

Sacramento City Unified School District - FCMAT Fiscal Health Risk Analysis December 12, 2018						Completed	Completed		
Section Starts on Page	Question	District Response	Y	N	Responsible Cabinet Member	Corrective Action Status	Latest Update		
7	Has the district corrected all audit findings?	The district has only partially implemented the findings related to student body funds and student attendance from the 2015, 2016 and 2017 audits. Student body findings identified in the 2015 audit have been reported as partially implemented through the 2017 audit; student attendance findings, identified in 2016, have not been implemented as of the 2017 audit.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Ramos	The district has partially implemented corrective actions for the student body fund findings identified beginning with the 2015 audit and the student attendance findings identified beginning with the 2016 audit. Findings have occurred each fiscal year since there is a rotation of school sites audited each fiscal year as well as turnover in site staff. Training is provided directly to school sites with findings. Also, ongoing trainings to all sites are provided throughout the fiscal year at both school sites and the district office to assist staff.	11/20/19		
9	Has the district addressed any deficiencies the county office of education has identified in its oversight letters? (part 2)	In letters dated December 7, 2017, January 16, 2018, and April 16, 2018, the county office discussed and outlined its concerns with the district's ongoing structural deficit, and the need for the district to submit a board-approved budget reduction plan to reverse the deficit spending trend.  On August 22, 2018, the county office disapproved the district's 2018-19 adopted budget, and the district was instructed to revise its 2018-19 budget and submit a balanced budget plan that supports ongoing expenditures from ongoing revenue sources, and that has a timeline showing when and how adjustments would be implemented no later than October 8, 2018. On October 11, 2018, the county office notified the district that its revised adopted budget was also disapproved based on their review. That budget showed that the district's unrestricted general fund balance would decrease by approximately \$34 million in 2018-19, approximately \$43 million in 2019-20 and \$66.5 million in 2020-21. The district was instructed to develop a viable board-approved budget and multiyear expenditure plan that would reverse the deficit spending trend, and to submit this plan with its 2018-19 first interim report, which is due December 14, 2018.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Ramos	Ongoing: Working towards a balanced budget. Student Centered Fiscal Recovery Plan presented to Board and adopted at the 3/27/19 Board Meeting. Reductions in central staff and non-negotiable items have resulted in over \$20m in savings and as a result at 2nd interim: \$2.2m (19/20) and \$50m (20/21). 6/13/19 Update: District has made approximately \$45 million in adjustments through the 2019/20 Proposed Budget. Additional adjustments of \$26 million are needed through negotiations. As of the 2019-20 Revised Adopted Budget the District has implemented \$50.2M in ongoing budget adjustments and \$12.1M in one-time budget adjustments. These adjustments were made during the period of December 2018 through September 2019 and are not in addition to the previous adjustments listed above. Additional adjustments of \$27M are still needed to eliminate the deficit and achieve fiscal solvency. This information can be found in the Revised Adopted Budget 2019-20 presented at the October 3, 2019 Board Meeting.	11/18/19		
9	Are all balance sheet accounts in the general ledger reconciled, at a minimum, at each interim report?	Although balance sheet accounts are reconciled multiple times each fiscal year, a reconciliation is not done at each interim.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Ramos/Watkins/ Chung	In 2019-20, staff will reconcile at each interim report period.	11/14/19		

11	Are all charters authorized by the district going concerns? (part 2)	<p>Of most concern is the district's ongoing support of the Sacramento New Technology Charter School for several years. Because this is an ongoing fiscal burden on the district, it needs to be discussed and remedied.</p> <p>The district has also given financial assistance in the past to George Washington Carver Charter School, though not every year. The district also needs to further study Sacramento Charter High School operated by St. Hope Public Schools to determine whether it is a going concern.</p> <p>The district's charter schools are dependent from the standpoint of governance because they are part of the district and are under the authority of the district's governing board. However, charter schools are not intended to have budget deficits that make them dependent on a district financially. Under California Code of Regulations (CCR), Section 11967.5.1(c)(3)(A), a charter school must have a realistic financial and operational plan. Part of that includes having a balanced budget and financial plan. The district should take steps to ensure that approved charter schools do not require assistance from the district to stay solvent.</p>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Baeta/Ramos	<p>Update: SCOE Fiscal Expert currently conducting analysis on all charter schools. Due 6/30/2019.</p> <p>Update 7/23/19: Over the next several months, SCOE's fiscal advisor is performing a comprehensive review of the processes and documentation of the District's authorized charter schools, focusing on the ten independent charter schools operating in the District as direct funded charter schools with their own boards and separate financial system and audit reports. As of the 2019-20 Revised Adopted Budget, four dependent charters schools were projected to need financial assistance from the District in future years. The District has since met with each school to address the fiscal issues and three of the four have revised their budgets or are working on a plan that will remedy their deficit. New Technology Charter (New Tech) remains a concern. Over the years, New Tech has experienced an ongoing enrollment decline which has reduced the revenue and although expenditures have been reduced, the deficit is projected to persist. Cabinet will continue to work with New Tech. The remaining work to be finalized is the comprehensive review of the processes and documentation of the ten independent charter schools. This work is being completed by the SCOE Fiscal Advisor.</p>	11/18/19
