



CSIS California School Information Services

Vallejo City Unified School District

Staffing and Organizational Review

April 25, 2018



Michael H. Fine
Chief Executive Officer







CSIS California School Information Services

April 25, 2018

Adam Clark, Ed.D, Superintendent
Vallejo City Unified School District
665 Walnut Avenue
Vallejo, CA 94592

Dear Superintendent Clark:

In September 2017, the Vallejo City Unified School District and the Fiscal Crisis and Management Assistance Team (FCMAT) entered into an agreement for a staffing and organizational review. Specifically, the agreement stated that FCMAT would perform the following:

1. Conduct an organizational and staffing review of the district's Business Department and make recommendations for staffing improvements, if any.
2. Review operational processes and procedures for the Business Department and make recommendations for improved efficiency, if any.

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

FCMAT appreciates the opportunity to serve the Vallejo City Unified School District extends thanks to all the staff for their cooperation and assistance during fieldwork.

Sincerely,

Michael H. Fine
Chief Executive Officer

FCMAT

Michael H. Fine, Chief Executive Officer

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About FCMAT

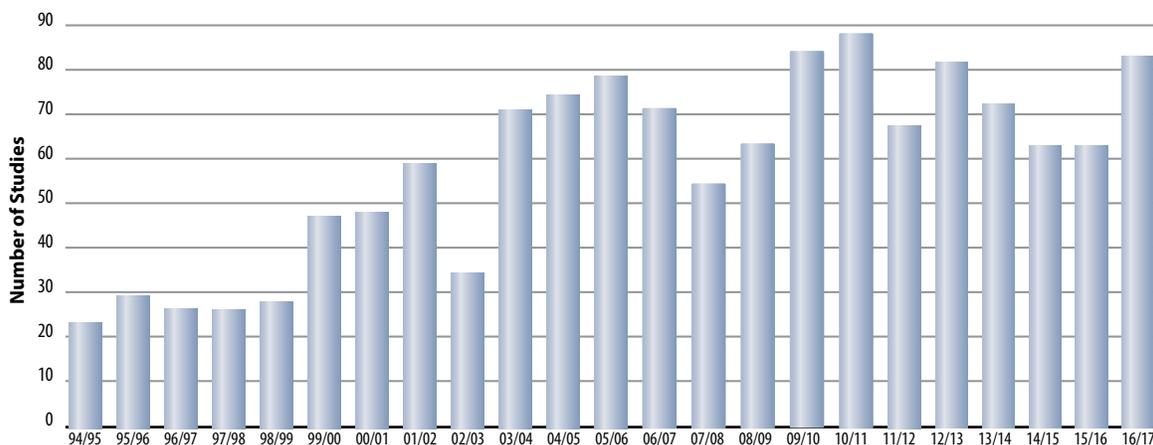
FCMAT's primary mission is to assist California's local K-14 educational agencies to identify, prevent, and resolve financial, human resources and data management challenges. FCMAT provides fiscal and data management assistance, professional development training, product development and other related school business and data services. FCMAT's fiscal and management assistance services are used not just to help avert fiscal crisis, but to promote sound financial practices, support the training and development of chief business officials and help to create efficient organizational operations. FCMAT's data management services are used to help local educational agencies (LEAs) meet state reporting responsibilities, improve data quality, and inform instructional program decisions.

FCMAT may be requested to provide fiscal crisis or management assistance by a school district, charter school, community college, county office of education, the state Superintendent of Public Instruction, or the Legislature.

When a request or assignment is received, FCMAT assembles a study team that works closely with the LEA to define the scope of work, conduct on-site fieldwork and provide a written report with findings and recommendations to help resolve issues, overcome challenges and plan for the future.

FCMAT has continued to make adjustments in the types of support provided based on the changing dynamics of K-14 LEAs and the implementation of major educational reforms.

Studies by Fiscal Year



FCMAT also develops and provides numerous publications, software tools, workshops and professional development opportunities to help LEAs operate more effectively and fulfill their fiscal oversight and data management responsibilities. The California School Information Services (CSIS) division of FCMAT assists the California Department of Education with the implementation of the California Longitudinal Pupil Achievement Data System (CALPADS). CSIS also hosts and maintains the Ed-Data website (www.ed-data.org) and provides technical expertise to the Ed-Data partnership: the California Department of Education, EdSource and FCMAT.

FCMAT was created by Assembly Bill (AB) 1200 in 1992 to assist LEAs to meet and sustain their financial obligations. AB 107 in 1997 charged FCMAT with responsibility for CSIS and its state-wide data management work. AB 1115 in 1999 codified CSIS' mission.

AB 1200 is also a statewide plan for county offices of education and school districts to work together locally to improve fiscal procedures and accountability standards. AB 2756 (2004) provides specific responsibilities to FCMAT with regard to districts that have received emergency state loans.

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

Since 1992, FCMAT has been engaged to perform more than 1,000 reviews for LEAs, including school districts, county offices of education, charter schools and community colleges. The Kern County Superintendent of Schools is the administrative agent for FCMAT. The team is led by Michael H. Fine, Chief Executive Officer, with funding derived through appropriations in the state budget and a modest fee schedule for charges to requesting agencies.

Introduction

Background

Located in Solano County, the Vallejo City Unified School District has a five-member governing board and serves approximately 14,554 students at seventeen elementary schools, four middle schools, three high schools and three continuation, adult and community schools. Based on information from the California Department of Education (CDE), the district's unduplicated pupil percentage, which includes students who qualify for free and reduced-price meals, those who are English learners, and foster youth, is 76.1%.

In September 2017, the district and the Fiscal Crisis and Management Assistance Team (FCMAT) entered into an agreement for FCMAT to provide management assistance to review the district's Business Services department.

Study and Report Guidelines

FCMAT visited the district on December 18 – December 22, 2017 to conduct interviews, collect data and review documents. Additional work was performed off site after the visit.

This report is the result of those activities and is divided into the following sections:

- Executive Summary
- Organizational Structure and Staffing
- Internal Controls
- Organizational Culture and Communications
- Staff Development and Training
- Payroll
- Budget
- Absence Tracking
- Position Control
- Appendix

FCMAT's reports focus on systems and processes that may need improvement. Those that may be functioning well are generally not commented on in FCMAT's reports. In writing its reports, FCMAT uses the Associated Press Stylebook, a comprehensive guide to usage and accepted style that emphasizes conciseness and clarity. In addition, this guide emphasizes plain language, discourages the use of jargon and capitalizes relatively few terms.

Study Team

The study team was composed of the following members:

Michelle Giacomini
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Yolo County Office of Education*
Woodland, CA

John Lotze
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Each team member reviewed the draft report to confirm accuracy and achieve consensus on the final recommendations.

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

Executive Summary

A school district should be staffed according to the basic theories of organizational structure used in other school agencies of similar size and type, and its structure should reflect generally accepted theories, which include span of control, chain of command, and line and staff authority. A review of comparable districts indicates that the district office is overstaffed. The district should consider reducing district business office staff by at least five full-time equivalent positions immediately, and make additional reductions once processes are automated and staff are better trained.

An organizational chart shows the structure and the relationship of all positions to one another and is necessary to identify the chain of command and the functional areas of each staff member. On the district's 2017-18 organizational chart, many of the positions in the accounting department have different supervisor titles than what is stated in the job descriptions.

Job descriptions for district office staff should be reviewed and updated to ensure they are current and include minimum lifting and repetitive duty requirements, essential functions, and the date the job description was approved and/or revised by the governing board.

The division of labor among district office staff members is not equitable, and some duties need to be reallocated. In addition, several job descriptions have overlapping duties; this makes it unclear to staff who is responsible for what task.

The structure of the Business Services department at the time of FCMAT's visit does not establish an appropriate chain of command under the direction of the chief business officer. The district should consider a new organizational structure consisting of a director of business services and two middle management accounting positions, one for payroll and one for finance and budget. This will allow for greater accountability and efficiency.

There is a lack of collaboration, teamwork and effective communication among several district office support staff members, and a significant amount of internal strife is caused by the perception of workload inequity, inappropriate placement of assigned duties, and a lack of customer service. Staff interactions should be more collaborative and easily adaptive to changing workloads; staff need to work together to create an effective team.

