districtwide attendance goal for each school month and an overall goal for the 2010-11 school year, using the site's prior year overall attendance percentage. The district provided FCMAT with a chart showing the attendance percentages of 16 of its schools. Of the possible 176 school months (16 schools multiplied by 11 months each) in the 2010-11 school year, the sites tracked by this chart exceeded the monthly benchmark 61 times (34.7%). In the third school month all but two schools exceeded the benchmark. A review of all the schools tracked by this chart shows that five of the 11 school months exceeded the monthly benchmark (45.5%) and only three of the 16 schools exceeded their prior year overall attendance percentage. The eighth and ninth school months produced no school sites that exceeded the district's benchmark. Further analysis of this information by the

district, incorporating all schools and an overlay of the sites that initiated their own attendance incentive program, would help determine the cost benefits of a districtwide program.

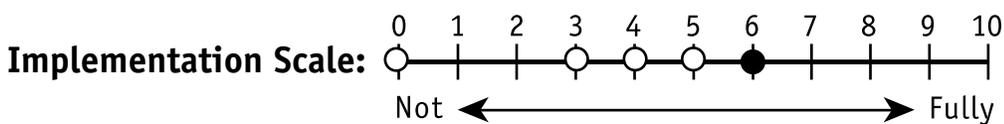
The district has been in declining enrollment for the past 12 years. Its CBEDS CALPADS enrollment to P2 ADA ratio fell slightly from 89.74% in 2009-10 to 89.73% in 2010-11. The last statewide average ADA percentage published by School Services of California was in July 2008 and showed grades K-8 at 95.24% and grades 9-12 at 91.56%. While Vallejo is a unified district and its attendance ratio is a combination of these averages, if the lower of the two were used as the district's initial target, this would mean an additional 1.83% or 243.76 ADA. This would bring in approximately \$1.26 million in additional revenues annually based on the district's funded 2011-12 revenue limit calculation.

Several unrestricted and restricted programs are funded based on ADA, underscoring the importance of increased attendance rates. The attendance to enrollment ratios should be calculated monthly and shared in the small cabinet and administrative team meetings.

This rating remains the same because of the lack of improvement in attendance rates.

Standard Implemented: Partially

November 1, 2004 Rating:	0
May 1, 2005 Rating:	3
November 30, 2005 Rating:	4
May 31, 2006 Rating:	5
January 25, 2007 Rating:	6
July 2, 2007 Rating:	6
June 30, 2008 Rating:	6
November 18, 2009 Rating:	6
December 1, 2011 Rating:	6
Not Reviewed Again in June 2012	



11.7 Attendance Accounting

Professional Standard:

School site personnel receive periodic and timely training on the district's attendance procedures, system procedures and changes in laws and regulations.

Progress on Implementing the Recommendations of the Improvement Plan:

The district continues to conduct annual attendance training for all attendance clerks before the start of the school year. FCMAT's inquiries of staff revealed that they had attended the training. The district should make this training mandatory for all site and district office attendance personnel, and should consider offering more advanced training for attendance personnel and a workshop for all site administrators to better understand how their actions can impact attendance. One example is site personnel and administrators such as counselors, assistant principals or nurses holding students for scheduling, discipline or health issues, with the students being marked absent.

The district should continue to ensure that any changes in attendance procedures and/or changes in laws and regulations are included in the annual attendance training.

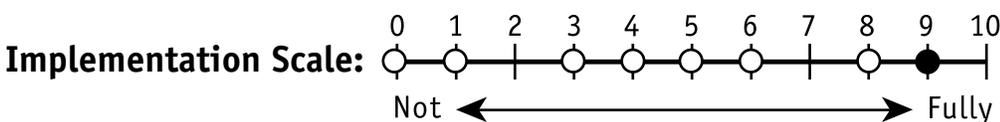
Sites have been provided enrollment and attendance manuals that include Education Code, forms, a question and answer section, and tactics to identify reporting anomalies and errors.

FCMAT was provided with the district's schedule of the accounting technician's school site visits for the 2011-12 year to review site processes and to conduct on-site training where needed. However, some sites reported that the visits have not always occurred, and those scheduled for September and October of 2011 had yet to take place as of FCMAT's fieldwork in September 2011.

The score has increased to a 9 because all elements of the standard are fully and substantially implemented and have been sustained for a full school year.

Standard Implemented: Fully - Substantially

November 1, 2004 Rating:	0
May 1, 2005 Rating:	1
November 30, 2005 Rating:	3
May 31, 2006 Rating:	4
January 25, 2007 Rating:	5
July 2, 2007 Rating:	6
June 30, 2008 Rating:	6
November 18, 2009 Rating:	8
December 1, 2011 Rating:	9
Not Reviewed Again in June 2012	



12.2 Accounting, Purchasing, and Warehousing

Professional Standard:

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

Progress on Implementing the Recommendations of the Improvement Plan:

The independent audit report issued for the 2007-08 fiscal year by the State Controller's Office indicates that an opinion was not expressed on the financial statements. The district had requested to have the opinion omitted from the audit because the district's accounting records were deficient and certain records and supporting data were unavailable. The report identified significant deficiencies in internal controls for financial reporting, with four of the 34 findings in the audit considered to be material weaknesses. The four areas of material weakness included: unaudited financial statements, prior year findings and recommendations not implemented, fund balance variances and improper use of interfund transfers.

The independent audit report issued by the State Controller's Office for the 2008-09 fiscal year indicates eight of 28 findings are classified as material weaknesses. Four of the eight material weaknesses mirrored those of the 2007-08 audit report with additional material weaknesses including: equipment disposed of without governing board approval, revolving cash account not replenished, associated student body funds and subsidiary funds not presented or audited, and inadequate note disclosure to the financial statements.

The Payroll Department has been fully staffed for the past year. The district has had four requests for extensions for payroll deadlines during the last fiscal year because of (1) problems experienced in the payroll system at the county office, (2) an abnormally large number of class size overage payments requiring extensive data input, (3) a mid-year one-day furlough for the certificated bargaining unit and (4) a mid-year one-day furlough for the classified bargaining unit. At the time of FCMAT's fieldwork, the district had processed payroll for the two months of the fiscal year in which the largest number of payroll changes occur without having asked for an extension. District staff anticipated this would continue for the remainder of the 2011-12 fiscal year and into 2012-13. However, the district continues to issue a large number of revolving checks because of payroll errors. A comparison of the types of checks issued from the district's revolving account between the 2009-10 and 2010-11 fiscal years revealed that revolving checks related to payroll adjustments increased from 212 in 2009-10 to 250 in 2010-11. During FCMAT's fieldwork, the payroll department provided payroll adjustments for 2011-12 that revealed only 37 errors related to payroll. The significant variance came from inaccurate tracking and descriptions when recording entries into the revolving cash fund.

Improvement has occurred on more timely submissions of state mandated reports to the county office of education in the past few years. The district's submissions have varied between on time and as much as 105 days late, the latter occurring with the district's 2010-11 third interim report. District administrative staff indicate that they are developing a time line for completing the state mandated reports to include review by the county office of education prior to submission to the governing board. This is an aggressive plan given the district's pattern of tardy reporting, but if it is successful

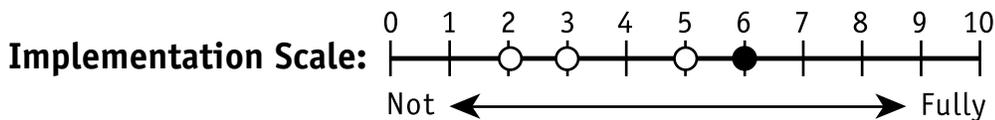
and sustained, the district could improve in this standard. During fieldwork, FCMAT noted that the 2011-12 first and second interim reports were submitted to the county office by the required deadline.

Employee training related to budgeting, accounting, and payroll continue as a district priority, and the district is working to ensure more timely and accurate data. Efforts should continue and intensify to ensure that employees receive the necessary training and direction to perform their job duties timely and accurately.

The rating for this standard has remained at a 6 from the November 2009 7th progress report to the June 2012 8th progress report because elements of the standard are implemented, monitored and are becoming systematic.

Standard Implemented: Partially

November 1, 2004 Rating:	2
May 1, 2005 Rating:	2
November 30, 2005 Rating:	2
May 31, 2006 Rating:	3
January 25, 2007 Rating:	3
July 2, 2007 Rating:	5
June 30, 2008 Rating:	5
November 18, 2009 Rating:	6
December 1, 2011 Rating:	5
June 30, 2012 Rating:	6



12.3 Accounting, Purchasing, and Warehousing

Professional Standard:

The district forecasts its revenue and expenditures and verifies those projections monthly to adequately manage its cash. In addition, the district reconciles its cash to bank statements and reports from the county treasurer monthly. Standard accounting practice dictates that, to ensure that all cash receipts are deposited timely and recorded properly; cash is reconciled to bank statements monthly.

Progress on Implementing the Recommendations of the Improvement Plan:

For the 2011-12 fiscal year, the district increased its efforts to complete monthly cash flow reports, and did so for the months of August and October 2011 through March 2012. Cash flow reports were updated with actual cash balances per the County Treasurer. The cash flow analysis and reporting for the 2011-12 fiscal year was completed by staff as follows:

Report Dated	Actuals Through
October 11, 2011	August
December 9, 2011	October
January 27, 2012	November
January 30, 2012	December
May 1, 2012	January
May 1, 2012	February
May 1, 2012	March

For the 2010-11 fiscal year, cash flow reports were completed for interim and budget reporting periods but not monthly. The district does not include available information regarding actual cash transactions on the cash flow reports, so the information is not the most meaningful or accurate. The three cash flow reports for the 2010-11 fiscal year were:

Report Dated	Actuals Through
December 10, 2010	October
February 28, 2011	January
June 19, 2011	April

The district made a better effort to prepare monthly cash projections during 2009-10, producing these cash flow reports:

Report Dated	Actuals Through
December 27, 2009	November
January 6, 2010	December
March 3, 2010	January
April 15, 2010	February
April 20, 2010	March
Undated	April
Undated	June

Comparing the monthly cash balances from the December 27, 2009 report to the report that includes the June 2010 actuals reveals the following fluctuations:

	Estimated	Actual	Difference
November	\$13,772,859	\$11,709,514	(\$2,063,345)
December	17,878,722	7,099,734	(10,778,988)
January	11,027,568	10,873,366	(154,202)
February	15,455,057	4,275,769	(11,179,288)
March	13,620,160	4,314,351	(9,305,809)
April	20,143,452	3,332,964	(16,810,488)
May	17,429,165	3,059,917	(14,369,248)
June	12,913,739	7,440,619	(5,473,120)

Comparing the monthly cash balances from the December 10, 2010 report to the report prepared on June 19, 2011 reveals the following fluctuations:

	Estimated	Actual	Difference
November	\$15,763,470	\$19,413,981	\$ 3,650,511
December	18,638,335	23,140,141	4,501,806
January	20,232,787	22,586,005	2,353,218
February	13,538,678	18,820,637	5,281,959
March	10,537,999	4,698,386	(5,839,613)
April	19,659,789	15,462,723	(4,197,066)

Comparing the monthly cash balances from the October 11, 2011 report to the report prepared on May 1, 2012 reveals the following fluctuations:

	Estimated	Actuals	Difference
September	\$26,388,582.06	\$24,004,747.18	(\$2,383,834.88)
October	19,688,178.95	17,216,831.84	(2,471,347.11)
November	14,252,633.87	13,683,828.42	(568,805.45)
December	17,627,860.03	14,307,991.37	(3,319,868.66)
January	16,678,265.45	16,084,310.34	(593,955.11)
February	12,998,631.40	11,091,312.14	(1,907,319.26)
March	9,785,549.10	5,963,654.50	(3,821,894.60)

These comparisons show that cash flow statement accuracy has improved, which demonstrates a better understanding of the principles behind its development. However, the difference between the over- and understatement of cash in the 2010-11 fiscal year is \$11 million, the span between the largest positive and largest negative amounts. Further analysis of the district's estimated cash flow reports and the apportionment schedules in place when the reports were prepared reveals that the correct state apportionment schedule was not used, further reducing the accuracy and reliability of information.