12	Does the district have a plan to reduce and/or eliminate any increasing contributions from the general fund to other resources?	<p>Most of the district's general fund contributions are to special education programs and to the routine repair and maintenance account. Total contributions increased from \$62,581,129 in 2015-16 to \$67,759,639 in 2016-17 and to \$77,505,592 in 2017-18. The district's 2018-19 through 2020-21 budgets include continuing contributions for a total of \$89,134,727 in 2018-19, \$96,425,490 in 2019-20, and \$104,000,050 in 2020-21.</p> <p>FCMAT was not able to obtain an approved plan to reduce and/or eliminate increasing contributions from the general fund to other resources. The district did present an updated plan dated October 4, 2018 to reduce the district's overall deficit, but details were not found specific to reducing contributions to restricted programs.</p>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Baeta/Ramos	<p>Update: Program analysis was conducted and completed by SCOE Expert. Will be reviewed and shared by 6/30/19. The District has worked with the dependent charter schools to address the financial assistance projected during the 2019-20 Adopted Budget and has reduced the contribution for two of the four schools. The District is working with the remaining two schools to address the deficits.</p>	11/18/19
13	Is the district avoiding deficit spending in the current fiscal year? Is the district projected to avoid deficit spending in the two subsequent fiscal years? If the district has deficit spending in the current or two subsequent fiscal years, has the board approved and implemented a plan to reduce and/or eliminate deficit spending? Has the district decreased deficit spending over the past two fiscal years?	<p>Based on the revised 2018-19 adopted budget, the district's deficit spending is projected to be \$ 35,950,457.05 in total unrestricted and restricted funds. The district's total deficit, including unrestricted and restricted funds, is projected to be \$52,563,654.00 in 2019-20 and \$49,923,727.28 in 2020-21. As part of the district's revised 2018-19 adopted budget, the board approved a plan to reduce deficit spending; however, the plan does not reduce or eliminate deficit spending to an amount sufficient to sustain solvency. Additional significant reductions are needed. The total plan brought to the board on October 4, 2018 was for \$11,483,500 in reductions to the unrestricted general fund. FCMAT's review of the past two fiscal years shows that the district did not start deficit spending until 2017-18; the deficit for that fiscal year was \$10,966,055.80. In 2016-17, the district had a surplus of \$5,747,472.67.</p>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Aguilar/Ramos	<p>In Progress: District Recommended Plan will correct deficit spending. However, adjustments do require negotiated savings. As of the 2019-20 Revised Adopted Budget the District has implemented \$50.2M in ongoing budget adjustments and \$12.1M in one-time budget adjustments during the period of December 2018 through September 2019. Although these adjustments did not eliminate the deficit, the District's financial position was improved as follows: 2018-2019 actual deficit was \$171K in total unrestricted and restricted funds and the District's total deficit, including unrestricted and restricted funds, is projected to be \$18,706,878 in 2019-20, \$28,125,536 in 2020-21 and \$30,977,139 in 2021-22. In order to eliminate the deficit and maintain sufficient reserves to satisfy the 2% required for economic uncertainties, the District will need to about \$27M in ongoing solutions. The District will continue to research opportunities to mitigate the deficit but will major adjustments will require a negotiated solution. This information can be found in the Revised Adopted Budget 2019-20 presented at the October 3, 2019 Board Meeting.</p>	11/18/19

14	Does the district have a plan to fund its liabilities for retiree benefits?	<p>The district commissioned an actuarial valuation dated June 30, 2016, in accordance with Governmental Accounting Standards Board (GASB) Statement 75, Actuarial Report of OPEB Liabilities.</p> <p>The actuarial report estimates the district's total other post-employment benefits (OPEB) liability to be \$780,518,410 for the fiscal year ending June 30, 2018, and its net OPEB liability (i.e., factoring in employer contributions to the trust, net investment income, benefit payments, and administrative expenses) to be \$725,760,458 for the same period.</p> <p>The district has established an irrevocable OPEB trust with assets dedicated toward paying future retiree medical benefits. GASB 75 allows prefunded plans to use a discount rate that reflects the expected earning on trust assets. However, the actuarial report states:  ... the district expects to yield 7.25% per year over the long term, based on information published by CalPERS as of the June 30, 2016 actuarial valuation date. However, total net contributions to the trust have averaged 31% of the amount that would have been needed to be deposited to the OPEB trust so that total OPEB contributions would equal the actuarially defined contribution.</p>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Aguilar/McArn/Ramos	The Superintendent plans to establish an OPEB commission once a balanced budget is adopted. In the meantime, the District has received an updated actuarial valuation that resulted in a \$200 million reduction in unfunded liability. This was a result of increased contributions, including negotiated contributions from employee groups, increased interest rate recognition, and lower anticipated plan costs over time. District staff plan to continue to invest funds contributed in excess of current year retiree premium costs into its OPEB irrevocable trust to further address the unfunded liability.	11/18/19
15	Does the district include facility needs when adopting a budget?	The district discusses districtwide facility needs whenever it sells general obligation bonds, which occurs approximately every two years; this does not occur on the same cycle as budget adoption.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	CBO	The district discusses districtwide facility needs whenever it sells general obligation bonds, which occurs approximately every two years; this does not occur on the same cycle as budget adoption, but the district does allocate 3 percent of general fund expenditures to the Routine Repair and Maintenance account to address facility maintenance needs.	11/13/19