A focus on customer service is important for a successful district office, and leadership is needed to facilitate better communication among staff members. The district does not conduct regular meetings with district office support staff to help ensure better communication, resolve issues, and promote a sense of teamwork. It also lacks an annual mandatory workshop for school site and department administrators and support staff that includes applicable human resources, fiscal services and payroll processes, procedures and timelines and hold staff accountable for following them. The district should implement such meetings and workshops. In addition, ongoing information and training should be provided at the administrators'/principals' meeting and/or at separate training sessions to improve communication and discuss changes in processes and procedures. Pertinent information from these meetings should be provided to the support staff.

The district is not planning for staff development or for appropriate training for leaders in the organization. The district has a history of promoting employees into positions for which they are not qualified, without proper training. This has led to heavy reliance on outside vendors to complete tasks that should be completed by staff.

Little or no cross-training occurs for many of the district's key functions such as balancing cash, reconciling general ledger accounts, and annual closing procedures. The district should develop and implement a plan to ensure employees are cross-trained in key functions.

The district lacks automated processes, including for payroll time sheets, absence tracking, and employee change forms (Form 6). Implementing such processes would reduce the amount of employee time needed to complete tasks.

The lack of communication and cooperation between the district's Human Resources and Business Services departments is significant enough to raise concerns. Deficiencies include incorrect employee change forms, a lack of timeliness in new orientation meetings for classified employees, and a lack of tracking and deduction of pay when an employee exceeds his or her sick leave balance. The latter deficiency violates the prohibition against gifts of public funds.

Findings and Recommendations

Organizational Structure and Staffing

A school district's organizational structure should establish the framework for leadership and the delegation of specific duties and responsibilities for all staff members. This structure should be managed to maximize resources and reach identified goals, and it should adapt as the district's enrollment increases or declines. A district should be staffed according to generally accepted theories of organizational structure and the standards used in other school agencies of similar size and type. The most common theories of organizational structure are span of control, chain of command, and line and staff authority.

Span of Control

Span of control refers to the number of subordinates reporting directly to a supervisor. Although there is no agreed-upon ideal number of subordinates for span of control, it is generally agreed that the span can be larger at lower levels of an organization than at higher levels because subordinates at lower levels typically perform more routine duties and therefore can be more effectively supervised, according to *Principles of School Business Management* by Craig R. Wood, David C. Thompson and Lawrence O. Picus.

Chain of Command

Chain of command refers to the flow of authority in an organization and is characterized by two significant principles. Unity of command suggests that a subordinate is only accountable to one supervisor, thus eliminating the potential for an employee to receive conflicting direction and instruction from a variety of supervisors; and the scalar principle suggests that authority and responsibility should flow in a direct vertical line from top management to the lowest level so subordinates at every level in the organization follow the chain of command and only communicate through their immediate supervisor. The result is a hierarchical division of labor as described in *Principles of School Business Management*.

Line and Staff Authority

Line authority is the relationship between supervisors and subordinates and refers to the direct line in the chain of command. For example, the normal structure FCMAT finds in school districts, including at Vallejo City Unified School District, is that the superintendent has direct-line authority over the chief business officer (CBO), and the CBO has direct-line authority over the various managers in the business services department. Conversely, staff authority is advisory in nature. Staff personnel do not have the authority to make and implement decisions; rather, they act in support roles to line personnel (managers). The organizational structure of local educational agencies contains both line and staff authority.

As indicated above, the purpose of any organizational structure is to establish the framework for leadership and the delegation of specific duties and responsibilities for all staff members. In addition, the structure should help guide district managers as they make key decisions to facilitate student learning while balancing financial resources. As a district's enrollment increases or declines, the organizational structure should adapt as needed. The organizational structure should outline the management process and its specific links to the formal system of communication, authority and responsibility needed to achieve the district's goals and objectives. Authority in a

public school district originates with the elected governing board, which hires a superintendent to oversee the district. Through the superintendent, authority and responsibility are delegated to the district's administrators and staff.

Management positions are typically responsible for supervising employees and overseeing the work of the department for which they are responsible. They must ensure that staff members understand all district policies and procedures and perform their duties in a timely and accurate manner. Managers must also serve as a liaison between their department and others to identify and resolve problems and to design and modify processes and procedures as necessary. Management positions should not typically be responsible for a department's routine daily functions; these should be assigned to department support staff.

The district documented and provided to FCMAT its business office organizational structure for 2017-18 and its approved job descriptions. As indicated below, some of the supervisor job titles on the organizational chart do not match the information in the job descriptions. An organizational chart is important because it shows the structure and the relationship of all positions to one another and identifies the chain of command and the functional areas for which each staff member is responsible. For clarity and consistency, supervisors' titles on the organizational chart should match those on the approved job descriptions.

In addition, some job descriptions list the department name as Fiscal Services and others list it as Business Services. For purposes of this report, the name Business Services will be used.

The following table shows how the organizational chart and various job descriptions differ in listing designated supervisors for various positions.

| Position | Supervisor per Job Description | Supervisor per Organizational Chart |
|----------------------------------|---|--|
| Director of Business Services | Assistant Superintendent, Business Services | Chief Business Officer |
| Buyer II | Director of Purchasing & Stores | Purchasing/Risk Manager |
| Senior General Ledger Accountant | Director of Fiscal Services | Accounting Manager |
| Accounting Analyst | Accounting Supervisor | Director of Business Services |
| Accounting Technician | Accounting Supervisor | Accounting Manager |
| Payroll Manager | Director of Fiscal Services | Chief Business Officer |
| Benefits Specialist | Chief Financial Officer | Payroll/Benefits Manager |
| Payroll Technician | Payroll Supervisor | Payroll/Benefits Manager |
| Lead Reprographics Technician | Director of Purchasing & Stores | Warehouse Operations Lead |
| Warehouse Operations Lead | Director of Purchasing & Stores | Asst. Director of School Nutrition Services, Reprographics/Warehouse |

Interviews with staff revealed that several tasks may be more appropriately accomplished by other employees than those to whom they are currently assigned, and in some cases more than one employee performs the same duties, which causes ambiguity and overlapping duties not only among staff but also at the manager level. The district would benefit from reorganizing the Business Services department and reassigning job duties to eliminate duplication of duties between manager and staff level positions. Once job duties are reorganized and specifics determined, the district will be able to update the job descriptions. The current Business Services job descriptions are well written but lack board approval dates, and some of the documents provided to FCMAT were in draft form.

Collaboration and Customer Service

There is a lack of collaboration, teamwork and effective communication among several district business office support staff members, and a significant amount of internal strife is caused by the perception of workload inequity, inappropriate placement of assigned duties, and a lack of customer service. Ongoing issues related to workload have reportedly created difficulty among business office staff for many years. Some staff members indicated that they have more work than others and therefore believe some of their duties should be assigned to other employees.

The Business Services department has four different managers, and staff who report to one manager rarely talk to staff who report to a different manager. Although each staff member performs a different function (such as payroll, budget, accounting, or purchasing/risk management), little cross-training occurs and there is little understanding of other staff members' duties and functions.

Staff members focus on their duties independently, without communicating effectively or operating as a team. Staff interactions need to be more collaborative, and staff need to be able to easily adapt to changing workloads. Staff relationships affect office efficiency; the district office support staff positions are interdependent in nature, and employees must work together to create an effective team regardless of who their manager is.

School sites and departments do not seem to be aware of whom to call in the Business Services department for various issues. As a result, most call a staff member they are familiar with in the hopes their issue will be forwarded to the correct staff member. Information from interviews indicates the department is not responsive to customers' needs. Response time is excessive when telephone or email messages are left.

The district needs to encourage and foster a work climate in which mutual support takes place so that ongoing questions and information sharing are the norm. Customers of the Business Services department need to feel comfortable asking questions so that communication is kept open, positive and cooperative.

The district lacks a functions chart for each support position in the district office that includes each major area of responsibility. This is needed so customers understand who can directly help them. The chart should delineate each position and all the responsibilities assigned to it, and the position that acts as a backup for each function. This would help provide efficient operation and customer service. It is best practice to also distribute a list of district office staff at the beginning of each school year, make it available on the website, and revise it when changes occur. This helps school sites and departments know whom to contact for routine issues involving payroll, accounts payable, budget questions and purchase requisitions.

Based on interviews with staff throughout the district, there is a longstanding lack of effective communication and customer service between district office staff and school site personnel. A focus on customer service is important for a successful business office. This is a significant concern, and the district's leaders will need to intervene to facilitate better communication among staff members. The business office needs to make every effort to provide clear, concise and timely communication to its customers. Through a collaborative effort, district staff can change perceptions and improve customer service.