FCMAT's comparison of the 2011-12 general fund adopted budget to that projected in the cash flow worksheet for the same reporting period reveals that revenue and expenditure amounts did not agree, but did agree at the interim reporting periods. These numbers should be the same in both reports to correctly project cash flows. Comparing 2011-12 estimated cash balances to actual cash balances for September to March reveals a cash fluctuation of approximately \$15 million. The variance is because

of a change in the state cash deferral schedule resulting in an interyear deferral of 36.45% as opposed to 27.20%. The district has significantly improved its procedures for forecasting accurate cash requirements, revenues and expenditures. During this period of state budget uncertainty, these forecasts should continue to be reviewed and updated at least monthly.

The county office of education balances cash in the County Treasury monthly. FCMAT's review shows that the district's revolving cash accounts are balanced periodically but not monthly. The months of July through October 2010 had reconciliations dated November 2010. November and December 2010 were balanced in January 2011. January and February 2011 were reconciled in March 2011, and March 2011 was reconciled in April. FCMAT was not provided with statements and reconciliations for the remaining months in 2010-11 and those in 2011-12. While it is encouraging that March 2011 was reconciled the next month per standard accounting practice, it is unclear whether this is now standard practice or the month of March was an anomaly.

Review of the district's ASB account reconciliations noted similar but more troubling patterns. The 2008-09 reconciliations of the Jesse Bethel High School and Vallejo High School ASB accounts were dated October 26, 2010 and January 27, 2011, respectively. The 2009-10 reconciliations of the Jesse Bethel High School and Vallejo High School ASB accounts were dated October 26, 2010 and January 5, 2011, respectively. FCMAT was supplied with some of the reconciliations of ASB accounts for the 2010-11 and 2011-12 fiscal years, but not all months were provided. Both Jesse Bethel High School and Peoples High School provided two statements and reconciliations while Hogan High School provided statements and reconciliations for three months. ASB account reconciliations should be completed monthly following the recommended best practices.

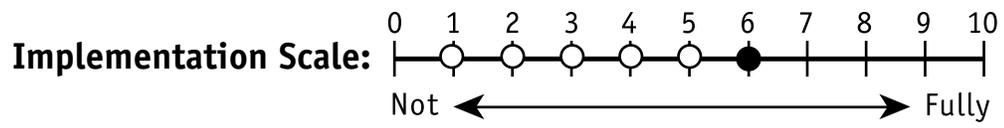
The director of audit and compliance monitors cash handling procedures, evaluating the separation of duties for cash receipts, bank deposits and reconciliations, and the recording of cash transactions in the accounting system. The director has trained staff to ensure that established procedures are being followed. However, annual training should be conducted and additional oversight measures established to ensure compliance.

The director of audit and compliance has offered trainings for ASB funds and authored the district's Student Funds Guidelines and Procedures. Nonetheless, the documents provided to FCMAT indicate limited progress in this area, and the district should add ASB funds to its list of annual trainings provided to school sites.

There is no change in the score of 6 between the two reporting periods.

Standard Implemented: Partially

November 1, 2004 Rating:	1
May 1, 2005 Rating:	2
November 30, 2005 Rating:	2
May 31, 2006 Rating:	4
January 25, 2007 Rating:	3
July 2, 2007 Rating:	5
June 30, 2008 Rating:	4
November 18, 2009 Rating:	6
December 1, 2011 Rating:	5
June 30, 2012 Rating:	6



12.4 Accounting, Purchasing, and Warehousing

Professional Standard:

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

Progress on Implementing the Recommendations of the Improvement Plan:

The Payroll Department is now fully staffed, with the newest member having nearly 17 months of district service at the time of FCMAT's fieldwork. Payroll Department employees stated that they attend trainings given by the district and by outside sources such as the county office and the California Association of School Business Officials. Management should ensure that payroll employees continue to receive adequate training to complete their job duties and attend meetings sponsored by the county office.

In July 2011, the Human Resources and Business Services departments resumed holding joint monthly meetings to address and strengthen interdepartmental communication. Ten joint meetings had been held at the time of FCMAT's fieldwork. The first was a session of the department administrators, followed by a meeting for all department staff. Payroll staff related that they have seen significant improvements in communication and teamwork resulting in fewer difficulties between the departments. Every effort should be made to ensure that the meetings continue to help reduce payroll errors.

The Human Resources and Payroll departments cooperatively provide a new employee orientation each month. Payroll provides packets and takes time to describe each document and answer questions. The payroll team also provides information regarding payroll processes and deadlines, and ensures that employees know when they will receive their first paycheck. During the orientation, payroll provides contact information and business cards so one-on-one meetings can be scheduled to discuss more detailed and sensitive matters. The combined orientation should continue to ensure that new employees receive consistent and accurate information.

The district had four requests to extend payroll deadlines during the 2011-12 fiscal year because of an inoperative county office payroll system, an increased volume of class size overages payments, and one mid-year furlough day each for certificated and classified bargaining unit members. Each extension, except the county office payroll system malfunction, required significant data input to complete the payroll run. All other monthly payrolls for 2011-12 have been completed without an extension of the county office's payroll deadline. Both the district and the county office anticipated that trend would continue for the rest of the 2011-12 fiscal year and into 2012-13.

The district continues to issue a large number of revolving checks because of payroll errors. A comparison of the types of checks issued from the district's revolving account between the 2009-10 and 2010-11 fiscal years revealed that the checks issued for payroll adjustments increased from 212 to 250. During fieldwork, FCMAT was provided a list of payroll errors for 2011-12 and noted that only 37 of 279 entries in the revolving cash fund were attributed to payroll. The district has instituted procedures to accurately record entries into the revolving cash fund and obtain more precise data. These

numbers should decrease in the coming year with renewed efforts between the Payroll and Human Resources departments for timely sharing of information related to processing payroll.

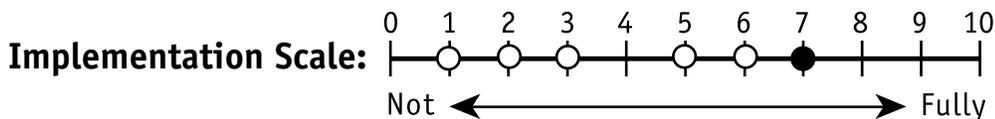
The district provided FCMAT with a list of overpayments to 49 employees/retirees that are owed to the district. Those amounts totaled \$34,039.27, with the largest being \$3,715.61 for long-term sick leave used but not earned by the employee that dates to January 2010. The district's last action to collect that debt was February 24, 2010. The list of overpayments shows that the district renewed its collection efforts from April to September 2011, but it is unknown whether those efforts were successful. The district should continue to refine and document its overpayment collection process including signed payroll reduction agreements and legal action, if necessary, to track, reconcile and collect all overpayments to employees.

The Payroll Department continues to balance the time sheet payrolls and has developed an effective method to balance the monthly payroll. Prior month payroll reports are compared with current month payroll reports and an exception report is generated. Payroll staff then verify each variance for accuracy by obtaining supporting documentation. Each payroll should be verified by payroll staff utilizing a cross-check and balance system prior to the audit review by management staff.

This score remains the same. To obtain a score of 8, all elements of the standard must be fully and substantially implemented.

Standard Implemented: Partially

November 1, 2004 Rating:	1
May 1, 2005 Rating:	2
November 30, 2005 Rating:	2
May 31, 2006 Rating:	3
January 25, 2007 Rating:	3
July 2, 2007 Rating:	5
June 30, 2008 Rating:	6
November 18, 2009 Rating:	7
December 1, 2011 Rating:	7
June 30, 2012 Rating:	7



14.3 Multiyear Financial Projections

Legal Standard:

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

Progress on Implementing the Recommendations of the Improvement Plan:

The district continues to prepare multiyear financial projections per the statutory requirements, using the CDE's SACS software. In FCMAT's opinion, the projections are insufficient because the assumptions are not clear for the future years, are not based on the most current economic information available and contain large negative amounts in expenditure categories to prevent a negative fund balance. The district's assumptions explain that these negative amounts are the categorical expenditures that must be reduced because of the decline in annual funding and carryover balances. However, the reduction amounts are reflected on the unrestricted component of the general fund, rather than in the restricted side of the budget where the categorical expenditures should reside.

The district's Multiyear Fiscal Recovery Plan 2004-2012 was approved by the state Superintendent of Public Instruction during 2006-07. The governing board approved a revised plan in February 2010, but CDE has declined to review it because it determined its review function could be accomplished by referencing the district's SACS reports. The revised plan covers fiscal years 2004-2015. In spring 2011 CDE advised the district it would not be required to update the fiscal recovery plan and should utilize the multiyear financial planning component of the SACS report as its financial planning tool. This is of particular concern to FCMAT given the insufficiency of the district's most recent SACS multiyear financial projections as noted above.

The district's primary strategy to address continued general fund budget deficits is to reduce expenditures while drawing from the special reserve for noncapital outlay, fund 17. The goal is to balance the budget by the time the special reserve fund is exhausted. The most recent multiyear financial plan available to FCMAT indicates that despite many millions of dollars in board-approved budget reductions, the district projects continued structural budget deficits throughout the planning period, which is due in part to the significant reductions in state revenue limit funding that school agencies have received in recent years.

Deposits to fund 17 have included proceeds of the state loan, surplus property sales and tier III state categorical flexible program dollars transferred from the general fund. The balance of the second state loan allocation of \$10 million remains in fund 17 for repayment of the state loan. The balance is \$6.9 million after several years of repayment of this portion of the loan, and it is dedicated to repaying that portion of the state loan and is considered unavailable to the general fund by the district. Surplus property sales have not materialized as originally anticipated, and thus a funding source outside the general fund to repay the \$50 million balance of the first state loan allocation remains unidentified. Tier III categorical fund flexibility will expire in 2014-15, and the district has not formulated a plan to address the loss of flexibility.

The district may have more in committed uses than resources available in fund 17. It has utilized fund 17 reserves to lower general fund budgeted deficits as it strives to reduce expenditures in response to state and federal fiscal crises. This includes advancing savings for 2010-11 for the one year before school closures were done in June 2011 and consolidations were implemented at the beginning

of the 2011-12 school year. It has also dedicated these same funds to debt service payments of the outstanding state loan, and as a funding source for continued apportionment-related audit findings of the State Controller's Office.

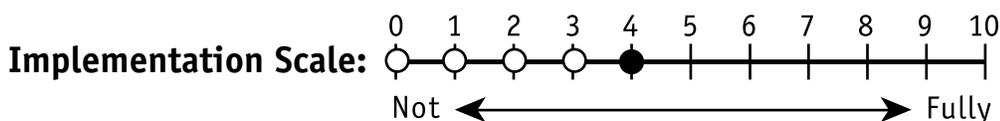
The budget office needs to provide multiyear projection information more frequently than at budget adoption and interim reporting periods during fiscal recovery if material changes occur between reporting periods. The board must understand the effect of all its fiscal decisions on the budget in future years. Multiyear projections should include sufficient detail so that the board is familiar with the information and can more easily comprehend and have confidence in the data. Assumptions should be updated and resubmitted with each financial report because information and data will likely change from one reporting period to the next.

A budget technical review letter of the Solano County Office of Education dated August 22, 2011 indicated the multiyear financial projection was not accompanied by assumptions, making it difficult to provide an adequate review of the projection. The county office reported it would not issue a technical review letter for the district's 2011-12 second interim report. However, its June 11, 2012 report certification letter commented on the district's increased deficit spending and the need for the district to continue to update its multiyear projections.

The score for this standard has increased from 3 to 4, as staff appears engaged in implementing most elements of the standard. To achieve a higher score, the district must develop a multiyear financial projection with clearly defined assumptions based on the best information available. The plan must be updated with every significant fiscal decision of the governing board. The plan should include elimination of the district's general fund structural budget deficit as an outcome. Finally, the plan must identify funding allocations for all outstanding district financial obligations including state loan debt service payments, audit finding penalties and related revenue recapture.