15	Does the district have an up-to-date long-range facilities master plan?	The district's facilities master plan was prepared by MTD Architecture in 2012 and has not been updated since.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	CBO	The current facilities master plan was prepared by MTD Architecture in 2012. An RFQ was submitted. The new Facilities Master Plan was Board approved on June 20, 2019 and will incorporate an analysis of District capacity. The contract was awarded to DLR Group, commenced on July 1, 2019 and will be completed Spring of 2020.	11/13/19
16	Is the district able to maintain the minimum reserve for economic uncertainty in the two subsequent years?	The district will fall short of its 2019-20 and 2020-21 minimum reserve requirement based on its revised (October 4, 2018) adopted 2018-19 budget projections, which show unrestricted ending fund balances of (\$17,491,788.17) in 2019-20 and (\$66,494,314.95) in 2020-21.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Aguilar/Ramos	The 2019/20 Proposed Budget shows the District will have their minimum reserve for the 19/20 and 20/21 fiscal year. However, if no adjustments are made the 21/22 fiscal year the district will have a negative reserve. District is working on a negotiated solution. Although the District has made significant budget adjustments in the amount of \$50.2M in ongoing and \$12.1M in one-time resulting in improving the unrestricted fund balances to \$51.6M in 2019-20 and \$23.5M in 2010-21, the third year 2021-22 remains a challenge without a \$27M solution. The fund balances for the third year 2021-22 are projected at (\$7.5M).	11/18/19
16	If the district is not able to maintain the minimum reserve for economic uncertainty, does the district's multiyear financial projection include a board-approved plan to restore the reserve?	The district does not have a board-approved plan sufficient to restore the reserve at the time of this Fiscal Health Risk Analysis.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Aguilar/Ramos	The District continues to work on a negotiated solution. The status remains unchanged, the District needs a negotiated solution to address the deficit and achieve fiscal solvency.	11/18/19
16	Is the district's projected unrestricted fund balance stable or increasing in the two subsequent fiscal years?	<p>The district's unrestricted general fund balance is projected to decrease significantly in 2019-20 and 2020-21 compared to its 2018-19 budgeted amount:</p> <p>* 2018-19: \$25,926,177.49  * 2019-20: (\$17,491,788.17)  * 2020-21: (\$66,494,314.95)</p>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Ramos	While the District has made progress, the District continues to work on a negotiated solution. Although the District still needs a \$27M solution to achieve fiscal solvency, the adjustments implemented in the last year have improved the unrestricted general fund balance as follows: * 2018-19: \$61,133,835 *2019-20: \$51,622,467.60 *2020-21: \$23,498,932 and *2021-22: (\$7,478,207)	11/18/19

16	If the district has unfunded or contingent liabilities or one-time costs, does the unrestricted fund balance include any assigned or committed reserves above the recommended reserve level?	<p>The district's unrestricted ending fund balance does not include amounts for the following liabilities:</p> <ul style="list-style-type: none"> <li>* Because the district and the SCTA disagree on the implementation date of a 3.5% increase included in the December 7, 2017 negotiated agreement,</li> <li>* There is a potential fiscal impact for 2019-20 and beyond of a 7% increase related to salary schedule restructuring rather than the 3.5% stated in the agreement.</li> <li>* The district's net contributions to the irrevocable OPEB trust established to pay future retiree medical benefits have averaged 31% of the amount that will be needed to ensure that total OPEB contributions equal the actuarially- defined contribution. The area of retirement benefits is a liability that the district will need to face because the costs are outpacing contributions.</li> </ul>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Aguilar/Ramos	In Progress: Superintendent to establish commission once a balanced budget is adopted. <b>No changes.</b>	11/18/19
17	Is the percentage of the district's general fund unrestricted budget that is allocated to salaries and benefits at or under the statewide average for the current year?	The statewide average for unified school districts as of 2016-17 (the latest data available) is 84.63%. At 2018-19 first interim, the district is exceeding the statewide average by 6.37%.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	McArn/Ramos	In Progress: Once the final calculations are determined for the second retro payment, this can then be determined.	11/18/2019
17	Is the percentage of the district's general fund unrestricted budget that is allocated to salaries and benefits at or below the statewide average for the three prior years?	The district exceeds the statewide average in this area for all three prior years, with its highest percentage in 2015-16 at 6.93% higher than the state average.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	McArn/Ramos	In Progress: Once the final calculations are determined for the second retro payment, this can then be determined.	11/19/2019
17	Is the district using its restricted dollars fully by expending allocations for restricted programs within the required time?	The district has seen a 129% increase in its total restricted ending fund balance from 2014-15 to 2017-18. This increase indicates that the district is not fully expending its restricted funding allocations. In addition, staff stated that some federal funds have gone unspent and have been returned to the federal government.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Baeta/Ramos	For 2019/20 budget, most of the title type current year allocations for the year have been programmed for the upcoming year. This includes Title I and Title II. Some Title III funds still need to be programmed and team members are working on this matter. Title IV first year allocations have been program. Title IV second year has not been allocated at this time. While Title I funds have been allocated, the multi-year conservatively assumes \$1.5 million in Title I funds will not be spent by June 30 and utilized in 2020-21. Medi-Cal has \$1.4 million carryover that needs to be programmed. SIG carryover of \$4 million will be spent over 2019-20 and 2020-21. These funds require discussions with the consortium as to the best option on spending carryover funds. Staff will monitor projected restricted carryover, so that plans can be developed to utilize these one-time carryover funds appropriately.	11/1/19