It would benefit the district for the superintendent and CBO to work with district office staff on team building and to clarify expectations among staff members. This would help cooperation become a part of the organizational culture and build a cohesive district office. Employees will need to be given clear expectations regarding standards for working together and the conse-

quences of not following them. The roles and responsibilities of staff will need to be closely monitored until clear lines of authority and responsibility have become accepted.

Ongoing issues will require the CBO to lend additional support. If after these efforts employees are unsuccessful, the district must be prepared to document the problems and behaviors and issue appropriate disciplinary warnings, notices and letters as provided for by district policies.

To facilitate this change, the district will need to consider scheduling regular meetings with district office support staff to better communicate, resolve issues, and promote a sense of teamwork. An emphasis should be placed on understanding issues and jointly solving problems.

Interviews with employees indicated that while some individual employee needs -- such as flexible work schedules and necessary training -- are being addressed, this is not occurring departmentwide.

A lack of accurate data, poor relationships among some employees, and a sense of frustration and other related problems may be caused in large part by the isolation of functions, processes and procedures and the associated lack of knowledge and openness regarding how they are interrelated and often interdependent. For example, recruitment, payroll and the budget are integrally linked, and it is important for each staff member to understand how his or her role affects these functions. However, the current operation and separation of each function does not help employees understand or consider how their actions affect other functions.

Regular staff meetings can help address and resolve issues as they arise and before they compromise relationships. If well-facilitated, this can eventually improve both verbal and written communication between personnel, provide a consistent avenue of reliable information, promote openness regarding decisions, and improve communication and relationships throughout the district. Meeting agendas should include input from each department and should be developed to ensure that everyone's concerns are addressed. Topics that could be discussed include, but are not limited to, the following:

- How to route the personnel request form most efficiently
- Standard procedures for determining which vacant and new positions require a more extensive approval process, and by which departments
- Position control updates
- Changes to policies and procedures that will affect the departments
- Changes to the collective bargaining agreements
- Payroll deadlines

In addition to internal district office meetings, training for administrators and school site support staff will be important so that expectations are known and consistently followed. It would benefit the district to establish an annual mandatory workshop for school site and department personnel that includes applicable human resources, fiscal services and payroll processes, procedures and timelines, and hold administrators, managers and staff accountable for following them. Administrative meetings should include ongoing training that helps managers understand their role in working with district office staff. Meetings should be scheduled to address and resolve issues as they arise to help facilitate more effective communication between the district office and school sites. The district should ensure that principals, department heads and the CBO are included, and administrators should be assigned to provide their support staff with pertinent information from these meetings.

Business Services Department

A well-functioning Business Services department is essential to ensuring appropriate supervision over the district's assets. This involves establishing and maintaining proper controls over accounting transactions, including segregation of duties, management authorization of transactions, financial reporting, checks and balances, proper training, and supervision of staff.

Business Services consists of the staff positions in the table below, which are under the direction of the chief business officer (for simplicity, student nutrition services, reprographic, and warehouse positions are not included):

| <i>Current Business Services Department Staff Positions</i> | |
|---|-----------------------------|
| Position | Full-Time Equivalent |
| Staff Secretary IV | 1.0 |
| Purchasing/Risk Manager | 1.0 |
| Director of Business Services | 1.0 |
| Payroll/Benefits Manager | 1.0 |
| Accounting Manager | 1.0 |
| Workers' Compensation Specialist | 1.0 |
| Buyer II | 2.0 |
| Accounting Analyst | 3.0 |
| Benefits Specialist | 1.0 |
| Lead Payroll Technician | 1.0 |
| Payroll Technician | 4.0 |
| Accountant II | 1.0 |
| Senior General Ledger Accountant | 1.0 |
| Lead Accounting Technician | 1.0 |
| Accounting Technician | 4.0 |
| Chief Business Officer | 1.0 |
| Total FTE | 25.0 |

Business Office Comparisons

FCMAT conducted an informal survey of California unified school districts with student enrollments similar to that of Vallejo City Unified. Although not all districts replied to the survey, 11 provided information about the number of positions, hierarchy of management and subordinates, and full-time equivalent (FTE) positions. Some also responded with job descriptions so FCMAT could better understand how different business departments in like-sized districts structure responsibilities.

Although comparative information is useful, it should not be considered the only measure of appropriate staffing levels. School districts are complex and vary widely in demographics and resources. Careful evaluation is recommended because generalizations can be misleading if unique circumstances are not taken into account. FCMAT took into account district type, student enrollment and general fund revenues per student when choosing the comparison districts. Data for the comparison was taken from the California Department of Education's (CDE's) DataQuest and Education Data Partnership (Ed-Data) websites.

A summary of the comparison information FCMAT received is as follows:

| District Name | County of District | Comparison FTE* | CBEDS 16-17 |
|----------------------------|--------------------|-----------------|-------------|
| Apple Valley USD | San Bernardino | 11 | 12,917 |
| Central USD | Fresno | 14 | 15,772 |
| Ceres USD | Stanislaus | 19 | 13,515 |
| Chico USD | Butte | 13 | 11,965 |
| Livermore Valley Joint USD | Alameda | 9 | 12,924 |
| Natomas USD | Sacramento | 14 | 9,775 |
| Porterville USD | Tulare | 10 | 14,368 |
| Rocklin USD | Placer | 13 | 11,530 |
| Turlock USD | Stanislaus | 15 | 14,201 |
| Walnut Valley USD | Los Angeles | 15 | 14,519 |
| Vallejo City USD | Solano | 25 | 12,843 |
| Yuba City USD | Sutter | 13 | 12,591 |

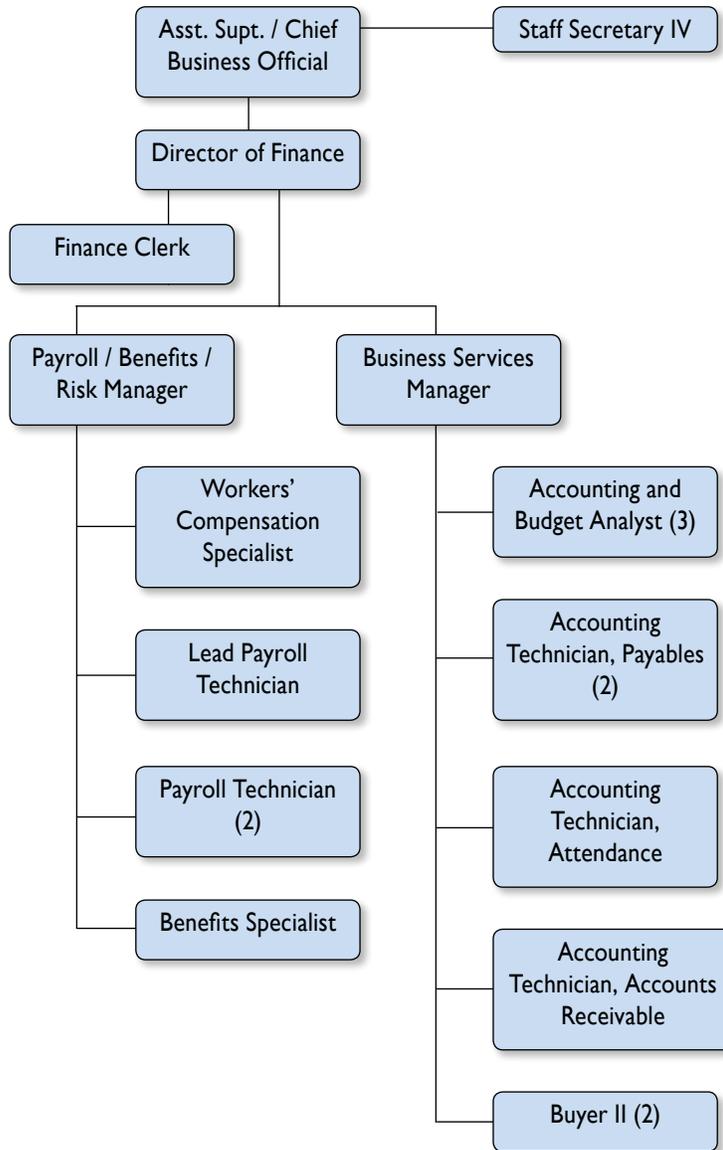
*For purposes of comparison, these FTE are for CBO and other management positions, and for business areas such as payroll, benefits, accounts payable, accounts receivable, attendance, purchasing and other accounting/budget functions. For those districts that include warehouse, delivery, reproduction, nutrition services or other positions in the business departments, FCMAT has excluded those positions from this analysis. Any errors in FTE are due to FCMAT's interpretations of information shared in the informal survey.