Standard Implemented: Partially

November 1, 2004 Rating:	0
May 1, 2005 Rating:	1
November 30, 2005 Rating:	1
May 31, 2006 Rating:	2
January 25, 2007 Rating:	1
July 2, 2007 Rating:	3
June 30, 2008 Rating:	4
May 31, 2010 Rating:	3
December 1, 2011 Rating:	4
June 30, 2012 Rating:	4



15.4 Long-Term Debt Obligations

Professional Standard:

The district has developed and uses a financial plan to ensure that ongoing unfunded liabilities from employee benefits are recognized as a liability of the school district. A plan has been established for funding retiree health benefit costs as the obligations are incurred.

Progress on Implementing the Recommendations of the Improvement Plan:

The district provides post-employment health care benefits in accordance with the employment contracts to all employees who retire with minimum service of 15 years. Retirees receive district payment for single-party medical premiums, equal to the lowest cost CalPERS HMO plan, for five years or until the retiree attains age 67. Retirees from the California School Employees Association bargaining unit have no age limitation.

In 2004, the Governmental Accounting Standards Board (GASB) issued two statements related to other post-employment benefits (OPEB): GASB 43 and 45. GASB 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, relates to OPEB plans. The most common framework for this statement is a qualifying irrevocable trust administered as an OPEB plan. A school agency using a trust or agency fund to administer financing and payment of benefits would apply GASB 43 requirements for the OPEB plan. If GASB 43 applies, it must be implemented one year prior to GASB 45.

GASB 45 deals exclusively with issues of disclosure and financial reporting and does not require the liability to be prefunded. School agencies may continue funding OPEB on a pay-as-you-go basis. However, according to published reports from Fitch and Standard & Poor's credit rating agencies, reporting a substantial unfunded liability on the agency's financial statements may have a negative effect on future credit and bond ratings.

The accounting standards were phased in over several years, based on the amount of revenue collected by each school agency in its governmental and enterprise funds as of June 30, 1999.

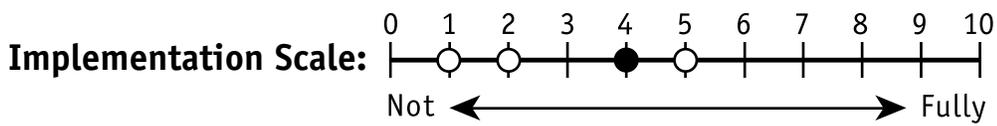
To comply with GASB, a school agency will recognize on its government-wide financial statements not only the payment of current year expenses (pay-as-you-go), but also the future liability over a maximum period not to exceed 30 years. Even if the OPEB is not fully funded by the local agency, the liability must be recognized in the annual audited financial statements.

Actuarial valuations should be conducted at least biannually according to GASB requirements. A new valuation for the district was due in 2010, but to date has not been completed. Thus, a plan to fund the district's retiree benefit obligation has not been implemented, other than the pay-as-you-go method. District staff advised that an actuarial valuation update will be completed during the 2011-12 fiscal year.

The rating for this standard has been decreased because a plan to fund retiree benefit obligations, other than the pay-as-you-go method, has not been implemented and the requirement for an actuarial study update to meet the valuation reporting requirements of GASB was not met. To achieve an increased score the district must adhere to these requirements in a timely manner, and implement a plan to fund the retiree benefit obligations.

Standard Implemented: Partially

November 1, 2004 Rating: 1
May 1, 2005 Rating: 2
November 30, 2005 Rating: 2
May 31, 2006 Rating: 2
January 25, 2007 Rating: 2
July 2, 2007 Rating: 4
June 30, 2008 Rating: 5
November 18, 2009 Rating: 5
December 1, 2011 Rating: 4
Not Reviewed Again in June 2012



16.1 Impact of Collective Bargaining

Professional Standard:

The district has developed parameters and guidelines for the collective bargaining process that ensure that the collective bargaining agreement is not an impediment to the efficiency of district operations or academic progress. At least annually, collective bargaining agreements are analyzed by the management team consisting of the state administrator, and assistant superintendent of administrative services and the chief financial officer. The group meets to identify those characteristics of the respective collective bargaining agreements that may pose an impediment to effective delivery of district operations and academic programs. The district identifies those issues for consideration by the state administrator that are considered a priority for the district to sustain its financial recovery. The state administrator considers the impact on district operations of current collective bargaining language and proposes amendments to district language as appropriate to ensure effective and efficient district delivery. Any parameters developed by the management team are provided in a confidential environment, reflective of the obligations of a closed executive board session.

Progress on Implementing the Recommendations of the Improvement Plan:

The district completed negotiations in August 2010 with its certificated bargaining unit that extended the existing contract as amended through June 30, 2012. The district also completed negotiations for a new three-year contract in April 2010 with its classified association for the period ending June 30, 2012.

New contract articles include a one-time off-the-schedule increase of 2.74% for all employee units, transfer of certain stipend payments and voluntary staff development days to the salary schedule, an increase in student contacts, a one-time mid-year early retirement incentive, and increases in compensation for classified staff professional growth. In previous negotiations a cap was approved on district paid health benefits effective July 1, 2008, maximizing district contributions to levels incurred at January 1, 2008. This provision was retained in the new agreements.

Per the Public Disclosure of Bargaining Agreement form submitted by the district to Solano County Office of Education, the total cost increase for these articles was estimated at \$1.86 million through the 2011-12 year, to be funded by "... additional ending balances, transfers of one-time funds from fund 17 and any additional budget reductions which might be needed if the Retirement Program does not take effect." Estimated savings as a result of the early retirement incentive were not included in this calculation; the final actual savings were \$1.1 million.

The board ratified these agreements at its meeting of June 2, 2010. The disclosure documents were submitted to the county office on May 28, 2010, five days before the scheduled board meeting. Three of these five days were a holiday weekend, allowing county office staff two days for their review. Government Code Section 3540.2 requires any school district with a qualified or negative certification under Education Code Section 42131 to allow the county office of education at least 10 working days to review and comment on any proposed agreement made between the exclusive representative and the public school employer before it is ratified. The district violated this provision of the Government Code in this disclosure process.

The district explained to FCMAT that because of the need to move forward on adopting the budget, the district notified the county office after the tentative agreements were reached and the county office and district worked together on an informal basis, beginning May 10, to develop the disclosure

agreements. It was determined that if the county office could not complete its review by the June 2 board meeting, the ratification would be postponed. Although cooperative relationships are always recommended, the 10-day review period is critical. It is imperative to submit all the required documents to the county office at one time so that adequate review can occur, rather than submitting the documents over a period of time as they are complete, which appears to have occurred in this case.

Negotiations parameters for compensation articles for the 2011-12 year were developed and approved by the school board in April 2011. The district is meeting with its certificated and classified staff bargaining units to identify possible compensation reductions to address the district's ongoing structural deficit and mitigate potential mid-year state funding reductions. Key items under consideration include eight furlough days in the 2011-12 fiscal year, which would save an estimated \$3.5 million annually. Eight furlough days have already been implemented for management staff.

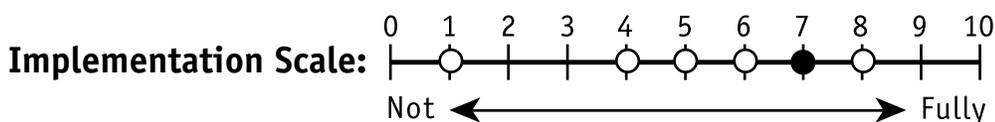
District management has developed a draft plan that identifies 22 major activities for negotiating new collective bargaining agreements that expire June 30, 2012. Specific areas of focus have yet to be developed. Negotiations per this draft plan would commence in April 2012.

A reorganization of the district's upper management level was implemented at the beginning of the 2010-11 fiscal year. A new assistant superintendent of administrative services position was created, which includes responsibility for the Human Resources Department and various operations departments. Director of certificated staff and classified staff positions were also created and filled. The CBO is responsible for all fiscal operations of the district and the risk management program.

The score for this standard has been increased because the district has begun to discuss collective bargaining options as a possible response to mid-year funding reductions for the 2011-12 year. This demonstrates intent to place fiscal stability as a top priority in the district's management of its financial resources. However, the standard is not considered fully implemented as a result of the agreement with bargaining units in 2010 that allocated financial resources in a manner that did not place fiscal recovery and instructional program improvement as a top priority. Maintaining flexibility in collective bargaining would contribute significantly to improving the score for this standard.

Standard Implemented: Partially

November 1, 2004 Rating:	1
May 1, 2005 Rating:	4
November 30, 2005 Rating:	5
May 31, 2006 Rating:	6
January 25, 2007 Rating:	8
July 2, 2007 Rating:	8
June 30, 2008 Rating:	8
May 31, 2010 Rating:	6
December 1, 2011 Rating:	7
Not Reviewed Again in June 2012	



16.2 Impact of Collective Bargaining

Professional Standard:

The state administrator ensures that any guideline developed for collective bargaining is fiscally aligned with the instructional and fiscal goals on a multiyear basis. The state administrator ensures that the district has a formal process in which collective bargaining multiyear costs are identified. Proposed expenditure changes are identified and implemented as necessary prior to any imposition of new collective bargaining obligations. The state administrator ensures that costs and projected district revenues and expenditures are validated on a multiyear basis so that the fiscal issues faced by the district are not worsened by bargaining settlements. The public is informed about budget reductions that will be required for a bargaining agreement prior to any contract acceptance by the state administrator. The public is notified of the provisions of the final proposed bargaining settlement and is provided with an opportunity to comment.

Progress on Implementing the Recommendations of the Improvement Plan:

In accordance with AB 1200 and Government Code Section 3547.5, the district prepared public disclosure documents for the proposed agreements with CSEA and VEA on May 28, 2010. This analysis included the costs of proposed collective bargaining agreements for the current and two subsequent fiscal years.

The disclosure forms were submitted to the Solano County Office of Education five calendar days before the related tentative agreements were ratified by the board on June 2, 2010. Of these five days, three were a holiday weekend, leaving the county office two days to review the disclosure forms and develop any comments. Government Code Section 3540.2 requires any school district with a qualified or negative certification of its budget to allow the county office 10 working days to review any such disclosure.

The disclosure forms indicate that compensation increases of \$1.86 million, or 2.74%, were one-time, off the salary schedule in nature and would be funded by "... additional ending balances, transfers of one-time funds from fund 17 and any additional budget reductions which might be needed" FCMAT remains concerned that allocating limited financial resources to increase compensation, no matter the funding source or the nature, at a time of severe economic distress and with a negative certification of the district budget, is inconsistent with the reality of the current fiscal environment in public education. Cost increases add to the fiscal distress of the district at a time when it should be implementing measures consistent with fiscal recovery. This action is inconsistent with the development of collective bargaining guidelines that align with the district's fiscal goals.

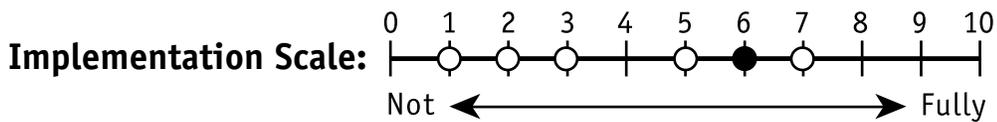
Negotiations parameters for compensation articles for the 2011-12 year were developed and approved by the school board in April 2011. Key items under consideration include implementation of eight furlough days in the 2011-12 fiscal year, which would save an estimated \$3.5 million annually. Eight furlough days have already been implemented for management staff. The targeted savings amount is derived by reference to potential mid-year state funding decreases. If the reductions occur, the district must complete these negotiations in a timely manner to achieve the intended savings in the current fiscal year.

District management has developed a draft plan that lists 22 major activities for negotiating new collective bargaining agreements that expire June 30, 2012. Specific areas of focus have yet to be devel-

oped. The score for this standard has increased because the district is conducting discussions with bargaining units regarding budget balancing options and has begun planning for negotiating a new contract beginning July 1, 2012. Thus the district has preserved options for expenditure reductions.

Standard Implemented: Partially

November 1, 2004 Rating: 1
May 1, 2005 Rating: 2
November 30, 2005 Rating: 3
May 31, 2006 Rating: 5
January 25, 2007 Rating: 5
July 2, 2007 Rating: 6
June 30, 2008 Rating: 7
May 31, 2010 Rating: 5
December 1, 2011 Rating: 6
Not Reviewed Again in June 2012



17.1 Management Information Systems

Professional Standard:

Management information systems support users with information that is relevant, timely, and accurate. Needs assessments are performed to ensure that users are involved in the definition of needs, development of system specifications, and selection of appropriate systems. Additionally, district standards are imposed to ensure the maintainability, compatibility, and supportability of the various systems. The district ensures that all systems are compliant with the new Standardized Account Code Structure (SACS), year 2000 requirements, and are compatible with county systems with which they must interface.