18	Is the district using the same financial system as its county office of education?	The county office of education uses Quintessential Control Center (QCC) (part of the Quintessential School Systems financial system) and the district uses Escape.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Ramos/Watkins	SCOE staff were trained by District staff on accessing data, data entry, and how to run reports. SCOE is currently working in ESCAPE for our District.	11/18/19
18	If the district is using a separate financial system from its county office of education and is not fiscally independent, is there an automated interface with the financial system used by the county office of education?	There is no automated interface between the two systems. When the district processes payroll and accounts payable warrants, information related to these transactions is uploaded to the county via a file transfer protocol (FTP). This process is started manually once payroll and accounts payable warrant processing is complete. No other electronic interface exists between the two systems.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Ramos/Watkins	SCOE is currently working in Escape for District oversight and data entry.	11/18/19
18	If the district is using a separate financial system from its county office of education, has the district provided the county office with direct access so the county office can provide oversight, review and assistance?	The county office of education has not been able to access the district's Escape system online, but conversations continue between the two agencies about how this will be accomplished. The software needed to access the Escape system has been installed on some systems at the county office, but there has been no training. The county office has had to create a second set of books for the district in its QCC system so it can attempt to monitor financial transactions and balances at the major object level. This requires much manual entry by county office staff since the district sends the county office only limited data related to warrant processing.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Ramos/Watkins	SCOE now has access to and training in Escape and is working in the system. SCOE and District staff are developing the process of reconciling in Escape.	11/20/19

18	Are the district's financial system's access and authorization controls reviewed and updated upon employment actions (i.e. resignations, terminations, promotions or demotions) and at least annually?	The district does not regularly update authorization controls, and discrepancies based on changes in positions are often found many months later. The district relies on a digital change form that requires manual signatures, which slows the process or results in lost forms. The district should move to a digital form process to increase efficiency.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	McArn/Lopez/Ramos	Yes. HR annually conducts a review of personnel transactions to ensure accurate staffing.  The Information Technology Department is in the process of implementing a computer system (UMRA) to perform this task electronically.	11/19/2019
18	Does the district ensure that duties in the following areas are segregated, and that they are supervised and monitored? • Accounts payable (AP)	Although the accounts payable process appears properly supervised and monitored, the printing of the warrants is completed in the business department rather than in a separate department, such as technology, which would improve segregation of duties. One department should input the information and a different department should print warrants	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Lopez/Ramos	In Progress: Staff to review technology, and conduct Cabinet to Cabinet discussion on implementation. No target date has been set. The status remains unchanged. The Business Office and Technology will continue reviewing options for addressing the segregation of duties. However, due to the reductions in personnel, appropriately adhering to segregation of duties will be a challenge.	11/18/19
18	Does the district ensure that duties in the following areas are segregated, and that they are supervised and monitored? • Payroll	The payroll process appears properly supervised and monitored; however, the business department prints the warrants rather than having a separate department, such as technology, do so to ensure separation of duties. One department should input the information and a different department should print warrants.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Lopez/Ramos	In Progress: Staff to review technology, and conduct Cabinet to Cabinet discussion on implementation. No target date has been set. The status remains unchanged. The Business Office and Technology will continue reviewing options for addressing the segregation of duties. However, due to the reductions in personnel, appropriately adhering to segregation of duties will be a challenge.	11/18/19
19	Is training on financial management and budget offered to site and department administrators who are responsible for budget management?	There has been little or no budget and fiscal training for site and department administrators who are responsible for budget management. Training is done informally and as needed or requested rather than on a regular schedule.  The amount of expertise, access to and knowledge of the financial system vary by site and department.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	McArn/Lopez/Ramos	Trainings offered monthly to all staff. A specific invitation will be made to administrators. The District has scheduled a budget/fiscal training for January 8th, 2020 from 8:30 to 9:30am for all site administrators at the Priority Initiative Meeting (Principal's Meeting). This training will be provided by the CBO, Budget and Accounting Managers. This session will cover the following 3 topics: 1. how to access and understand a site budget 2. how to check on the status of a submitted requisition 3. the workflow for contracts and travel requisitions from creating a requisition to approval. The District intends to provide regular budget/fiscal sessions at the Priority Initiative Meetings.	11/19/19