Based on this comparison and on FCMAT's review of the district, FCMAT recommends the following staffing for the district's Business Services department:

| Position | Full-Time Equivalent |
|----------------------------------|----------------------|
| Chief Business Officer | 1.0 |
| Staff Secretary IV | 1.0 |
| Director of Finance | 1.0 |
| Finance Clerk | 1.0 |
| Payroll/Benefits Manager | 1.0 |
| Business Services Manager | 1.0 |
| Workers' Compensation Specialist | 1.0 |
| Buyer II | 2.0 |
| Accounting and Budget Analyst | 3.0 |
| Benefits Specialist | 1.0 |
| Lead Payroll Technician | 1.0 |
| Payroll Technician | 2.0 |
| Accounting Technician | 4.0 |
| Total FTE | 20.0 |

This is a reduction of 5.0 FTE compared to current staffing in the department. Although this is still higher than most of the comparison districts, further reductions are not feasible until processes are better streamlined and automated. However, over the next 30 months the district will need to continue streamlining processes and reducing positions with the goal of staffing at 16.0 FTE positions in the Business Services department to better match the comparisons, especially since the district's enrollment is projected to continue to decline.

Based on the above comparisons, FCMAT believes it would benefit the district to organize the department as shown in the following organizational chart (the chart does not include student nutrition, reprographics and warehouse staffing and organization).



Recommendations

The district should:

1. Update and finalize its organizational chart to include the titles shown on the approved job descriptions, including the correct name of the department.
2. Review and update job descriptions to ensure they are current and that they include the appropriate supervisor, job title, and date of first approval and/or revision approval by the governing board.

3. Consider redistributing duties among staff and updating job descriptions accordingly, and provide training as needed for duties that are transferred from one employee to another.
4. Reorganize the Business Services department and reassign job duties so they are no longer assigned to both manager and staff level positions.
5. Ensure that district leaders encourage a climate of collaboration, teamwork and open communication among business office support positions, as well as between business office staff and other departments and school sites.
6. Ensure that all staff in the district office understand the importance of providing customer service to others.
7. Require cross-training of staff to ensure continuity of functions.
8. For each district office support position, develop a functions chart that describes all functions and includes a backup position for each major area of responsibility.
9. Create a list of district office staff and the major functions for which each is responsible at the beginning of each school year. Distribute this list to school sites and departments, post it to the district website, and revise it when changes occur so school sites and departments know whom to contact for routine issues involving payroll, accounts payable, budget questions and purchase requisitions.
10. Conduct mandatory annual training for school site administrators, department managers and applicable office personnel regarding district processes, procedures and timelines.
11. Provide management training at administrators' and principals' meetings and/or at separate training sessions to help improve communication and to discuss changes in processes and procedures. Ensure that pertinent information from these meetings is provided to support staff.
12. Clarify and emphasize to employees at all levels its expectations regarding policies, procedures and timelines, and the consequences of not following them.
13. Reduce business office staffing by at least 5.0 FTE.
14. Make further staffing reductions after processes are better streamlined and automated.
15. Reorganize the Business Services department and functions in alignment with the suggested organizational chart in this report to streamline employee responsibilities and clarify tasks for each employee.

Internal Controls

Internal control systems are the foundation of sound financial management and allow districts to fulfill their educational mission while helping ensure efficient operations, reliable financial information, and legal compliance. Internal controls are also the principal mechanism for preventing and/or deterring fraud or illegal acts and protecting the district from material weaknesses and serious errors.

Effective internal control processes are designed to provide the governing board with reasonable assurances that a district will achieve its objectives and goals, that its operations, processes and procedures are effective and efficient, that the financial information produced is reliable, and that the organization operates in compliance with all applicable laws and regulations. Internal control elements provide the framework for an effective fraud prevention program. An effective internal control structure includes the policies and procedures used by staff, adequate accounting and information systems, the work environment, and the professionalism of employees.

Organizational structure is a critical element of any internal control system. An organization establishes control over its operations by setting goals, objectives, budgets and performance expectations. Several factors influence the effectiveness of internal controls, including the social environment and how it affects employees' behavior, the availability and quality of information used to monitor the organization's operations, and the policies and procedures that guide the organization. Internal controls help an organization obtain timely feedback on its progress in meeting its operational goals, adhering to its guiding principles, producing reliable financial reports, and ensuring compliance with applicable laws and regulations. Internal controls provide the means to direct, monitor and measure an organization's assets and resources, and they play an important role in protecting it from fraud, abuse, and misappropriation.

The following is a partial list of common deficiencies and omissions that can cause internal control failures:

- Failure to adequately segregate duties and responsibilities related to authorization.
- Failure to limit access to assets or sensitive data (e.g., cash, fixed assets, personnel records).
- Failure to record transactions, resulting in lack of accountability and the possibility of theft.
- Failure to reconcile assets with the correct records.
- Making unauthorized transactions, resulting in skimming, embezzlement or larceny.
- A lack of monitoring or implementation of internal control by the governing board and management, or because personnel are not qualified.
- Collusion among employees where little or no supervision exists.

The system of internal controls consists of policies and procedures designed to provide the governing board, superintendent and management with reasonable assurance that the organization achieves its goals and objectives; these elements are traditionally referred to as hard controls and include segregation of duties, limiting access to cash, management review and approval, and reconciliations. Other types of internal controls, typically referred to as soft controls, include management tone, performance evaluations, training programs, and maintaining established policies, procedures and standards of conduct.

The internal control environment establishes an organization's moral tone. Though intangible, it begins with the leadership and consists of employees' perception of the ethical conduct displayed by the governing board, superintendent and executive management. The control environment is a prerequisite that enables other components of internal control to be effective in preventing and/or deterring fraud and illegal acts. It sets the tone for the organization, provides discipline and control, and includes factors such as integrity, ethical values and employee competence.

Control activities are a fundamental element of internal control and are a direct result of policies and procedures designed to prevent and identify misuse of a district's assets, including preventing any employee, including management, from overriding controls in the system. To help build an effective internal control structure, districts should apply basic concepts and procedures to their transaction and reporting processes including, but not limited to, the following:

- Staff cross-training, which means that more than one employee should be able to perform each job. All staff members should be required to use accrued vacation time, and another staff member should be able to perform their duties. Inadequate cross-training is often a problem even in the largest central offices. To effectively cross-train, employees should develop and document the standard operating procedures they follow for each major task and designated responsibility, providing a step-by-step guide for others to perform their required tasks when they are absent.
- Financial reviews and monitoring, which involves comparing actual data with expectations. In accounting and business offices, this most often occurs when budgeted amounts are compared with actual expenditures to identify variances and followed by budget transfers if needed to prevent overspending.
- Information processing, which includes the approvals, authorizations, verifications and reconciliations needed to ensure that transactions are valid, complete and accurate.
- Physical controls, which are the processes and procedures designed to safeguard and secure assets and records.
- Segregation of duties, which consists of processes and procedures to ensure that no employee or group is placed in a position to be able to commit and conceal errors or fraud in the normal course of duties. In general, segregation of duties includes separating the custody of assets, the authorization or approval of transactions affecting those assets, the recording or reporting of related transactions, and the execution of the transactions. Adequate segregation of duties reduces the likelihood that errors will remain undetected by providing for separate processing by different individuals at various stages of a transaction, and for independent review of the work.
- A system of checks and balances, which consists of formal procedures for initiating, approving, executing, recording and reconciling transactions. The procedures should identify the employee responsible for each step and the timeline for completion. Key areas of checks and balances include payroll, purchasing, accounts payable and cash receipts.
- Use of prenumbered documents for checks, sales and cash receipts, purchase orders, receiving reports, and tickets that are preprinted by an outside printer. Physical controls should be maintained over the check stock, cash receipt books and tickets. It is not sufficient simply to use prenumbered documents. A log of the documents and numbers should be maintained and reconciliation performed periodically.

- Monthly reconciliations by an employee who was not involved in the original transaction and recording process for bank statements and account balances. For example, the employee who reconciles the revolving checking account should not maintain the check stock.