Progress on Implementing the Recommendations of the Improvement Plan:

The Technology and Information Services department has moved from the Business Services Division to the Academic Achievement and Accountability Division. The chief academic officer now oversees the department. This change has generally been received well by all staff that were interviewed. Staff expects that this reorganization will result in better coordination, communication and collaboration between technology and instruction.

Technology Services has made great strides in improving its ticketing (work request) system. According to technology staff, thousands of tickets were entered at the start of school, and at the time of the interviews only a handful of tickets were unresolved. The technology staff has established a prioritization scale to allocate staff to address critical issues. Three or four of the staff are assigned to a site when there are numerous outstanding tickets until all major tickets are resolved. The technology staff also utilizes more remote support tools to more quickly address issues rather than always driving to the sites.

Technology Services has taken on a very large and comprehensive plan to replace aging and outdated workstations with thin client stations. In 2010 a number of pilot labs were set up to test and validate this configuration. Meetings were held to establish the number of stations, the curriculum and productivity suites that were to be made available. The pilot sites were largely successful, and the district has allocated over \$700,000 of its Microsoft K-12 voucher funds to move forward on a district-wide deployment of more than 1,100 thin client stations. At the time of this fieldwork, the move from the pilot phase to the production phase had raised serious concerns that a thorough analysis had not been done to determine if the thin clients would fully meet the needs of the users. A number of key components need to be considered:

1. The back-end server and storage infrastructure needs to be designed and sized appropriately to accommodate the number of thin clients and the applications to be delivered.
2. Network connectivity is required and needs to be managed and designed to provide adequate and reliable bandwidth.
3. Clear expectations need to be communicated and established between users and technology staff as to what thin clients will provide.
4. A comprehensive professional development plan is needed to provide ongoing training for both end users and technology staff.

The district has no comprehensive plan to replace the aging network infrastructure. An updated infrastructure is essential to deliver applications to the thin clients. Technology staff reported that

network switches and routers are four to seven years old, and there is no funding available to replace these devices. Staff also are concerned that cabling and wireless connections in the classrooms are inadequate to meet needs. These are both critical elements of a thin client infrastructure. The technology director also reported that the district had contracted with a consultant to assist with the back-end server storage construction. This has addressed some of the initial performance problems, but the technology staff voiced concerns as to whether this model of back end storage is sustainable.

Regular meetings of the Technology Services staff are calendared but are often cancelled, and it is not clear that the administration is hearing the staff's concerns and issues.

During the previous review the technology staff was struggling with issues relating to data governance and student data management. Documentation was provided indicating that the district has made considerable progress on improving student data management. Technology Services staff members participated in the CALPADS Best Practices training during the last year. This has resulted in improved input and extraction of data. Scheduled trainings have been provided directly to the sites. Resources have been allocated to build Schools Interoperability Framework integration between student information, library, special education and transportation systems. Ongoing training should be held for all users so they are aware this data is available and know how to maintain its integrity.

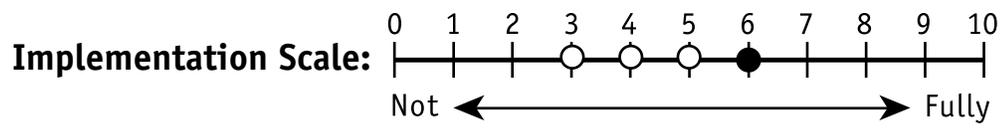
Technology Services has established a procedure to improve the maintenance of its Active Directory. This is done by regularly reviewing board minutes to determine staff changes, additions and deletions. A more timely process would be to have Human Resources communicate these changes electronically to Technology Services.

The district has contracted with an e-rate consultant to help maximize funding for Priority 1 services: telecommunications, WAN connectivity and Internet access. Documentation was provided and corroborated by technology staff, and review of the Universal Service Administrative Company (USAC) website reflects that the district has been successful in receiving this funding. There was no indication of why the district did not apply for Priority 2 services such as LAN equipment at the schools that qualify. A number of the schools could benefit greatly from cable replacement and new network electronics. If the district's e-rate consultant applies for this funding, all local, state and federal procurement rules and Federal Communications Commission (FCC) competitive bid procedures must be followed.

This score has remained at a 6 because while some elements of the standard have been implemented, monitored and are becoming systematic, a number of elements need considerable improvement.

Standard Implemented: Partially

November 1, 2004 Rating:	3
May 1, 2005 Rating:	6
November 30, 2005 Rating:	6
May 31, 2006 Rating:	6
January 25, 2007 Rating:	4
July 2, 2007 Rating:	4
June 30, 2008 Rating:	5
November 18, 2009 Rating:	6
December 1, 2011 Rating:	6
Not Reviewed Again in June 2012	



17.3 Management Information Systems

Professional Standard:

Selection of information systems technology conforms to legal procedures specified in the Public Contract Code. Additionally, there is a process to ensure that needs analyses, cost/benefit analyses, and financing plans are in place prior to commitment of resources. The process facilitates involvement by users, as well as information services staff, to ensure that training and support needs and costs are considered in the acquisition process.

Progress on Implementing the Recommendations of the Improvement Plan:

The district has performed a return on investment study on the viability of a Voice over Internet Protocol (VoIP) telephone system. At this time the district does not believe that it is feasible to replace the current phone system with a VoIP system. The district's analysis shows that the costs would be prohibitive because the infrastructure replacement would be extensive. While this analysis appears logical, in the near future the district will need to replace critical network infrastructure including cabling and electronics. All other technology systems will rely on this infrastructure, and without its replacement other technologies will not be sustainable.

The district has contracted with an e-rate consultant to maximize funding for Priority 1 services: telecommunications, WAN connectivity and Internet access. Documentation provided and corroborated by the technology staff and review of the USAC website reflects that the district has been successful in receiving this funding. There was no indication of why the district did not apply for Priority 2 services such as LAN equipment at the schools that qualify. A number of the schools could benefit greatly from cable replacement and new network electronics.

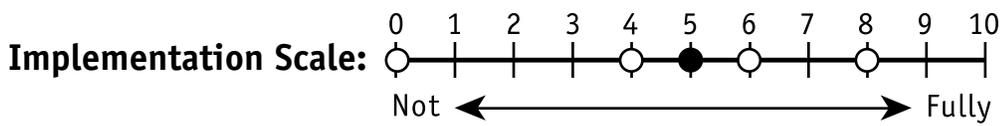
The district has made great strides in providing access to the Aeries Browser Interface (ABI) for teachers to take daily and period by period attendance (where needed). This was a major initiative, and while attendance is collected via ABI, grades are not yet uniformly entered in it. The district continues to be challenged with ensuring that all teachers have adequate access to a working computer or thin client that has this application. Some teachers have to move to the office or another classroom to successfully record attendance.

The thin client infrastructure that the district is installing will serve the needs in certain environments but may not be feasible for all usages. Interviews indicate that the thin clients may not serve all the instructional and administrative needs. A more thorough analysis of all the district's users' needs to be considered before a final selection of thin clients is made. Many school districts have a mix of thin clients in some instructional settings such as labs and desktops, or laptops for teachers and administrative machines, with a phased-in transition to a complete thin client setup. FCMAT also strongly recommends that the district select a highly qualified consultant through a competitive process to help design and support the thin client installation.

The score for this standard has increased from a 4 to 5 because the district has made considerable improvements in completing cost/benefit analyses for particular projects. The district has yet to provide adequate resources to thoroughly address network infrastructure.

Standard Implemented: Partially

November 1, 2004 Rating: 0
May 1, 2005 Rating: 6
November 30, 2005 Rating: 8
May 31, 2006 Rating: 8
January 25, 2007 Rating: 4
July 2, 2007 Rating: 4
June 30, 2008 Rating: 4
November 18, 2009 Rating: 4
December 1, 2011 Rating: 5
Not Reviewed Again in June 2012



17.4 Management Information Systems

Professional Standard:

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

Progress on Implementing the Recommendations of the Improvement Plan:

The district has a full-time technology trainer to train both classified and certificated staff. Trainings have been offered at the district office and at various sites throughout the district.

Certificated staff have received training on the attendance component of the Aeries Browser Interface (ABI). Most components of this major undertaking are in full production. Ongoing concerns were reported by teachers and administrators regarding adequate workstation access. FCMAT observed at one site that staff had to share computers or go to the office to complete student attendance because their own computers were not working adequately. The grade book component has only been deployed at certain grade levels. Instituting a clear and consistent standards-based report card will require close coordination with curriculum and instruction.

Classified staff has received training provided by the county office of education on the CECC employee leave tracking software module. Attendance office staff have also received training on the key data elements of the student information system. This has resulted in sites providing cleaner data to the district and ultimately to the state. District participation in the CALPADS Best Practices cohort has been a very positive step.

Training has also been provided on classroom technology such as the e-Beam interactive white board, although no documentation was provided as to how many staff actually received training. Other classroom tools that were identified were CaliQity, a learning management environment, as well as Moodle for online learning.

Datawise is the district's curriculum assessment system. FCMAT highly recommends that the district continue to work with Aeries to determine how Datawise can be directly bridged to the Aeries student information system (SIS) to ensure that data and student rosters are accurately synchronized and alleviating Aeries' concerns about the integrity of the system and data. Currently, Aeries student information is downloaded every night, which updates student rosters when the assessment data is accessed, so that department and site users of Datawise can use pivot tables or other software (Access) to correlate Datawise data with data in Aeries. As technology advances and integrity concerns are alleviated, the district should once again consider unloading the data directly.

The district is also in the early phases of engaging a consultant (CPSI) to bridge other systems that require connections with its student information system. The district and its vendor should develop a plan that identifies and maps the integration of each data source and the rules for how data will flow from one system to another. This will require detailed planning and ultimately staff development to ensure that these systems can be sustained throughout the district.

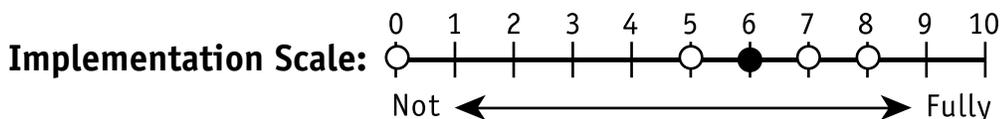
Adequate training of site staff and even technology staff has been lacking as the district has begun to roll out the thin client infrastructure. It was clear from interviews that technology staff did not feel adequately able to support either the infrastructure elements or the end users. Development and

implementation of increased training at all levels and clear communications regarding all aspects of the thin client installation are essential.

The score for this standard has been increased to 6 because the district has made considerable improvements in providing staff development in many areas, with the exception of the thin client implementation.

Standard Implemented: Partially

November 1, 2004 Rating:	0
May 1, 2005 Rating:	7
November 30, 2005 Rating:	7
May 31, 2006 Rating:	8
January 25, 2007 Rating:	6
July 2, 2007 Rating:	6
June 30, 2008 Rating:	6
November 18, 2009 Rating:	5
December 1, 2011 Rating:	6
Not Reviewed Again in June 2012	



18.1 Maintenance and Operations Fiscal Controls

Professional Standard:

The district has a comprehensive risk management program that monitors the various aspects of risk management including workers' compensation, property and liability insurance, and maintains the financial well-being of the district.

Progress on Implementing the Recommendations of the Improvement Plan:

The district provided FCMAT with loss statistics reports, claims frequency reports and other data that were compiled by independent consultant firms and district staff. District staff review all claims and make recommendations based on loss data for workers' compensation and property and liability claims.