21	Does the district account for all positions and costs?	<p>The district must improve its position control process. The district currently uses the same position control number for multiple positions, and for full-time equivalent (FTE) positions that have the same title, instead of creating a unique position control number for each board-approved position or FTE. The district's current practice leads to lack of clarity about which positions are being filled and about the site to which each belongs, because the same position number can exist at multiple sites if the same title is assigned. The district needs to use a unique identifier, or position control number, for each board-authorized position.</p> <p>Another area to improve on in the position control process involves the ramifications of the one-stop process, because confusion often arises when employees are transferred between sites and departments without a paperwork trail since the information was input directly into the system and the typical forms are not used during one-stop meetings. In addition, as employee transfers and changes are discussed and made later in the year, position control system information about which positions are open and about employees' work locations is often found to be inaccurate. Because paperwork is not generated during one-stop meetings, it is often more difficult to determine the history and details of past decisions.</p>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Lopez/Ramos	<p>Staff has negotiated with Escape to receive no-cost support to expedite implementation of the position control changes recommended by FCMAT. To be completed by 7/1/2019.</p> <p>6/12/19 Update: Interdepartmental project team has concluded extensive testing of the technical solution and obtained approval from Executive Cabinet to proceed with implementation in the production environment. Roll-out of new position control system planned for week of June 17, 2019.</p> <p>Update 7/22/19: Position Control conversion completed.</p> <p>Although the Position Control (PC) conversion has been completed, the District is continuing to implement additional PC features and provide staff training on these features. Recent progress includes using Escape to analyze the changes in FTE from a past reporting period to the current reporting period, this was implemented November 15, 2019 with the assistance of the SCOE fiscal advisor. The next Escape tool to be implemented is budgeting for vacancies. The SCOE fiscal advisor introduced this feature to District staff on November 15, 2019 and the plan is to have this implemented for use by 2nd Interim. Escape's budgeting for vacancies feature will improve the accuracy and efficiency.</p>	11/18/19
21	Does the district have board-adopted staffing ratios for certificated, classified and administrative positions?	Staffing ratios, where documented, appear to be a result of terms in the collective bargaining agreement rather than board-adopted.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	McArn/Ramos	The District presented staffing ratios to the Board in May. These staffing ratios were used in the development of the 2019/20 budget. Further refinements for future years will be presented to the Board. Target 10/30/2019. Update 11/19/19: In Progress: Board-adopted staffing ratios for certificated, classified, and administrative positions are being updated and additionally defined.	11/19/19
22	Does the district account correctly for all costs related to special education (e.g., transportation, indirect costs, service providers)?	Not all appropriate costs related to special education are charged to the program, including legal fees and the full allowable indirect costs.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Baeta/Ramos	Update: Program analysis was conducted and completed by SCOE Expert. Will be reviewed and shared by 4/30/19. 6/5/19 Update: Final report has not been received from SCOE Expert.	11/18/19
22	Is the district's contribution rate to special education at or below the statewide average contribution rate?	The district's 2018-19 budget plan indicates that its general fund contribution to special education will be \$73,590,731 and that its total	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Baeta/Ramos	Update: Program analysis was conducted and completed by SCOE Expert. Will be reviewed and shared by 4/30/19. 6/5/19 Update: Final report has not been received from SCOE Expert.	11/18/19
22	Is the district's rate of identification of students as eligible for special education comparable with countywide and statewide average rates?	The district has an identification rate of 14.5%, while the statewide average identification rate is 11.5% and the countywide identification	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Baeta/Ramos	Update: Program analysis was conducted and completed by SCOE Expert. Will be reviewed and shared by 4/30/19. 6/5/19 Update: Final report has not been received from SCOE Expert.	11/18/19
22	Does the district analyze and plan for the costs of due process hearings?	The district analyzes the incidence and cost of due process hearings. Employees interviewed stated that the current budgeted amount for	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Baeta/Ramos	Update: Program analysis was conducted and completed by SCOE Expert. Will be reviewed and shared by 4/30/19. 6/5/19 Update: Final report has not been received from SCOE Expert.	11/18/19
7	Does the district use a budget development method other than a rollover budget, and if so, does that method include tasks such as review of prior year estimated actuals by major object code and removal of one-time revenues and expenses? (part 1)	Although the district uses a one-stop method for budget development rather than a rollover budget, it appears that the primary driving force behind this method is to develop a list of employees who will receive a preliminary layoff notice on March 15 rather than to truly develop a reliable budget. The budget development process needs to be further refined so that all revenues and expenditures are reviewed and adjusted, not only those budgets with larger staffing allocations. A comprehensive budget development process is need for the entire budget to ensure all revenues and expenditures are understood and used according to the district's goals and objectives.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Quinto	Monthly reviews are conducted of the District's Revenues and Expenditures.	