It is imperative that employees be aware of internal control expectations. Each person in an organization is responsible for internal controls in some capacity because nearly everyone either produces information used by the internal control system or acts to implement organizational control. Further, everyone should take responsibility for appropriately communicating problems in operations, noncompliance with policies, or illegal actions. Ultimately, internal control should pervade every level of the organization; however, administrators, program managers, governing board members, the superintendent and auditors have particular roles to play.

FCMAT reviewed the Business Services department's operational processes and procedures and found a lack or absence of many internal control elements listed above in significant areas. FCMAT did not conduct an internal control audit, but the review team's findings were developed from staff interviews, first-hand observations and a review of documentation provided by the district. FCMAT has developed an extensive list of management standards, including those for financial and personnel management, for public school agencies. These standards address general functions such as policies and procedures; job descriptions; internal and external communication; internal control; employee recruitment, selection, orientation and training; and accounting, payroll and purchasing. The district would benefit from reviewing all the standards to ensure it meets them and to help develop best practices for its financial and human resources operations. FCMAT is in the process of updating the standards, but the most recent list can be accessed at <http://fcmat.org/wp-content/uploads/sites/4/2014/02/FCMATStandards2009.pdf>.

Recommendations

The district should:

1. Implement cross-training for each position in the district office to ensure essential tasks and functions can be completed without interruption in the absence of an assigned employee or when a position is vacant.
2. Review and update board policies and administrative regulations regularly, develop new ones as needed, and implement a plan to keep them current.
3. Develop and document operational policies and procedures for each business function and/or activity. Ensure that standard operating procedures for each major task or designated responsibility of each administrative position in the business office provide a step-by-step guide for performing required tasks.
4. Create desk manuals for positions to ensure other employees can understand and perform all duties when an employee is absent or a position is vacant.
5. Ensure that training is and continues to be provided as needed to business office support staff for their assigned areas of responsibility.
6. Create workflow diagrams to help employees better understand and coordinate with other departments and positions.
7. Review the FCMAT standards for internal controls and for annual independent audit reports to ensure it is following them.

Organizational Culture and Communications

Organizational culture is broadly defined as a system of shared assumptions, values and beliefs that govern how people behave in an organization. These shared values strongly influence the people in the organization and dictate how they dress, act, and perform their jobs. Every school district has a unique culture that is usually informal but is shaped by the actions of leadership over time. The district superintendent sets the tone of the district and should ensure through their administration that staff have the resources, training, direction and communication needed to perform their duties.

Effective communication is essential to providing a sense of stability and leadership. Without it, inaccurate information may circulate and be assumed accurate. During interviews, many Business Services department staff members indicated that the prior district office administration, including the previous CBO, did not provide sufficient communication. The prior CBO did not conduct monthly department staff meetings and rarely met with others outside the department. Divisions of the Business Services department do not participate in cross-department meetings or receive information about decisions that affect them.

One important aspect of effective meetings is to ensure agendas are prepared in advance. To promote collaboration, a draft agenda should be distributed a week ahead to request topics. This allows attendees to be prepared to discuss the items that may be their responsibility. The agenda should also relate in some manner to the district's vision, mission and goals statements to emphasize their importance and demonstrate how district office work is directly related to student learning and outcomes. Meetings can be used to communicate essential information and to answer question from staff. This is also an efficient and effective way to train new staff and build trust between and among leaders and staff.

The district's communication protocols and expectations between managers and staff are unclear. Some staff are unprofessional when communicating with fellow employees, refuse to have face-to-face conversations, and sometimes do not respect closed doors or ongoing conversations.

The CBO needs to assist the superintendent in establishing better communication throughout the district, including the business office. This could start with a business office staff meeting on the first of every month to share important information.

This study was requested and performed during a period of transition for the district's central office, especially the Business Services department. At the time of fieldwork, the superintendent had been in the district for less than six months and the CBO position had been filled but the employee had not yet started work. An Interim CBO had worked at the district two days per week for the prior six months.

During interviews, employees expressed concern about the amount of funds being spent on outside consultants. Most interviewees spoke negatively about past administrative decisions, and a majority commented on workload pressures and frustration with manual processes. Although some employees were complimentary of each other and their working relationships, many rifts exist. Past changes in processes and department structure were neither welcomed nor perceived as beneficial.

Many staff appeared overwhelmed as a result of having to cover for vacant and recently filled positions, and various managers seemed unable to provide strong guidance and training to others. If the workload were distributed more appropriately based on FCMAT's recommendations, the CBO could focus on leadership, training, coaching and overseeing the work of the Business

Services department. It is essential to make these changes to workload. The new CBO will need to address these circumstances while also decreasing department staffing.

The district will need to focus on organizational structures and assignments that strengthen the system of internal controls and the workplace environment.

Recommendations

The district should:

1. Ensure the superintendent sets the tone of the organization and ensures that resources, training, direction and communication are available so staff can perform their duties.
2. Ensure the CBO convenes monthly department all-staff meetings.
3. Require personnel in different divisions of the Business Services department to participate in intradepartment meetings so information that may affect them can be communicated.
4. Prepare and distribute written agendas before each meeting, allowing staff to propose items for the agenda in advance.
5. Ensure that staff understand they must be professional and respectful when communicating with fellow employees, regardless of level.
6. Require personnel in departments that interact with each other daily to meet at least monthly to improve communication. Consider having the CBO initiate such meetings.
7. Reassign work to better balance workloads in Business Services, and adjust work levels so that organizational structures and assignments strengthen the system of internal controls and the workplace environment.

Staff Development and Training

One important way for an organization to improve efficiency and outcomes is to invest in a structured staff development program based on organizational goals and focused on the needs of individual departments and staff members. Training can improve employees' skills, knowledge, and abilities related to the functions they perform.

The Business Services department has many dedicated employees, many of whom were not formally trained when they were hired or have not received sufficient training to keep abreast of legal requirements and modern practices for their jobs.

Staff development opportunities have been limited because of budget constraints. Even in challenging economic times, it is important that staff members have access to up-to-date information related to their responsibilities, especially about changes in the state's funding model or other funding sources, human resources and employment law, and advances in technology. All staff members can benefit from formal training to ensure that they completely understand the expectations and responsibilities of their positions. Keeping abreast of best practices and changes in laws and regulations is essential. Appropriate training will also provide staff members with the resources to develop the skills and knowledge needed to be successful in their positions and prepare for potential advancement.

In addition to improving how effectively a department functions, it is important for any staff development program to include a process for evaluating each employee's performance.

The Human Resources department notifies managers when evaluations of their employees are due and follows up to ensure that evaluations are completed. Employees from both departments indicated that they receive performance evaluations regularly (with exceptions during leadership position vacancies). It is essential to have and use a standard evaluation process to guide promotional considerations, create a structure for holding employees accountable for their job performance, and provide opportunities for personal and professional growth. Evaluations should include an employee-developed individual training plan and the supervisor's identified training needs for the employee. In subsequent evaluations, the completion of training and updated plans for future training should be noted.

School and other site staff did not indicate much familiarity with or knowledge of many of the procedures, policies and communications being developed by the Business Services department, nor did they seem familiar with whom to contact when they had questions or issues. The Business Services department needs to communicate regularly with internal staff and all the departments with which it interacts regarding their responsibilities for accounting procedures and internal controls. The communications should usually be in written form, particularly when they (1) affect many staff or user groups, (2) are issues of high importance, or (3) include a change in procedures.

Procedure manuals are needed to communicate responsibilities. Although many procedure manuals were shared with FCMAT, individuals interviewed stated that many were produced for FCMAT's visit rather than used regularly. It is best practice for manuals or other resources for business and business-related items to explain in detail the processes and procedures that are expected and needed to comply with rules and regulations, including any board and district policies and procedures. All resources need to be updated at least annually. Completed procedure manuals also should be used to train staff. These types of manuals help ensure duties are carried out accurately and appropriately, and they provide continuity in the event of staff turnover. The district needs to conduct trainings on policies and procedures for employees in departments that

work with the Business Services department. Training should be provided when communications are developed so site staff can be more knowledgeable and feel supported by district office personnel. Conducting training as new or revised policies and procedures are approved is a best practice that helps ensure staff understand them and can be held accountable for following them. When training is not provided, a system is needed to ensure staff are 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.