The district obtains its fully insured workers' compensation insurance from Edgewood Partners Insurance Center but was self-insured between April 1, 2003 and July 31, 2005. The district received a workers' compensation actuarial study on May 23, 2011. Per this report, expected self-insured losses for the period noted above have increased about \$1 million since the last study in 2008. Loss rates for the fully insured periods are projected to increase in 2011 and remain at that level for 2012, consistent with experience in the general market for K-12 school districts. Claim frequency was expected to increase as well, although this calculation is affected by reduced total compensation. Claim severity, or the average cost of each claim, was also projected to increase. According to the study, the outlook for workers' compensation costs in California remains poor, and several market factors indicate that costs will continue to rise significantly.

The district provided FCMAT with two property and liability insurance loss reports. A report dated December 2010 showed \$2.3 million in incurred claims (defined as the combined total of paid claims and reserves for future costs). A second report dated April 2011 showed \$2.4 million in incurred claims, a slight increase over the previous report. The district did not present actuarial data for either of these reports.

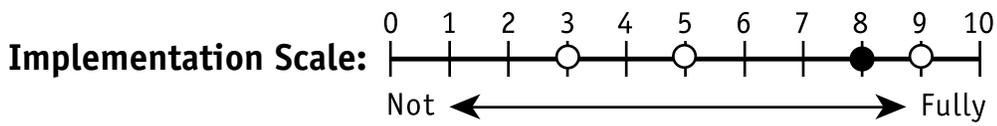
District personnel receive technical training in self-insurance, understanding actuarial data, claims processing, subrogation recoveries, and reinsurance claims. The district has utilized a third party broker to assist and train staff. The duties and responsibilities of risk management have moved from Human Resources to the Business Services Division. In 2010-11 the CBO assumed complete responsibility for administration of the risk management program with the elimination of the risk manager position. The CBO has requested to attend workshops and training on risk management.

The district has completed a draft risk management instruction booklet that includes topics such as student accidents, first aid training, athletic insurance, and workers' compensation responsibilities.

The score for this standard has not changed because of the increase in workers' compensation program losses. The district's experience rate is too high as compared to other districts. The district needs to maintain or reduce its workers' compensation costs to improve the score.

Standard Implemented: Fully - Substantially

November 1, 2004 Rating: 3
May 1, 2005 Rating: 3
November 30, 2005 Rating: 5
May 31, 2006 Rating: 5
January 25, 2007 Rating: 8
July 2, 2007 Rating: 8
June 30, 2008 Rating: 9
November 18, 2009 Rating: 8
December 1, 2011 Rating: 8
Not Reviewed Again in June 2012



18.2 Maintenance and Operations Fiscal Controls

Professional Standard:

The district has a work order system that tracks all maintenance requests, the worker assigned, dates of completion, labor time spent and the cost of materials.

Progress on Implementing the Recommendations of the Improvement Plan:

The district implemented a new automated Web-based maintenance work order system in July 2010 to manage and monitor maintenance needs. The system also tracks preventative maintenance, labor, and cost of materials.

The system is designed to allow site and department staff to track online the status of any outstanding work order that has been submitted. This feature is functional; however, because an employee was absent from work for one month, data had not been input into the system in a timely manner at the time of FCMAT's fieldwork. Often staff must contact the maintenance office to determine the status of work orders. Staff reported that when such contacts are made they receive timely and informative responses.

The previous work order software allowed access to a maximum of 15 users at any given time. This caused delays to system users' ability to submit and research work orders. The new software is Web-based, providing unlimited access that has resolved this issue.

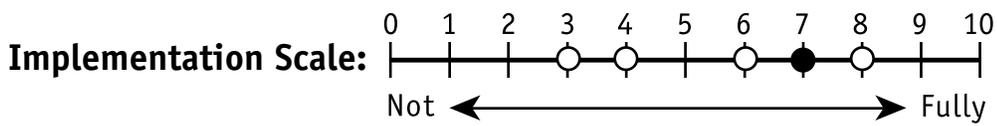
The custodial staff has primary responsibility for operating the system at school sites. The district also cross-trained site clerical staff on system use. School site staff reported that not all custodians are proficient in its use, and thus clerical staff are the primary system operators at the schools. With the implementation of custodial staffing reductions in recent years, this challenge remains.

Work order response time has increased in the last year because of maintenance department budget/staffing reductions. The department has placed a higher priority on certain requests, such as safety issues and graffiti removal, and those requests are filled typically within 24-48 hours. However, some site staff reported that some furniture and equipment utilized far beyond their expected useful lives are not repaired or replaced, creating safety concerns for students, staff and visitors to the school site.

The score for this standard is unchanged. The implementation of a functioning work order system has improved system function and reliability, but staffing reductions in the maintenance department have contributed to increased work order response times. To obtain a score of 8, all elements of the standard must be fully and substantially implemented.

Standard Implemented: Partially

November 1, 2004 Rating: 3
May 1, 2005 Rating: 4
November 30, 2005 Rating: 6
May 31, 2006 Rating: 7
January 25, 2007 Rating: 8
July 2, 2007 Rating: 8
June 30, 2008 Rating: 8
November 18, 2009 Rating: 7
December 1, 2011 Rating: 7
Not Reviewed Again in June 2012



18.5 Maintenance and Operations Fiscal Controls

Professional Standard:

Materials and equipment/tools inventory is safeguarded from loss through appropriate physical and accounting controls.

Progress on Implementing the Recommendations of the Improvement Plan:

The district conducted and completed an asset inventory and valuation project for capital assets over the capitalization threshold in September 2010. The appraisal report was completed by Asset Works and accounts for all capital assets as of June 30, 2010. Capitalization thresholds consistent with GASB 34 requirements were utilized. GASB 34 requires the district to maintain complete and current fixed asset records for accounting purposes.

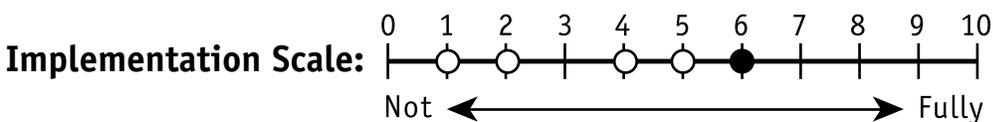
Various board policies were established in February 2008 to ensure that the district's accounting records correctly reflect the district's current assets and their value. Policies require an annual inventory and sign-off by each site and certification to verify the location of fixed assets prior to the end of each fiscal year. The asset inventory sheets were distributed to principals and other responsible managers in October 2011. Distribution was delayed because the inventories need to reflect the transfer of assets associated with the closure of three schools last June.

The maintenance department has automated its tracking and monitoring processes for all power and hand tools either checked out or permanently located on district vehicles. The tool checkout sheets have been placed on the district's shared "I drive," including signature copies of the lists for each employee. Inventory is performed on issuance of tools to a new employee, with replacements issued only on return of the used equipment. The equipment for vehicles may be checked out by team number and is tracked to each vehicle, site location, hours utilized, and date checked in.

The score for this standard has increased from 5 to 6 because the elements of the standard are implemented, monitored and becoming systematic.

Standard Implemented: Partially

November 1, 2004 Rating:	1
May 1, 2005 Rating:	1
November 30, 2005 Rating:	2
May 31, 2006 Rating:	2
January 25, 2007 Rating:	4
July 2, 2007 Rating:	4
June 30, 2008 Rating	6
November 18, 2009 Rating:	5
December 1, 2011 Rating:	6
Not Reviewed Again in June 2012	



22.1 Special Education

Professional Standard:

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

Progress on Implementing the Recommendations of the Improvement Plan:

The fiscal employee assigned to monitor special education budgets has been working with the special education budgets for approximately one year. She works closely with the department director as questions or issues arise and has become more knowledgeable about the various programs and funding mechanisms. Although previously scheduled quarterly meetings to specifically review the special education budget in detail have not occurred for approximately one year, the director has stated she would like those meetings, consisting of herself and the fiscal support staff, to occur once again.

The 2011-12 budget development was very detailed and different than the previous fiscal years. Rather than “rolling over” the prior year budget, each expenditure category was analyzed and researched to ensure that budget duplications were not occurring, and to determine whether additional cost containment could be found. This took many meetings, emails and phone conversations with various staff.

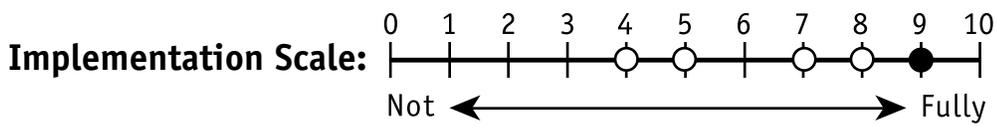
FCMAT reviewed 2010-11 expenditure reports versus those of 2009-10, and the special education expenditures from year to year appear reasonable. The more significant variances, such as nonpublic school decreases and nonpublic agency increases, were attributed to an increase in foster students and specific requests for least restrictive educational environment.

The Business Services Division is responsible for preparing the maintenance of effort (MOE) reports. FCMAT reviewed the 2009-10 MOE reports to ensure the district was in compliance. The special education director continues to monitor the special education encroachment, looks for ways to reduce expenditures, and develops effective programs. Examples of program changes that have proved successful include co-teaching, the Everest Alternative Program and the Learning Centers at Hogan Middle School and Vallejo High School. The encroachment on the unrestricted general fund should continue to be decreased whenever possible, while ensuring that programs are appropriate for students. The director should continue examining programs that can be modified or delivered differently.

The rating in this area will remain at a 9. A rating of 9 reflects that all elements of the standard are fully and substantially implemented and have been sustained for a full school year.

Standard Implemented: Fully - Substantially

November 1, 2004 Rating: 4
May 1, 2005 Rating: 5
November 30, 2005 Rating: 7
May 31, 2006 Rating: 8
January 25, 2007 Rating: 8
July 2, 2007 Rating: 8
June 30, 2008 Rating: 9
November 18, 2009 Rating: 9
December 1, 2011 Rating: 9
Not Reviewed Again in June 2012



Standard to be addressed		Nov. 2004 Rating	May 2005 Rating	Nov. 2005 Rating	May 2006 Rating	Jan. 2007 Rating	July 2007 Rating	July 2008 Rating	Nov. 2009/ May 2010 Rating	Dec. 2011/ June 2012 Rating
1.1	PROFESSIONAL STANDARD - INTERNAL CONTROL ENVIRONMENT Integrity and ethical behavior are the product of the district's ethical and behavioral standards, how they are communicated, and how they are reinforced in practice. All management-level personnel exhibit high integrity and ethical values in carrying out their responsibilities and directing the work of others. [State Audit Standard (SAS) 55, SAS-78]	2	2	3	4	4	5	6	6	6
1.2	PROFESSIONAL STANDARD - INTERNAL CONTROL ENVIRONMENT The district has an audit committee to: (1) help prevent internal controls from being overridden by management; (2) help ensure ongoing state and federal compliance; (3) provide assurance to management that the internal control system is sound; and (4) help identify and correct inefficient processes. [SAS-55, SAS-78]	0								
1.3	PROFESSIONAL STANDARD - INTERNAL CONTROL ENVIRONMENT The attitude of the Governing Board and key administrators has a significant effect on an organization's internal control. An appropriate attitude balances the programmatic and staff needs with fiscal realities in a manner that is neither too optimistic nor too pessimistic. [SAS-55, SAS-78]	2								
1.4	PROFESSIONAL STANDARD - INTERNAL CONTROL ENVIRONMENT The organizational structure clearly identifies key areas of authority and responsibility. Reporting lines are clearly identified and logical within each area. [SAS-55, SAS-78]	2	2	3	4	5	5	6	6	6/7
1.5	PROFESSIONAL STANDARD - INTERNAL CONTROL ENVIRONMENT Management has the ability to evaluate job requirements and match the requirements to the employee's skills. [SAS-55, SAS-78]	1								
1.6	PROFESSIONAL STANDARD - INTERNAL CONTROL ENVIRONMENT The district has procedures for recruiting capable financial management and staff and hiring competent people. [SAS-55, SAS-78]	2								
1.7	PROFESSIONAL STANDARD - INTERNAL CONTROL ENVIRONMENT All employees are evaluated on performance at least annually by a management-level employee knowledgeable about their work product. The evaluation criteria are clearly communicated and, to the extent possible, measurable. The evaluation includes a follow-up on prior performance issues and establishes goals to improve future performance.	1	1	2	2	3	4	5	5	5

The standards in bold text are the identified subset of standards for ongoing reviews.