7	Does the district use a budget development method other than a rollover budget, and if so, does that method include tasks such as review of prior year estimated actuals by major object code and removal of one-time revenues and expenses? (part 2)	<p>The district uses its one-stop method in January and February. During that time, site administrators and department managers are scheduled to meet in a district office conference room on days set aside for that specific site or department. The site administrators and department managers are provided a funding estimate from the business department, then work collaboratively with the business and human resources staff (using updated staffing costs) to determine staffing and other expenditure levels for the upcoming budget year. All information is input into the financial system during the meeting, and because appropriate approval authorities are physically in the conference room, approvals are obtained and actual staffing is determined for the next fiscal year. This is a more expedited process than the typical routing of position change forms between departments to obtain various approvals, and it ensures that staffing decisions, and thus layoff notices for the next school year, are determined by the March 15 deadline.</p> <p>The above process is efficient for meeting the March 15 deadline. However, not all budgets are assessed using this method. As additional staffing decisions are made during other one-stop meetings, or even after budget development ends, confusion can arise when employees are transferred between sites and departments without a paperwork trail since the information was input directly into the system and the typical forms are not used at the one-stop meetings.</p>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Quinto/Watkins/Chung	Ongoing: Personnel Requisitions are now required for all changes, signed off by Business Office and submitted to H.R. for processing.
7	Has the district's budget been approved unconditionally by its county office of education in the current and two prior fiscal years?	Although the district's budgets were approved by the county office in 2016-17 and 2017-18, the district's 2018-19 adopted budget was not approved. The district submitted a revised budget dated October 4, 2018, which the county office disapproved on October 11, 2018.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Quinto	Fiscal Recovery Plan submitted with Second Interim and presented at the March 21 Board Meeting. SCOE Vetted.
7	Are clear processes and policies in place to ensure that the district's Local Control and Accountability Plan (LCAP) and budget are aligned with one another? (part 1)	No evidence was provided that the LCAP and the budget are aligned with one another. Information obtained during interviews indicates that the business department has not been engaged in the LCAP process in the past, although the current administration plans to work with teams to integrate the work more closely.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Harris/Taylor/Quinto/Browning	<p>6/5/19 Update:</p> <ol style="list-style-type: none"> <li>LCAP/Budget staff schedule quarterly meetings to review milestones and project goals. (Dates: 9/24/18, 12/19/18, 4/5/19, 4/16/19)</li> <li>School site budgets are now aligned to the LCAP goals and state priorities in the California School Dashboard as part of the One-Stop Staffing process.</li> </ol> <p>7/23/19 Update:</p> <ol style="list-style-type: none"> <li>The budget office and LCAP staff worked closely in developing the public hearing and board adoption documents for both the June 6th and June 20th board meetings. There was intentional effort to make sure numbers tied in both the LCAP and budget presentations.</li> <li>A cross department group of staff from State and Federal, LCAP, school leadership and fiscal met June 27-28 to debrief and identify lessons learned in the LCAP, Budget, SPSA and continuous improvement process integration effort. The goal is to apply these learnings for the 2020-2021 budget, LCAP and SPSA processes with a focus on continuous improvement</li> </ol>
7	Does the district develop and use written budget assumptions and projections that are reasonable, are aligned with the Common Message or county office of education instructions, and have been clearly articulated?	Guidance provided in the May Revision Common Message stated that districts were "not to balance their budgets based on one-time revenues." The narrative included with the district's 2018-19 budget presented to its governing board on June 21, 2018 states that the district is using "\$13.2 million of one-time funds to meet the increase of labor contract negotiations." The district cited and used appropriate assumptions related to percentages and amounts per unit of average daily attendance (ADA); however, the district did not follow the guidance included in the Common Message, the governor's statement about one-time funds, or other industry-standard guidance, which expressly state not to budget one-time funding for ongoing costs. That one-time funding was an estimated \$344 per ADA at that time. The approved state budget enacted subsequent to the May Revision decreased the one-time per-ADA funding amount from an estimated \$344 per ADA to \$185 per ADA, which created an approximately \$7.4 million deficit in the district's 2018-19 budget due to the district's action to fully commit the one-time funds to ongoing costs. This action will also have severe impacts on future years because the one-time funding will likely be unavailable to the district, leaving a \$13.2 million deficit moving forward.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Aguiar/Quinto	This is no longer the philosophy of the Superintendent or Board beginning July 1, 2018. The revised adopted budget was taken to the Board in October 2018.