The Business Services department needs to plan and conduct trainings throughout the year that include office managers, principals and other positions that need understand business and related information. As discussed above, any manuals completed should be detailed, help employees follow regulations, policies and procedures, and help improve organizational continuity.

The district needs to develop a professional development plan for Business Services department staff to provide in-service training for school site and department staff on relevant business procedures and internal controls. 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 will benefit specific employees. Professional development plans should include trainings related to internal controls, budget, financial systems, student body, student attendance, purchasing, nutrition services and other operational areas, as well as a review of any procedural changes made in the last year.

The district will need to communicate changes in Business Services policies and procedures by providing mandatory in-service training before each school year begins. The training should occur before new administrators, office staff and other employees are to begin work. New administrators and other team members who begin working earlier than August or who start working during the school year should be provided with one-on-one training. These trainings should be provided for administrators and for school site and departmental personnel who regularly handle business tasks. Separate trainings may need to be developed based on job level (e.g., administrators may need less detailed training than office managers).

Although specific trainings are provided for office managers and clerical staff, and budget and accounting items are shared with administrators, the district does not hold periodic meetings with office managers and clerical staff. These are needed for information sharing and policy and procedure updates. In interviews, employees indicated that they would welcome such meetings. It is essential to update departments and school sites annually about changes in business procedures, how to implement routine internal control processes, and specialized topics such as student attendance, the Escape financial system, and employee leave tracking.

The district provides training on specialized topics; however, all attendance is optional. Because attendance is not mandated, employees often are unaware of the policies and procedures covered in these trainings. The district needs to orient each training on business subjects to a specific audience, and make it mandatory if the subject matter is essential. The topics covered in specialized trainings should pertain to the staff members who attend so they do not feel their time is wasted and so they better understand the value of attending trainings. Employees should be informed when the meetings are mandatory, and sign-in sheets should be maintained.

The Human Resources department and payroll do not have a formal structure for communication and have not met regularly for some time to discuss ongoing issues and develop solutions

to common problems. Ongoing regular meetings are needed, as are meetings between individual staff members. The purpose of the meetings should be to improve communication between the departments and increase understanding of the responsibilities of each staff member and how their work affects the work of other employees. Regular meetings between human resources and payroll staff members could be held to discuss procedures related to employee leave, resignations, salary placement, differential pay, and other related subjects. These meetings would be a forum to discuss specific employee situations that may involve more than one department, address any issues with interdepartmental procedures, learn about potential effects of interdepartmental issues, and help both departments ensure that employees are served properly and that deadlines and statutory requirements are met. The staff members who attend the meetings should be able to add items to the agenda, with other departments included as appropriate. This proactive approach should result in increased efficiencies and better outcomes in the long run.

Currently, these types of interdepartmental meetings occur only occasionally and only when issues arise. FCMAT strongly believes resuming monthly department meetings would benefit the district. Attendance should be mandatory because the meetings allow staff and managers to discuss issues and conduct strategic planning between the two departments. Because the Business Services and Human Resources departments share many controls and processes, these meetings are essential.

Recommendations

The district should:

1. Prepare a staff development plan for all Business Services staff members to improve skills, knowledge, efficiency and outcomes.
2. Ensure that staff members have access to regularly updated information and formal training opportunities related to their responsibilities, including information on best practices and changes in laws and regulations.
3. Continue having the Human Resources department notify managers when employee evaluations are due and follow up to ensure they are completed.
4. Ensure that the Human Resources department provides relevant feedback and ensures that a standard evaluation process is in place to guide promotional considerations, create a structure for holding employees accountable, and provide opportunities for personal and professional growth.
5. Ensure that the Business Services department communicates regularly with internal staff and all departments with which it works about their responsibilities for accounting procedures and internal controls.
6. Ensure that when procedure manuals or other resources are developed they are used, updated and communicated to staff.
7. Conduct trainings for departments and school sites on new and updated business and related policies and procedures. Ensure that training is conducted when the policies and procedures are approved so staff can be held accountable for knowing and following them.

8. Develop a professional development plan to provide school site and department staff with training on procedures and internal controls throughout the year.
9. Provide mandatory in-service training before each school year begins.
10. Reinstitute regular meetings between payroll and the Human Resources departments to discuss ongoing issues, develop solutions to common problems, and improve communication between the departments.

Payroll

Payroll is now fully staffed, and employees seem adequately trained. Only the manager is relatively new and, because she had to perform much of the work of a then-vacant staff position when she was first hired, she is still learning the full scope of her management responsibilities.

Communication between the Human Resources and Business Services departments, especially payroll, is minimal and not cooperative in nature. Significant work is needed to improve communication and teamwork and to reduce the number of difficulties and differences of opinion between the departments. Every effort should be made to repair this relationship, including monthly meetings mentioned earlier in this report.

The Human Resources department and payroll cooperate to provide a new employee orientation each month for classified employees, and do so for certificated employees when they are hired. These meetings are scheduled by the Human Resources department. Payroll provides pay and benefit packets and takes time to describe each document and answer questions. Payroll staff also provide information regarding payroll processes and deadlines and ensure that employees know when they will receive their first paycheck. This combined orientation is effective and should continue so new employees receive consistent and accurate information. Employees reported that this training is frequently provided after employment begins, and as a result employees are often unable to sign up for benefits within the required 30-day period.

The district continues to issue many revolving checks because of exceptions and errors due to incorrect paperwork, usually the employee change form, also called Form 6. The goal should be to decrease these errors through renewed efforts of payroll and the Human Resources department to share payroll processing information in a more timely manner.

The district has several outstanding overpayments to employees. The district needs to track, reconcile and collect these overpayments by continuing to refine and document its collection process. Actions could also include signed payroll reduction agreements and legal action, if necessary. Labor Code section 224 permits a deduction under certain circumstances including, but not limited to, when an employee expressly authorizes in writing the deduction for erroneous overpayment of wages. Thus it would benefit the district to ask employees to either pay back the overpayment or provide written consent for the district to deduct the amount from their paycheck; this can be done via a form. Even if an employee consents to a deduction, the employee must still receive no less than the minimum wage for all hours worked in that pay period. If the deduction will prevent the employee from receiving the minimum wage, the district needs to create a payment plan instead of deducting the overpayment in one paycheck.

If the employee refuses to voluntarily pay back the overpayment or refuse to give express written authorization to deduct future wages, the district must still seek reimbursement of overpaid wages because failure to do so will most likely result in a gift of public funds. The district will need to document its effort to seek reimbursement and, if the employee refuses, pursue legal action in small claims court to recover the overpayment.

Payroll balances the time sheet payrolls and has developed an effective method for balancing the monthly payroll. Prior month payroll reports are compared with current month reports and an exception report is generated. Payroll staff then verify each variance for accuracy by obtaining supporting documents prior to audit review by management staff.

In many instances school sites or departments do not provide the Human Resources department or payroll with timely information on employee transactions. Often this means that a payroll deadline is close or has passed, and staff time is required to adjust and ensure that employees are paid correctly and on time. One reason for this is that many forms are routed through the process manually and therefore can be lost or delayed along the way. It would benefit the district to implement an automated electronic process for the personnel requisitions and request to recruit forms in the Escape financial system so they are processed more quickly and are not subject to loss or errors.

All time sheets are verified by nonpayroll employees in the budget office to ensure they have signatures, are complete, have adequate budget funds, and have correct budget coding. This takes a significant amount of time and has budget employees performing duties that payroll staff could better perform, including following up with school sites and departments when time sheets are incomplete. As a result, budget staff do not have adequate time for their main tasks, which should include working with school sites and departments to ensure budget revisions are processed and the budget is accurate. It would be more efficient to have time sheets verified by payroll staff, then submitted to a budget employee if there are questions or concerns about budget issues.

Payroll employees have been instructed to deduct an employee's pay immediately in the current pay period when an employee has used all their sick leave, if the sick leave absence slip is submitted before the payroll cutoff. However, if the sick leave absence slip is submitted after the cutoff, pay is not deducted in either the current month or the subsequent month. FCMAT believes this violates the prohibition against gifts of public funds because it is a form of overpayment of wages, to which the employee does not have a right. The overpayment of wages could also constitute an expenditure of funds for a private purpose, which is a separate violation of law. Although the funds are being paid to public employees, the funds do not benefit the public interest because the employees did not earn the overpaid wage; the overpaid wage benefits only the employee as a private individual for private purposes.