Standard to be addressed		Nov. 2004 Rating	May 2005 Rating	Nov. 2005 Rating	May 2006 Rating	Jan. 2007 Rating	July 2007 Rating	July 2008 Rating	Nov. 2009/ May 2010 Rating	Dec. 2011/ June 2012 Rating
1.8	PROFESSIONAL STANDARD - INTERNAL CONTROL ENVIRONMENT The responsibility for reliable financial reporting resides first and foremost at the district level. Top management sets the tone and establishes the environment. Therefore, appropriate measures are implemented to discourage and detect fraud (SAS 82; Treadway Commission).	2	2	3	4	4	5	5	5	5
2.1	PROFESSIONAL STANDARD - INTER- AND INTRADEPARTMENTAL COMMUNICATIONS The business and operational departments communicate regularly with internal staff and all user departments on their responsibilities for accounting procedures and internal controls. The communications are written whenever possible, particularly when they (1) affect many staff or user groups, (2) are issues of high importance, or (3) reflect a change in procedures. Procedures manuals are necessary to the communication of responsibilities. The departments also are responsive to user department needs, thus encouraging a free exchange of information between the two (excluding items of a confidential nature).	1	1	3	4	6	7	6	6	6/7
2.2	PROFESSIONAL STANDARD - INTER- AND INTRADEPARTMENTAL COMMUNICATIONS The financial departments communicate regularly with the Governing Board and community on the status of district finances and the financial impact of proposed expenditure decisions. The communications are written whenever possible, particularly when they affect many community members, are issues of high importance to the district and board, or reflect a change in policy.	2	2	3	3	2	4	6	6	6/7
2.3	PROFESSIONAL STANDARD - INTER- AND INTRADEPARTMENTAL COMMUNICATIONS The Governing Board is engaged in understanding globally the fiscal status of the district, both current and as projected. The board prioritizes district fiscal issues among the top discussion items.	1	1	3	3	3	4	5	5	5
2.4	PROFESSIONAL STANDARD - INTER- AND INTRADEPARTMENTAL COMMUNICATIONS The district has formal policies and procedures that provide a mechanism for individuals to report illegal acts, establish to whom illegal acts should be reported, and provide a formal investigative process.	0	0	2	3	3	4	4	4	4/5
2.5	PROFESSIONAL STANDARD - INTER- AND INTRADEPARTMENTAL COMMUNICATIONS Documents developed by the fiscal division for distribution to the Governing Board, finance committees, staff and community are easily understood. Those who receive documents developed by the fiscal division do not have to wade through complex, lengthy computer printouts.	1	1	3	3	3	4	5	5	6

The standards in bold text are the identified subset of standards for ongoing reviews.

Standard to be addressed		Nov. 2004 Rating	May 2005 Rating	Nov. 2005 Rating	May 2006 Rating	Jan. 2007 Rating	July 2007 Rating	July 2008 Rating	Nov. 2009/ May 2010 Rating	Dec. 2011/ June 2012 Rating
3.1	PROFESSIONAL STANDARD - STAFF PROFESSIONAL DEVELOPMENT The district has developed and uses a professional development plan for training business staff. The plan includes the input of business office supervisors and managers, and, at a minimum, identifies appropriate programs office-wide. At best, each individual staff and management employee has a plan designed to meet their individual professional development needs.	0	0	0	2	3	5	5	4	4/6
3.2	PROFESSIONAL STANDARD - STAFF PROFESSIONAL DEVELOPMENT The district develops and uses a professional development plan for the in-service training of school site/department staff by business staff on relevant business procedures and internal controls. The plan includes the input of the business office and the school sites/departments and is updated annually.	0	0	1	2	3	5	5	5	5
4.1	PROFESSIONAL STANDARD - INTERNAL AUDIT The Governing Board has adopted policies establishing an internal audit function that reports directly to the Superintendent/State Administrator and the audit committee or Governing Board.	0	1	3	5	5	6	7	7	7
4.2	PROFESSIONAL STANDARD - INTERNAL AUDIT Internal audit functions are designed into the organizational structure of the district. These functions include periodic internal audits of areas at high risk for non-compliance with laws and regulations and/or at high risk for monetary loss.	0	0	0	3	3	4	5	5	5
4.3	PROFESSIONAL STANDARD - INTERNAL AUDIT Qualified staff are assigned to conduct internal audits and are supervised by an independent body, such as an audit committee.	0								
4.4	PROFESSIONAL STANDARD - INTERNAL AUDIT Internal audit findings are reported on a timely basis to the audit committee, governing board and administration, as appropriate. Management then takes timely action to follow up and resolve audit findings.	0								
5.1	PROFESSIONAL STANDARD - BUDGET DEVELOPMENT PROCESS (POLICY) The budget development process requires a policy-oriented focus by the Governing Board to develop an expenditure plan that fulfills the district's goals and objectives. The Governing Board focuses on expenditure standards and formulas that meet the district goals. The Governing Board avoids specific line-item focus, but directs staff to design an entire expenditure plan focusing on student and district needs.	3								
5.2	PROFESSIONAL STANDARD - BUDGET DEVELOPMENT PROCESS (POLICY) The budget development process includes input from staff, administrators, board and community.	3								

The standards in bold text are the identified subset of standards for ongoing reviews.

Standard to be addressed		Nov. 2004 Rating	May 2005 Rating	Nov. 2005 Rating	May 2006 Rating	Jan. 2007 Rating	July 2007 Rating	July 2008 Rating	Nov. 2009/ May 2010 Rating	Dec. 2011/ June 2012 Rating
5.3	PROFESSIONAL STANDARD - BUDGET DEVELOPMENT PROCESS (POLICY) Policies and regulations exist regarding budget development and monitoring.	2								
5.4	PROFESSIONAL STANDARD - BUDGET DEVELOPMENT PROCESS (POLICY) The district has a clear process to analyze resources and allocations to ensure that they are aligned with strategic planning objectives and that the budget reflects district priorities.	2	4	5	5	4	5	5	6	6
5.5	PROFESSIONAL STANDARD - BUDGET DEVELOPMENT PROCESS (POLICY) The district has policies to facilitate development of a budget that is understandable, meaningful, reflective of district priorities, and balanced in terms of revenues and expenditures.	3	5	5	5	4	5	5	4	5/4
5.6	PROFESSIONAL STANDARD - BUDGET DEVELOPMENT PROCESS (POLICY) Categorical funds are an integral part of the budget process and have been integrated into the entire budget development. The revenues and expenditures for categorical programs are reviewed and evaluated in the same manner as unrestricted General Fund revenues and expenditures. Categorical program development is integrated with the district's goals and used to respond to district student needs that cannot be met by unrestricted expenditures. The superintendent, superintendent's cabinet and fiscal office have established procedures to ensure that categorical funds are expended effectively to meet district goals. Carryover and unearned income of categorical programs are monitored and evaluated in the same manner as General Fund unrestricted expenditures.	4								
5.7	PROFESSIONAL STANDARD - BUDGET DEVELOPMENT PROCESS (POLICY) The district has the ability to accurately reflect its net ending balance throughout the budget monitoring process. The first and second interim reports provide valid updates of the district's net ending balance. The district has tools and processes that ensure that there is an early warning of any discrepancies between the budget projections and actual revenues or expenditures.	0	2	3	4	4	5	5	3	4
5.8	PROFESSIONAL STANDARD - BUDGET DEVELOPMENT PROCESS (POLICY) The district utilizes formulas for allocating funds to school sites and departments. This can include staffing ratios, supply allocations, etc. These formulas should be in line with the board's goals and directions, and should not be overridden.	3								

The standards in bold text are the identified subset of standards for ongoing reviews.

Standard to be addressed		Nov. 2004 Rating	May 2005 Rating	Nov. 2005 Rating	May 2006 Rating	Jan. 2007 Rating	July 2007 Rating	July 2008 Rating	Nov. 2009/ May 2010 Rating	Dec. 2011/ June 2012 Rating
6.1	PROFESSIONAL STANDARD - BUDGET DEVELOPMENT PROCESS (TECHNICAL) The budget office has a technical process to build the preliminary budget amounts that includes: the forecast of revenues, the verification and projection of expenditures, the identification of known carryovers and accruals and the inclusion of concluded expenditure plans. The process clearly identifies one-time sources and uses of funds. Reasonable ADA and COLA estimates are used when planning and budgeting. This process is applied to all funds.	0	3	4	4	3	5	5	5	6
6.2	PROFESSIONAL STANDARD - BUDGET DEVELOPMENT PROCESS (TECHNICAL) An adopted budget calendar exists that meets legal and management requirements. At a minimum the calendar identifies statutory due dates and major budget development activities.	3								
6.3	PROFESSIONAL STANDARD - BUDGET DEVELOPMENT PROCESS (TECHNICAL) Standardized budget worksheets are used in order to communicate budget requests, budget allocations, formulas applied and guidelines.	3								
7.1	LEGAL STANDARD - BUDGET ADOPTION, REPORTING, AND AUDITS The district adopts its annual budget within the statutory time lines established by Education Code Section 42103, which requires that on or before July 1, the governing board shall hold a public hearing on the budget to be adopted for the subsequent fiscal year. Not later than five days after that adoption or by July 1, whichever occurs first, the governing board shall file that budget with the county superintendent of schools. [EC 42127(a)]	3								
7.2	LEGAL STANDARD - BUDGET ADOPTION, REPORTING, AND AUDITS Revisions to expenditures based on the State Budget are considered and adopted by the governing board. Not later than 45 days after the governor signs the annual Budget Act, the district shall make available for public review any revisions in revenues and expenditures that it has made to its budget to reflect funding available by that Budget Act. [EC 42127(2) and 42127(i)(4)]	3								
7.3	PROFESSIONAL STANDARD - BUDGET ADOPTION, REPORTING, AND AUDITS The district has procedures that provide for the development and submission of a district budget and interim reports that adhere to criteria and standards and are approved by the county office of education.	3								
7.4	LEGAL STANDARD - BUDGET ADOPTION, REPORTING, AND AUDITS The district completes and files its interim budget reports within the statutory deadlines established by Education Code Section 42130, et. seq.	2								

The standards in bold text are the identified subset of standards for ongoing reviews.

Standard to be addressed		Nov. 2004 Rating	May 2005 Rating	Nov. 2005 Rating	May 2006 Rating	Jan. 2007 Rating	July 2007 Rating	July 2008 Rating	Nov. 2009/ May 2010 Rating	Dec. 2011/ June 2012 Rating
7.5	PROFESSIONAL STANDARD - BUDGET ADOPTION, REPORTING, AND AUDITS The first and second interim reports show an accurate projection of the ending fund balance. Material differences are presented to the board of education with detailed explanations.	0	0	3	4	3	4	4	3	5/4
7.6	LEGAL STANDARD - BUDGET ADOPTION, REPORTING, AND AUDITS The district has complied with Governmental Accounting Standard No. 34 (GASB 34) for the period ending June 30, 2003. GASB 34 requires the district to develop policies and procedures and report in the annual financial reports on the modified accrual basis of accounting and the accrual basis of accounting.	1								
7.7	LEGAL STANDARD - BUDGET ADOPTION, REPORTING, AND AUDITS The district has arranged for an annual audit (single audit) within the deadlines established by Education Code section 41020.	3								
7.8	LEGAL STANDARD - BUDGET ADOPTION, REPORTING, AND AUDITS The district should include in its audit report, but not later than March 15, a corrective action for all findings disclosed as required by Education Code Section 41020.	4								
7.9	LEGAL STANDARD - BUDGET ADOPTION, REPORTING, AND AUDITS The district must file certain documents/reports with the state as follows: J-200 series - (Education Code Section 42100); J-380 series - CDE procedures; Interim financial reports - (Education Code Section 42130); J-141 transportation report (Title V, article 5, Section 15270).	4								
7.10	LEGAL STANDARD - BUDGET ADOPTION, REPORTING, AND AUDITS Education Code Section 41020(c) (d) (e) (g) establishes procedures for local agency audit obligations and standards. Pursuant to Education Code Section 41020(h), the district submits to the county superintendent of schools in the county that the district resides, the State Department of Education, and the State Controller's Office an audit report for the preceding fiscal year. This report must be submitted "no later than December 15."	5								
8.1	PROFESSIONAL STANDARD - BUDGET MONITORING All purchase orders are properly encumbered against the budget until payment.	3	4	5	5	6	6	7	7	8/5
8.2	PROFESSIONAL STANDARD - BUDGET MONITORING There are budget monitoring controls, such as periodic reports, to alert department and site managers of the potential for overexpenditure of budgeted amounts. Revenue and expenditures are forecast and verified monthly.	1	3	5	5	5	5	6	6	6

The standards in bold text are the identified subset of standards for ongoing reviews.