7	When appropriate, does the district budget and expend restricted funds before unrestricted funds?	The district's restricted general fund ending fund balance increased from \$4,456,029 in 2014-15 to \$10,224,117 in 2017-18. This indicates unrestricted funds are being expended before restricted funds, which creates a potential liability because the district may be required to return unspent restricted funds to the grantor.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Quinto/Chung	Ongoing: Monthly monitoring

10	Does the district forecast its cash receipts and disbursements at least 18 months out, updating the actuals and reconciling the remaining months to the budget monthly to ensure cash flow needs are known?	During interviews, staff indicated that the accountant prepares the cash flow for a 24-month period. However, it was not being relied on because major concerns had been expressed regarding the accuracy of the information. During FCMAT's visit a separate cash calculation and projection was prepared by the county office's fiscal advisor that concluded that the district will become cash insolvent in October 2019 based on current budget projections. This projection was different and showed more cash deficiency than the district-prepared cash flow projection. A more recent cash flow projection prepared by the district for 2018-19 first interim shows the cash insolvency date as November 2019, one month later than the projection prepared during FCMAT's fieldwork.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Quinto/Watkins	SCOE and staff have agreed on cash flow methodologies. SCOE will continue to do a secondary review.
12	If the district has deficit spending in funds other than the general fund, has it included in its multiyear projection any transfers from the general fund to cover the deficit spending?	FCMAT believes that those transfers are inadequate based on prior year deficits. Without a specific plan to reduce deficit spending, specifically in the child development fund, the budgeted transfers are likely inadequate to cover the increasing costs of salaries and benefits.  Based on unaudited actuals data, the following transfers were made from the general fund to the child development fund: 2015-16: \$1,500,000 2016-17: \$322,344 2017-18: \$502,296  Based on 2018-19 Standardized Account Code Structure (SACS) data, transfers to the child development fund are projected to be as follows: 2018-19: \$2,345,207 2019-20: \$382,178 2020-21: \$382,178  Assuming revenue and spending patterns remain the same, even if the current projected transfers of \$382,178 in 2019-20 and 2020-21 are included, the district's shortfall in cash would be as follows: 2019-20: (\$791,940.93) 2020-21: (\$2,754,969.93)  The district must develop a plan to ensure its expenditures are equal to or less than expected revenues, but until that time it must ensure that its budget is revised to include adequate transfers to all funds, including the child development fund, so they have adequate cash to close the fiscal year. Unless an approved plan to reduce spending, or increase revenues, is implemented in 2018-19, these shortfalls in 2019- 20 and 2020-21 will increase the district's liabilities and further increase its projected general fund deficits. If this increased deficit is not remedied in 2018-19, it could cause the district to become cash insolvent prior to November 2019, based	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Taylor/Quinto	Board took action to reduce the size of the Child Development program by returning slots to the grantor (SETA) and thus the contribution to the Child Development program.
14	Has the district's enrollment been increasing or stable for the current and three prior years?	The district's enrollment has been declining for the last 15 years.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Quinto	Adopted FCMAT recommendation of using Cohort Survival Method for staffing and enrollment purposes.
14	Are the district's enrollment projection and assumptions based on historical data, industry-standard methods, and other reasonable considerations?	The district tracked the number of children who enter kindergarten as a percentage of countywide live births five years earlier to project kindergarten enrollment for the 2018- 19 school year.  However, to project enrollment in grades one through 12 for the same period, it used simple grade level progression rather than the more commonly used cohort survival method.  The cohort survival method groups students by grade level upon entry and tracks them through each year they stay in school. This method evaluates the longitudinal relationship of the number of students passing from one grade to the next in a subsequent year. This method more closely accounts for retention, dropouts and students transferring to and from a school or district by grade. Although other enrollment forecasting techniques are available, the cohort survival method usually is the best choice for local education agencies because of its sensitivity to incremental changes to several key variables including:  * Birth rates and trends. * The historical ratio of enrollment progression between grade levels. Changes in educational programs. * Migration patterns. * Changes in local and regional demographics.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Quinto	Adopted FCMAT recommendation of using Cohort Survival Method for staffing and enrollment purposes.