In accordance with the district's collective bargaining agreement (CBA) with the Vallejo Education Association, several of the district's resource specialists receive extra compensation for class sizes or caseloads higher than the maximum set in the CBA. Article 10.1.11.1 of the CBA specifies a maximum caseload of 28 students at both the elementary and secondary school levels. Pursuant to the CBA, the district provides extra compensation at the rate of \$15 per student, per day, or \$3 per period, per day for any overages once the grace period ends and the manager was notified that the overage(s) occurred.

FCMAT is not certain that the district is properly determining caseloads per the CBA, which states that the employee must have primary responsibility for a student's IEP in order for that student to be counted in their caseload. FCMAT also believes the district would significantly reduce costs if it paid the \$3 per period per day permitted in the CBA rather than \$15 per student, per day.

However, although the district's current practice of providing extra compensation follows the language of the CBA, 28 students is also the statutory caseload maximum for resources specialists, and exceeding this caseload violates the Education Code and may incur further liability in other areas, including but not limited to adequate provision of a free and appropriate public education.

Recommendations

The district should:

1. Ensure that the communication between the Human Resources and Business Services departments, especially payroll, increase and become cooperative.
2. Hold orientation meetings for classified employees before they begin their employment so employees can sign up for benefits in time.
3. Work to decrease the number of revolving checks due to incorrect paperwork.
4. Act to collect on overpayments to employees.
5. Investigate automating personnel requisition and request to recruit forms using the Escape financial system.
6. Require that time sheets be verified by payroll staff and then submitted to a budget employee if there are questions or concerns about budget.
7. Ensure that pay is always deducted if an employee has exceeded his or her sick leave balance.
8. Find ways to keep the caseload maximum for resource specialists at 28 versus providing extra compensation so that the Education Code is followed and decrease liability in other areas.
9. Review the current practice of paying \$15 per student, per day rather than \$3 per period, per day to resource specialists when class sizes or caseloads exceed the maximum set in the CBA.

Budget

Because school sites and departments can run their own budget reports, the Business Services department does not send them financial reports other than reports on staffing levels and student attendance. School administrators and staff reported they are comfortable running these reports.

School sites and departments are responsible for starting the budget transfer process online. However, department and school sites send many payroll documents without a budget noted on them, or include a budget that lacks adequate funds. This indicates an absence of checks and balances that would ensure school sites and departments are running and reviewing budget reports.

Several school sites reported that their budget allocations and amounts seem to be adjusted without them understanding why; concern exists over the control of such budgets.

The current process is not adequate to ensure up-to-date and accurate budgets, or to hold school sites and departments accountable for their assigned budget if the budget amounts are in fact changing without the site or department administrators' knowledge. School site and department administrators need greater responsibility for budget and the district needs to promote better communication regarding assigned budgets. Until this occurs, greater oversight will be needed to ensure that budget monitoring controls are strengthened at the department and school site levels to reduce the potential for overexpenditure of budgeted amounts.

Recommendations

The district should:

1. Continue to have school sites and departments run their own budget reports and start the budget transfer process. However, ensure that they also certify monthly to the Business Services department that they are doing so.
2. Ensure that school site and department budget allocations are not adjusted unless the affected school site or department is notified.
3. Require the Business Services department to provide greater oversight of budgets to ensure controls are strengthened at the department and school site levels to reduce the potential for overexpenditure of budgeted amounts.

Absence Tracking

The district has implemented Aesop, now known as Frontline, a time and attendance system designed for school districts. The district uses this for certificated employees, with the intent that all certificated employees call all absences in to Aesop. However, not all certificated employees remember to report their absences this way. School sites and departments are required to generate and review the monthly absence report from Aesop, which is signed by the school site or department manager, then sent to the payroll. However, because they are reviewing data for an entire month, managers are not aware of all instances when employees have not entered their absences into Aesop.

It would benefit the district to require all employees, certificated and classified, to report their absences using Aesop, and to establish consequences for those who do not follow this procedure. Aesop provides real-time information so administrators can approve absences entered by employees; this should be done daily so each administrator can determine which employees are at work that day. Doing this could eliminate the need for them to verify the monthly report and adjust it before payroll runs.

Staff reported difficulties with employee leave time in Aesop. Although payroll staff pay individuals based on their time sheets, leave balances in Escape are updated manually based on Aesop reports and leave slips are manually processed. Keeping the absence and substitute assignment information current in Aesop would facilitate an automated upload directly from Aesop to Escape, which would eliminate the manual intervention now required for substitute time sheets. The district may need to invest time to enter all the different work schedules into Aesop to ensure the integrity of the data; some temporary help may be needed to accomplish this.

In the absence of electronic communication between Aesop and Escape, a process is needed to verify that employee leaves in Aesop match those recorded on the time sheets. If they do not match, employees may be paid for time they did not work. An employee needs to be assigned to reconcile the differences between Aesop and Escape until automation is available.

Recommendations

The district should:

1. Implement Aesop for all employees.
2. Until Aesop integrates with Escape, develop a monthly reconciliation process to reconcile Aesop records with time sheets approved by a manager to ensure all employees' leave balances are correct.

Position Control

Position control consists of the processes and procedures to help ensure that employees are hired and paid only for positions that are authorized and funded in the budget. Thus position control manages the largest part of the district's expenditure budget: employee salaries and benefits. An integrated, automated position control system and strong policies and procedures are essential. Position control is primarily the responsibility of the Human Resources and Business Services departments, but all school site and department leaders have a responsibility to ensure that they implement the policies and procedures needed to support position control.

A strong position control system provides for the establishment of positions by site and/or department and is meant to prevent overbudgeting or underbudgeting of salaries and benefits for board-authorized positions. An effective position control system also prevents omission of other annual expenses tied to district positions, such as stipends, vacation pay, step-and-column changes and other salary- and benefit-related items that may be in the district's collective bargaining agreements. The position control system should be integrated with other financial system modules such as budget and payroll.

Position control functions also must be separated to ensure proper internal controls. The controls must ensure that only board-authorized positions are entered into the system, that the Human Resources department hires only for authorized positions, and that payroll pays only employees hired for authorized positions. The proper separation of duties is a key factor in creating strong internal controls and a reliable position control system. A fully functioning position control system helps districts maintain accurate budget projections, employee demographic data, and salary and benefit information.

An effective position control system can help a district manage the costs of salaries and benefits, but it can only do so adequately if those expenditures are shown in a district's budget. Budgets should be compared against summary payroll data periodically to ensure that budgeted amounts are sufficient and align with position control records.

Position control drives the contracted salary and benefits amounts in the adopted budget. Once position control information is entered and validated during budget development, it is moved into the adopted budget. When changes occur to contracted positions or positions are added, position control is updated.

Because position control does not include noncontracted positions and work, such as extra duty, overtime or substitutes, the data in position control cannot continue to be transferred into the budget once the fiscal year begins. Because adjustments are made to salary and benefit accounts through budget revisions, if the position control data were moved into the budget, all manual salary and benefit adjustments for noncontracted positions and work and for other types of budget revisions would be deleted and would need to be re-entered each time position control data is transferred.

The district manually reconciles position control data to the budget periodically throughout the fiscal year because the changes do not occur electronically. At the time of FCMAT's visit, position control and other payroll information was in the final stages of being reconciled to the budget. Because first interim had already occurred, FCMAT had concerns that this reconciliation did not occur earlier to ensure that first interim projected amounts were updated, especially since significant budget cuts were being considered. Because salaries and benefits are the district's largest expenditure, the budget must reflect the most current and accurate data, especially when such important decisions are being made.

The district has developed and is using an employee change form that includes all aspects of position authorization and changes to existing positions. This form, which staff refer to as Form 6, includes the requester's information, approvals from the Human Resources and Business Services departments, and budget review. The form is completed before action is taken on a position.

There are inefficiencies in the processing of both Form 6 and time sheets. Employees stated that Form 6 is often incorrect and must be returned to Human Resources, sometimes more than once, which slows the processing time significantly. Employees also reported that time is lost repeating work when there is an error in step 4 of processing Form 6 (see below) because the Escape financial system will not save the form unless the process is complete and accurate, so all work done to that point is lost. The steps to process Form 6 are as follows:

1. Audit the form for signatures and ensure that signers are authorized to sign.
2. Use the Form 6 checklist to ensure the document is complete.
3. Complete all tabs necessary in Employee Management (Escape financial system).
4. Verify that calendars and account numbers are correct. If there is an error, return the form to Human Resources.
5. After data entry is complete, run a Pay Detail Salary and Review report to verify the information is accurate.
6. When all steps are complete, scan documents and upload to Escape in the Employee Management attachments tab.