Standard to be addressed		Nov. 2004 Rating	May 2005 Rating	Nov. 2005 Rating	May 2006 Rating	Jan. 2007 Rating	July 2007 Rating	July 2008 Rating	Nov. 2009/ May 2010 Rating	Dec. 2011/ June 2012 Rating
8.3	PROFESSIONAL STANDARD - BUDGET MONITORING The routine restricted maintenance account is routinely analyzed to ensure that income has been properly claimed and expenditures are within the guidelines provided by the State Department of Education. The district budget includes specific budget information to reflect the expenditures against the routine maintenance account.	6								
8.4	PROFESSIONAL STANDARD - BUDGET MONITORING Budget revisions are made on a regular basis and occur per established procedures, and are approved by the Governing Board.	5								
8.5	PROFESSIONAL STANDARD - BUDGET MONITORING The district uses an effective position control system that tracks personnel allocations and expenditures. The position control system effectively establishes checks and balances between personnel decisions and budgeted appropriations.	6	7	7	7	7	7	7	6	6
8.6	PROFESSIONAL STANDARD - BUDGET MONITORING The district monitors both the revenue limit calculation and the special education calculation at least quarterly to adjust for any differences between the financial assumptions used in the initial calculations and the final actuals as they are known.	6								
8.7	PROFESSIONAL STANDARD - BUDGET MONITORING The district monitors the site reports of revenues and expenditures provided.	0								
9.1	PROFESSIONAL STANDARD - BUDGET COMMUNICATIONS The district budget is a clear manifestation of district policies and is presented in a manner that facilitates communication of those policies.	0								
9.2	PROFESSIONAL STANDARD - BUDGET COMMUNICATIONS The district budget clearly identifies one-time sources and uses of funds.	0								
10.1	LEGAL STANDARD - INVESTMENTS The Governing Board reviews and approves, at a public meeting and on a quarterly basis, the district's investment policy. [GC 53646]	0								
11.1	PROFESSIONAL STANDARD - ATTENDANCE ACCOUNTING An accurate record of daily enrollment and attendance is maintained at the sites and reconciled monthly.	1	4	5	6	6	6	6	8	8

The standards in bold text are the identified subset of standards for ongoing reviews.

Standard to be addressed		Nov. 2004 Rating	May 2005 Rating	Nov. 2005 Rating	May 2006 Rating	Jan. 2007 Rating	July 2007 Rating	July 2008 Rating	Nov. 2009/ May 2010 Rating	Dec. 2011/ June 2012 Rating
11.2	PROFESSIONAL STANDARD - ATTENDANCE ACCOUNTING Policies and regulations exist for independent study, home study, inter/intradistrict agreements and districts of choice, and address fiscal impact.	1								
11.3	PROFESSIONAL STANDARD - ATTENDANCE ACCOUNTING Students are enrolled by staff and entered into the attendance system in an efficient, accurate and timely manner.	2	3	3	4	5	6	6	8	8
11.4	PROFESSIONAL STANDARD - ATTENDANCE ACCOUNTING At least annually, the school district verifies that each school bell schedule meets instructional time requirements for minimum day, year and annual minute requirements.	4								
11.5	PROFESSIONAL STANDARD - ATTENDANCE ACCOUNTING Procedures are in place to ensure that attendance accounting and reporting requirements are met for alternative programs such as ROC/P and adult education.	1								
11.6	PROFESSIONAL STANDARD - ATTENDANCE ACCOUNTING The district utilizes standardized and mandatory programs to improve the attendance rate of pupils. Absences are aggressively followed-up by district staff.	0	3	4	5	6	6	6	6	6
11.7	PROFESSIONAL STANDARD - ATTENDANCE ACCOUNTING School site personnel receive periodic and timely training on the district's attendance procedures, system procedures and changes in laws and regulations.	0	1	3	4	5	6	6	8	9
11.8	LEGAL STANDARD - ATTENDANCE ACCOUNTING Attendance records are not destroyed until after the third July 1 succeeding the completion of the audit. (Title V, CCR, Section 16026)	5								
11.9	PROFESSIONAL STANDARD - ATTENDANCE ACCOUNTING The district makes appropriate use of short-term independent study and Saturday school programs as alternative methods for pupils to keep current on classroom course work.	0								
12.1	LEGAL STANDARD - ACCOUNTING, PURCHASING, AND WAREHOUSING The district adheres to the California School Accounting Manual (CSAM) and Generally Accepted Accounting Principles (GAAP) as required by Education Code Section 41010. Adherence to CSAM and GAAP helps to ensure that transactions are accurately recorded and financial statements are fairly presented.	2								

Standard to be addressed		Nov. 2004 Rating	May 2005 Rating	Nov. 2005 Rating	May 2006 Rating	Jan. 2007 Rating	July 2007 Rating	July 2008 Rating	Nov. 2009/ May 2010 Rating	Dec. 2011/ June 2012 Rating
12.2	PROFESSIONAL STANDARD - ACCOUNTING, PURCHASING, AND WAREHOUSING The district timely and accurately records all information regarding financial activity (unrestricted and restricted) for all programs. Generally Accepted Accounting Principles (GAAP) require that in order for financial reporting to serve the needs of the users, it must be reliable and timely. Therefore, the timely and accurate recording of the underlying transactions (revenue and expenditures) is an essential function of the district's financial management.	2	2	2	3	3	5	5	6	5/6
12.3	PROFESSIONAL STANDARD - ACCOUNTING, PURCHASING, AND WAREHOUSING The district forecasts its revenues and expenditures and verifies those projections on a monthly basis in order to adequately manage its cash. In addition, the district reconciles its cash to bank statements and reports from the county treasurer reports on a monthly basis. Standard accounting practice dictates that, in order to ensure that all cash receipts are deposited timely and recorded properly, cash is reconciled to bank statements monthly.	1	2	2	4	3	5	4	6	5/6
12.4	PROFESSIONAL STANDARD - ACCOUNTING, PURCHASING, AND WAREHOUSING The district's payroll procedures are in compliance with the requirements established by the County Office of Education, unless fiscally independent. (Education Code Section 42646) Standard accounting practice dictates that the district implement procedures to ensure the timely and accurate processing of payroll.	1	2	2	3	3	5	6	7	7
12.5	PROFESSIONAL STANDARD - ACCOUNTING, PURCHASING, AND WAREHOUSING Standard accounting practice dictates that the accounting work is properly supervised and work reviewed in order to ensure that transactions are recorded timely and accurately, and allow the preparation of periodic financial statements.	1								
12.6	PROFESSIONAL STANDARD - ACCOUNTING, PURCHASING, AND WAREHOUSING Federal and state categorical programs, either through specific program requirements or through general cost principles such as OMB Circular A-87, require that entities receiving such funds must have an adequate system to account for those revenues and related expenditures.	1								

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Standard to be addressed		Nov. 2004 Rating	May 2005 Rating	Nov. 2005 Rating	May 2006 Rating	Jan. 2007 Rating	July 2007 Rating	July 2008 Rating	Nov. 2009/ May 2010 Rating	Dec. 2011/ June 2012 Rating
12.7	PROFESSIONAL STANDARD - ACCOUNTING, PURCHASING, AND WAREHOUSING Generally accepted accounting practices dictate that, in order to ensure accurate recording of transactions, the district have standard procedures for closing its books at fiscal year-end. The district's year-end closing procedures should comply with the procedures and requirements established by the county office of education.	1								
12.8	LEGAL STANDARD - ACCOUNTING, PURCHASING, AND WAREHOUSING The district complies with the bidding requirements of Public Contract Code Section 20111. Standard accounting practice dictates that the district have adequate purchasing and warehousing procedures to ensure that only properly authorized purchases are made, that authorized purchases are made consistent with district policies and management direction, that inventories are safeguarded, and that purchases and inventories are timely and accurately recorded.	2								
12.9	PROFESSIONAL STANDARD - ACCOUNTING, PURCHASING, AND WAREHOUSING The district has documented procedures for the receipt, expenditure and monitoring of all construction-related activities. Included in the procedures are specific requirements for the approval and payment of all construction-related expenditures.	3								
12.10	PROFESSIONAL STANDARD - ACCOUNTING, PURCHASING, AND WAREHOUSING The accounting system has an appropriate level of controls to prevent and detect errors and irregularities.	2								
12.11	PROFESSIONAL STANDARD - ACCOUNTING, PURCHASING, AND WAREHOUSING The district has implemented the new Standardized Account Code Structure. SACS ensures the district is in compliance with federal guidelines, which will ensure no loss of federal funds, e.g., Title I federal class size reduction.	5								
13.1	LEGAL STANDARD - STUDENT BODY FUNDS The Governing Board adopts policies and procedures to ensure compliance regarding how student body organizations deposit, invest, spend, raise and audit student body funds. [EC 48930-48938]	4								
13.2	LEGAL STANDARD - STUDENT BODY FUNDS Proper supervision of all student body funds is provided by the board. [EC 48937] This includes establishing responsibilities for managing and overseeing the activities and funds of student organizations, including providing procedures for the proper handling, recording and reporting of revenues and expenditures.	4								

Standard to be addressed		Nov. 2004 Rating	May 2005 Rating	Nov. 2005 Rating	May 2006 Rating	Jan. 2007 Rating	July 2007 Rating	July 2008 Rating	Nov. 2009/ May 2010 Rating	Dec. 2011/ June 2012 Rating
13.3	PROFESSIONAL STANDARD - STUDENT BODY FUNDS The district provides training and guidance to site personnel on the policies and procedures governing the Associated Student Body account.	4								
13.4	PROFESSIONAL STANDARD - STUDENT BODY FUNDS In order to provide adequate oversight of student funds and to ensure the proper handling and reporting, the California Department of Education recommends that periodic financial reports be prepared by sites, and then summarized by the district office.	2								
13.5	PROFESSIONAL STANDARD - STUDENT BODY FUNDS In order to provide adequate oversight of student funds and to ensure proper handling and reporting, the California Department of Education recommends that internal audits be performed. Such audits should review the operation of student body funds at both district and site levels.	2								
14.1	PROFESSIONAL STANDARD - MULTIYEAR FINANCIAL PROJECTIONS A reliable computer program that provides reliable multiyear financial projections is used.	0								
14.2	LEGAL STANDARD - MULTIYEAR FINANCIAL PROJECTIONS The district annually provides a multiyear revenue and expenditure projection for all funds of the district. Projected fund balance reserves are disclosed. The assumptions for revenues and expenditures are reasonable and supportable. [EC 42131]	0								
14.3	LEGAL STANDARD - MULTIYEAR FINANCIAL PROJECTIONS Multiyear financial projections are prepared for use in the decision-making process, especially whenever a significant multiyear expenditure commitment is contemplated. [EC 42142]	0	1	1	2	1	3	4	3	4
15.1	LEGAL STANDARD - LONG-TERM DEBT OBLIGATIONS The district complies with public disclosure laws of fiscal obligations related to health and welfare benefits for retirees, self-insured workers compensation, and collective bargaining agreements. [GC 3540.2, 3547.5, EC 42142]	3								
15.2	PROFESSIONAL STANDARD - LONG-TERM DEBT OBLIGATIONS When authorized, the district uses only non-voter approved, long-term financing such as certificates of participation (COPS), revenue bonds, and lease-purchase agreements (capital leases) to address capital needs, and not operations. Further, the general fund is used to finance current school operations, and in general is not used to pay for these types of long-term commitments.	2								

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Standard to be addressed		Nov. 2004 Rating	May 2005 Rating	Nov. 2005 Rating	May 2006 Rating	Jan. 2007 Rating	July 2007 Rating	July 2008 Rating	Nov. 2009/ May 2010 Rating	Dec. 2011/ June 2012 Rating
15.3	PROFESSIONAL STANDARD - LONG-TERM DEBT OBLIGATIONS For long-term liabilities/debt service, the district prepares debt service schedules and identifies the dedicated funding sources to make those debt service payments. The district projects cash receipts from the dedicated revenue sources to ensure that it will have sufficient funds to make periodic debt payments. The cash flow projections are monitored on an ongoing basis to ensure that any variances from projected cash flows are identified as early as possible to allow the district sufficient time to take appropriate measures or identify alternative funding sources.	2								
15.4	PROFESSIONAL STANDARD - LONG-TERM DEBT OBLIGATIONS The district has developed and uses a financial plan to ensure that ongoing unfunded liabilities from employee benefits are recognized as a liability of the school district. A plan has been established for funding retiree health benefit costs as the obligations are incurred.	1	2	2	2	2	4	5	5	4
16.1	PROFESSIONAL STANDARD - IMPACT OF COLLECTIVE BARGAINING The district has developed parameters and guidelines for collective bargaining that ensure that the collective bargaining agreement is not an impediment to efficiency of district operations. At least annually, collective bargaining agreements are analyzed by management to identify those characteristics that are impediments to effective delivery of district operations. The district identifies those issues for consideration by the Governing Board. The Governing Board, in the development of its guidelines for collective bargaining, considers the impact on district operations of current collective bargaining language, and proposes amendments to district language as appropriate to ensure effective and efficient district delivery. Governing Board parameters are provided in a confidential environment, reflective of the obligations of a closed executive board session.	1	4	5	6	8	8	8	6	7

Standard to be addressed		Nov. 2004 Rating	May 2005 Rating	Nov. 2005 Rating	May 2006 Rating	Jan. 2007 Rating	July 2007 Rating	July 2008 Rating	Nov. 2009/ May 2010 Rating	Dec. 2011/ June 2012 Rating
16.2	PROFESSIONAL STANDARD - IMPACT OF COLLECTIVE BARGAINING The Governing Board ensures that any guideline developed for collective bargaining is fiscally aligned with the instructional and fiscal goals on a multiyear basis. The Superintendent ensures that the district has a formal process in which collective bargaining multiyear costs are identified for the Governing Board, and those expenditure changes are identified and implemented as necessary prior to any imposition of new collective bargaining obligations. The Governing Board ensures that costs and projected district revenues and expenditures are validated on a multiyear basis so that the fiscal issues faced by the district are not worsened by bargaining settlements. The public is informed about budget reductions that will be required for a bargaining agreement prior to any contract acceptance by the Governing Board. The public is notified of the provisions of the final proposed bargaining settlement and is provided with an opportunity to comment.	1	2	3	5	5	6	7	5	6
17.1	PROFESSIONAL STANDARD - MANAGEMENT INFORMATION SYSTEMS Management information systems support users with information that is relevant, timely, and accurate. Needs assessments are performed to ensure that users are involved in the definition of needs, development of system specifications, and selection of appropriate systems. Additionally, district standards are imposed to ensure the maintainability, compatibility, and supportability of the various systems. The district ensures that all systems are compliant with the new Standardized Account Code Structure (SACS), year 2000 requirements, and are compatible with county systems with which they must interface.	3	6	6	6	4	4	5	6	6
17.2	PROFESSIONAL STANDARD - MANAGEMENT INFORMATION SYSTEMS Automated systems are used to improve accuracy, timeliness, and efficiency of financial and reporting systems. Needs assessments are performed to determine what systems are candidates for automation, whether standard hardware and software systems are available to meet the need, and whether or not the district would benefit. Automated financial systems provide accurate, timely, relevant information and conform to all accounting standards. The systems are designed to serve all of the various users inside and outside the district. Employees receive appropriate training and supervision in the operation of the systems. Appropriate internal controls are instituted and reviewed periodically.	8								

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Standard to be addressed		Nov. 2004 Rating	May 2005 Rating	Nov. 2005 Rating	May 2006 Rating	Jan. 2007 Rating	July 2007 Rating	July 2008 Rating	Nov. 2009/ May 2010 Rating	Dec. 2011/ June 2012 Rating
17.3	PROFESSIONAL STANDARD - MANAGEMENT INFORMATION SYSTEMS Selection of information systems technology conforms to legal procedures specified in the Public Contract Code. Additionally, there is a process to ensure that needs analyses, cost/benefit analyses, and financing plans are in place prior to commitment of resources. The process facilitates involvement by users, as well as information services staff, to ensure that training and support needs and costs are considered in the acquisition process.	0	6	8	8	4	4	4	4	5
17.4	PROFESSIONAL STANDARD - MANAGEMENT INFORMATION SYSTEMS Major technology systems are supported by implementation and training plans. The cost of implementation and training is included with other support costs in the cost/benefit analyses and financing plans supporting the acquisition of technology systems.	0	7	7	8	6	6	6	5	6
17.5	PROFESSIONAL STANDARD - MANAGEMENT INFORMATION SYSTEMS Access to administrative systems is reliable and secure. Communications pathways that connect users with administrative systems are as free of single-points-of-failure as possible, and are highly fault tolerant.	3								
17.6	PROFESSIONAL STANDARD - MANAGEMENT INFORMATION SYSTEMS Hardware and software purchases conform to existing technology standards. Standards for copiers, printers, fax machines, networking equipment, and all other technology assets are defined and enforced to increase standardization and decrease support costs. Requisitions that contain hardware or software items are forwarded to the technology department for approval prior to being converted to purchase orders. Requisitions for non-standard technology items are approved by the technology department unless the user is informed that district support for non-standard items will not be available.	3								
17.7	PROFESSIONAL STANDARD - MANAGEMENT INFORMATION SYSTEMS Computers are replaced on a schedule based on hardware specifications.	2								

Standard to be addressed		Nov. 2004 Rating	May 2005 Rating	Nov. 2005 Rating	May 2006 Rating	Jan. 2007 Rating	July 2007 Rating	July 2008 Rating	Nov. 2009/ May 2010 Rating	Dec. 2011/ June 2012 Rating
17.8	PROFESSIONAL STANDARD - MANAGEMENT INFORMATION SYSTEMS The following network standards, established for school districts, are being followed by the district: <ul style="list-style-type: none"> • A stable firewall is used with a separate DMZ and "inside" network. • The district follows EIA/TIA 568-B for all network cabling. • A Web content filter is used for all outbound Internet access. • The district uses an e-mail spam filter for all inbound e-mail. • Administrative and academic network traffic is kept separate. • Switches and network hubs are installed, and the district ensures that switches support certain features. • Login banners are added to all network elements that will support them. • The district has transitioned from all non-TCP/IP protocols. • The district uses a VPN for any access to the internal network from the outside. 	4								
18.1	PROFESSIONAL STANDARD - MAINTENANCE AND OPERATIONS FISCAL CONTROLS The district has a comprehensive risk-management program that monitors the various aspects of risk management including workers compensation, property and liability insurance, and maintains the financial well being of the district.	3	3	5	5	8	8	9	8	8
18.2	PROFESSIONAL STANDARD - MAINTENANCE AND OPERATIONS FISCAL CONTROLS The district has a work order system that tracks all maintenance requests, the worker assigned, dates of completion, labor time spent and the cost of materials.	3	4	6	7	8	8	8	7	7
18.3	PROFESSIONAL STANDARD - MAINTENANCE AND OPERATIONS FISCAL CONTROLS The district controls the use of facilities and charges fees for usage in accordance with district policy.	6								
18.4	PROFESSIONAL STANDARD - MAINTENANCE AND OPERATIONS FISCAL CONTROLS The Maintenance Department follows standard district purchasing protocols. Open purchase orders may be used if controlled by limiting the employees authorized to make the purchase and the amount.	6								
18.5	PROFESSIONAL STANDARD - MAINTENANCE AND OPERATIONS FISCAL CONTROLS Materials and equipment/tools inventory is safeguarded from loss through appropriate physical and accounting controls.	1	1	2	2	4	4	6	5	6

The standards in bold text are the identified subset of standards for ongoing reviews.

Standard to be addressed		Nov. 2004 Rating	May 2005 Rating	Nov. 2005 Rating	May 2006 Rating	Jan. 2007 Rating	July 2007 Rating	July 2008 Rating	Nov. 2009/ May 2010 Rating	Dec. 2011/ June 2012 Rating
18.6	PROFESSIONAL STANDARD - MAINTENANCE AND OPERATIONS FISCAL CONTROLS District-owned vehicles are used only for district purposes. Fuel is inventoried and controlled as to use.	2								
18.7	LEGAL STANDARD - MAINTENANCE AND OPERATIONS FISCAL CONTROLS Vending machine operations are subject to policies and regulations set by the State Board of Education. All vending machine contracts reflect these policies and regulations. An adequate system of inventory control also exists. [EC 48931]	3								
18.8	LEGAL STANDARD - MAINTENANCE AND OPERATIONS FISCAL CONTROLS Capital equipment and furniture is tagged as district-owned property and inventoried at least annually.	2								
18.9	LEGAL STANDARD - MAINTENANCE AND OPERATIONS FISCAL CONTROLS The district adheres to bid and force account requirements found in the Public Contract Code (Sections 20111 and 20114). These requirements include formal bids for materials, equipment and maintenance projects that exceed \$50,000; capital projects of \$15,000 or more; and labor when the job exceeds 750 hours or the materials exceed \$21,000.	7								
18.10	PROFESSIONAL STANDARD - MAINTENANCE AND OPERATIONS FISCAL CONTROLS Standard accounting practices dictate that the district has adequate purchasing and contract controls to ensure that only properly authorized purchases are made and independent contracts approved, and that authorized purchases and independent contracts are made consistent with district policies, procedures, and management direction. In addition, appropriate levels of signature authorization are maintained to prevent or discourage inappropriate purchases or contract awards.	6								
19.1	PROFESSIONAL STANDARD - FOOD SERVICE FISCAL CONTROLS In order to accurately record transactions and to ensure the accuracy of financial statements for the cafeteria fund in accordance with generally accepted accounting principles, the district has adequate purchasing and warehousing procedures to ensure that: 1. Only properly authorized purchases are made consistent with district policies, federal guidelines, and management direction. 2. Adequate physical security measures are in place to prevent the loss/theft of food inventories. 3. Revenues, expenditures, inventories, and cash are recorded timely and accurately.	7								
19.2	PROFESSIONAL STANDARD - FOOD SERVICE FISCAL CONTROLS The district operates the food service programs in accordance with applicable laws and regulations.	7								

The standards in bold text are the identified subset of standards for ongoing reviews.

Standard to be addressed		Nov. 2004 Rating	May 2005 Rating	Nov. 2005 Rating	May 2006 Rating	Jan. 2007 Rating	July 2007 Rating	July 2008 Rating	Nov. 2009/ May 2010 Rating	Dec. 2011/ June 2012 Rating
19.3	PROFESSIONAL STANDARD - FOOD SERVICE FISCAL CONTROLS Food service software permits point of sale transaction processing for maximum efficiency.	7								
20.1	PROFESSIONAL STANDARD - CHARTER SCHOOLS In the process of reviewing and approving charter schools, the district identifies/es-tablishes minimal financial management and reporting standards that the charter school will follow. These standards/procedures will provide some level of assurance that finances will be managed appropriately, and allow the district to monitor the charter. The district monitors the financial management and performance of the charter schools on an ongoing basis in order to ensure that the resources are appropriately managed.	1								
21.1	PROFESSIONAL STANDARD - STATE-MANDATED COSTS The district has procedures that provide for the appropriate oversight and management of mandated cost claim reimbursement filing. Appropriate procedures cover: the identification of changes to existing mandates; training staff regarding the appropriate collection and submission of data to support the filing of mandated costs claims; forms, formats, and time lines for reporting mandated cost information; and review of data and preparation of the actual claims.	2								
22.1	PROFESSIONAL STANDARD - SPECIAL EDUCATION The district actively takes measures to contain the cost of special education services while still providing an appropriate level of quality instructional and pupil services to special education pupils.	4	5	7	8	8	8	9	9	9

The standards in bold text are the identified subset of standards for ongoing reviews.