When a Form 6 comes from the Human Resources department it must be free of all entry errors prior to processing by the payroll staff. The district should consider using an electronic form routing function for Form 6 such as Perfect Forms, which it already uses for electronic approval routing. Ideally, the electronic routing would not allow the form to proceed to payroll without correct information, including correct calendars based on the type of position being filled.

Recommendations

The district should:

1. Ensure that position control is reconciled to budget and payroll regularly.
2. Use an electronic form routing function for Form 6.

Appendix

Study Agreement

FCMAT

FISCAL CRISIS & MANAGEMENT
ASSISTANCE TEAM

CSIS California School Information Services

FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM DRAFT STUDY AGREEMENT September 13, 2017

The Fiscal Crisis and Management Assistance Team (FCMAT), hereinafter referred to as the team, and the Vallejo City Unified School District, hereinafter referred to as the district, mutually agree as follows:

1. BASIS OF AGREEMENT

The team provides a variety of services to local education agencies (LEAs). The district has requested that the team assign professionals to study specific aspects of the district's operations. These professionals may include staff of the team, county offices of education, the California State Department of Education, school districts, or private contractors. All work shall be performed in accordance with the terms and conditions of this agreement.

In keeping with the provisions of Assembly Bill 1200, the county superintendent will be notified of this agreement between the district and FCMAT and will receive a copy of the final report. The final report will also be published on the FCMAT website.

2. SCOPE OF THE WORK

A. Scope and Objectives of the Study

1. Conduct an organizational and staffing review of the district's Business Department and make recommendations for staffing improvements, if any.
2. Review operational processes and procedures for the Business Department and make recommendations for improved efficiency, if any.

B. Services and Products to be Provided

1. Orientation Meeting - The team will conduct an orientation session at the district to brief district management and supervisory personnel on the team's procedures and the purpose and schedule of the study.
2. On-site Review - The team will conduct an on-site review at the district office and at school sites if necessary.
3. Exit Meeting - The team will hold an exit meeting at the conclusion of the on-site review to inform the district of significant findings and recommendations to that point.

4. Exit Letter – Approximately 10 days after the exit meeting, the team will issue an exit letter briefly memorializing the topics discussed in the exit meeting.
5. Draft Report - Electronic copies of a preliminary draft report will be delivered to the district’s administration for review and comment.
6. Final Report - Electronic copies of the final report will be delivered to the district’s administration and to the county superintendent following completion of the review. Printed copies are available from FCMAT upon request.
7. Follow-Up Support – If requested by the district within six to 12 months after completion of the study, FCMAT will return to the district at no cost to assess the district’s progress in implementing the recommendations included in the report. Progress in implementing the recommendations will be documented to the district in a FCMAT management letter. FCMAT will work with the district on a mutually convenient time to return for follow-up support that is no sooner than eight months and no later than 18 months after completion of the study.

3. PROJECT PERSONNEL

The FCMAT study team may also include:

- | | |
|----------------------------|-------------------------|
| <i>A. To be determined</i> | <i>FCMAT Staff</i> |
| <i>B. To be determined</i> | <i>FCMAT Consultant</i> |

4. PROJECT COSTS

The cost for studies requested pursuant to Education Code (EC) 42127.8(d)(1) shall be as follows:

- A. \$650 per day for each staff member while on site, conducting fieldwork at other locations, presenting reports and participating in meetings. The cost of independent FCMAT consultants will be billed at their actual daily rate for all work performed.
- B. All out-of-pocket expenses, including travel, meals and lodging.
- C. The district will be invoiced at actual costs, with 50% of the estimated cost due following the completion of the on-site review and the remaining amount due upon the district’s acceptance of the final report.

Based on the elements noted in section 2A, the total not-to-exceed cost of the study will be \$16,600.

- D. Any change to the scope will affect the estimate of total cost.

Payments for FCMAT’s services are payable to Kern County Superintendent of Schools - Administrative Agent located at 1300 17th Street, City Centre, Bakersfield, CA 93301.

5. RESPONSIBILITIES OF THE DISTRICT

- A. The district will provide office and conference room space during on-site reviews.
- B. The district will provide the following if requested:
 - 1. Policies, regulations and prior reports that address the study scope.
 - 2. Current or proposed organizational charts.
 - 3. Current and two prior years' audit reports.
 - 4. Any documents requested on a supplemental list. Documents requested on the supplemental list should be provided to FCMAT only in electronic format; if only hard copies are available, they should be scanned by the district and sent to FCMAT in electronic format.
 - 5. Documents should be provided in advance of fieldwork; any delay in the receipt of the requested documents may affect the start date and/or completion date of the project. Upon approval of the signed study agreement, access will be provided to FCMAT's online SharePoint document repository, where the district will upload all requested documents.
- C. The district's administration will review a preliminary draft copy of the report resulting from the study. Any comments regarding the accuracy of the data presented in the report or the practicability of the recommendations will be reviewed with the team prior to completion of the final report.

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

6. PROJECT SCHEDULE

The following schedule outlines the planned completion dates for different phases of the study and will be established upon the receipt of a signed study agreement:

| | |
|-------------------------|--------------------------------|
| Orientation: | to be determined |
| Staff Interviews: | to be determined |
| Exit Meeting: | to be determined |
| Draft Report Submitted: | to be determined |
| Final Report Submitted: | to be determined |
| Board Presentation: | to be determined, if requested |
| Follow-Up Support: | if requested |

7. COMMENCEMENT, TERMINATION AND COMPLETION OF WORK

FCMAT will begin work as soon as it has assembled an available and appropriate study team consisting of FCMAT staff and independent consultants, taking into consideration other jobs FCMAT has previously undertaken and assignments from the state. The team will work expeditiously to complete its work and deliver its report, subject to the cooperation of the district and any other parties from which, in the team's judgment, it must obtain information. Once the team has completed its fieldwork, it will proceed to

prepare a preliminary draft report and a final report. Prior to completion of fieldwork, the district may terminate its request for service and will be responsible for all costs incurred by FCMAT to the date of termination under Section 4 (Project Costs). If the district does not provide written notice of termination prior to completion of fieldwork, the team will complete its work and deliver its report and the district will be responsible for the full costs. The district understands and agrees that FCMAT is a state agency and all FCMAT reports are published on the FCMAT website and made available to interested parties in state government. In the absence of extraordinary circumstances, FCMAT will not withhold preparation, publication and distribution of a report once fieldwork has been completed, and the district shall not request that it do so.

8. INDEPENDENT CONTRACTOR

FCMAT is an independent contractor and is not an employee or engaged in any manner with the district. The manner in which FCMAT's services are rendered shall be within its sole control and discretion. FCMAT representatives are not authorized to speak for, represent, or obligate the district in any manner without prior express written authorization from an officer of the district.

9. INSURANCE

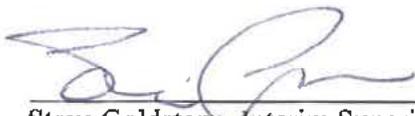
During the term of this agreement, FCMAT shall maintain liability insurance of not less than \$1 million unless otherwise agreed upon in writing by the district, automobile liability insurance in the amount required under California state law, and workers compensation as required under California state law. FCMAT shall provide certificates of insurance, with XXX named as additional insured, indicating applicable insurance coverages upon request prior to the commencement of on-site work.

10. HOLD HARMLESS

FCMAT shall hold the district, its board, officers, agents and employees harmless from all suits, claims and liabilities resulting from negligent acts or omissions of its board, officers, agents and employees undertaken under this agreement. Conversely, the district shall hold FCMAT, its board, officers, agents and employees harmless from all suits, claims and liabilities resulting from negligent acts or omissions of its board, officers, agents and employees undertaken under this agreement.

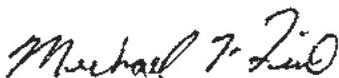
11. CONTACT PERSON

Name: Steve Goldstone
 Telephone: (707) 556-8921
 E-mail: sgoldstone@vallejo.k12.ca.us



Steve Goldstone, Interim Superintendent
 Vallejo City Unified School District

Date



Michael H. Fine,
Chief Executive Officer
Fiscal Crisis and Management Assistance Team

Date