15	Does the district use its facilities fully in accordance with the Office of Public School Construction's loading standards?	Although the district has a 24-to-1 student-to-staff ratio for K-3, and follows the class size standards in its collective bargaining agreement with SCTA for the other grade levels, its facilities department estimates that the district has approximately 20% more capacity than needed for its current student enrollment. The district closed six schools in the last seven years and reopened one.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	C. Allen/Taylor	The Facilities Master Plan was Board approved on June 20, 2019 and will incorporate an analysis of District capacity. The contract was awarded to DLR Group, commenced on July 1, 2019 and will be completed Spring of 2020.



17	Does the district ensure that one-time revenues do not pay for ongoing expenditures?	As mentioned in the budget development section of this analysis, the district stated in its 2018-19 budget narrative that one-time funding was used to pay for salary increases. This action will also have severe effects on the budget in future years because the one-time funding will likely not be available to the district, leaving a \$13.2 million deficit moving forward.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Aguilar	Budget philosophy of SCUSD changed with new Superintendent.	
17	Does the district consistently account for all program costs, including allowable indirect costs, for each restricted resource?	The district does not charge allowable indirect costs to special education, and as a result there is underreporting of the total cost of the program. If the indirect cost rate of 4.21% for 2018-19 were applied to the district's 2018-19 annual special education expenditures of \$107,398,026, the resulting allowable indirect cost would be \$4,521,457. The district's total actual indirect charge for special education has been approximately \$100,000 per year. The industry-standard practice is to consistently account for indirect costs in all restricted resources, including special education. The district is not correctly identifying the true cost of its special education programs.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Quinto/Watkins/Chung	The 2019/20 Proposed Budget includes charging indirect to all appropriate grants.	
19	Is training on the budget and governance provided to board members at least every two years?	There was no evidence that budget or governance training is provided to board members regularly.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Aguilar/Browning	Superintendent has been conducting Board Learning Sessions. Board governance trainings have been an ongoing and regular practice for the Board of Education for the past two years. Budget trainings have not previously been provided outside of the regular meeting setting over the past couple of years, but will begin with the 2019-20 academic year.	
20	Does the district use its most current multiyear projection when making financial decisions?	It appears that the district used multiyear projections when making financial decisions until the 2017-18 fiscal year, but that this practice ceased in that year, during which it also entered into a multiyear agreement with the SCTA (December 7, 2017) that granted ongoing salary increases without a budget reduction plan to maintain minimum reserves through 2020-21.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Quinto/Watkins/Chung	Current budget philosophy is to understand fourth year budget implications of financial decisions.	
21	Are the sources of repayment for non-voter-approved debt stable (such as certificates of participation (COPs), bridge financing, bond anticipation notes (BANS), revenue anticipation notes (RANS) and others), predictable, and other than unrestricted general fund?	The district has \$67,920,000 in outstanding lease revenue bonds. The annual debt service payment is approximately \$5,400,000 and continues through fiscal year 2025-26. The annual debt service payments are made from a combination of unrestricted general fund revenue and developer fees.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Quinto/Watkins/Chung	Debt payment transferred outside of General Fund to Mello Roos tax collections.	
21	Does the district analyze and adjust staffing based on staffing ratios and enrollment?	The district did not provide evidence that regular analysis of staffing ratios is compared with actual enrollment or that adjustments are made in accordance with sites' or departments' needs after the one-stop budget and staffing process occurs in January or February of each year during the budget development process. During one-stop, because the primary purpose appears to be developing the March 15 notice list, staffing ratios are compared against enrollment projections, and staffing is scheduled accordingly.  Although this process is efficient for meeting the March 15 deadline as well as initial budget development projections, the decisions made during one-stop need to be reassessed as the year proceeds and actual enrollment numbers are known.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	McArn/Quinto	Yes. Allocations to staffing are based on contract class size ratios and adopted Cohort Survival Method for enrollment projections.	11/19/2019
21	Does the district reconcile budget, payroll and position control regularly, meaning at least at budget adoption and interim reporting periods?	It is best practice to have a position control system that is integrated with, or at least reconciled with, budget, payroll and human resources records. The district does not reconcile these records regularly to ensure that its budget represents the amount the district should set aside for such costs. In interviews, employees indicated that the number of open positions shown in financial reports is usually inflated.  At interim reporting times, the district identifies variances between budgeted and actual amounts, and salary and benefit budgets are often revised based on that analysis. By contrast, standard industry practice is to reconcile actual human resources and payroll records to ensure that only open, authorized positions are shown as such in the budget; if an open position exists that should be closed, the appropriate paperwork is completed to do so, and the budget is updated.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	McArn/Quinto	Position Control true-up conducted with the support of SCOE fiscal expert. Regular bi-weekly meetings are now being conducted to ensure position control is reconciled.	11/19/2019
21	Does the governing board approve all new positions before positions are posted?	The governing board approves new positions after employees have been hired rather than when the position is vacant or posted.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	McArn/Quinto	New process established: Cabinet Member to bring forth new positions to the Cabinet meeting for review and discussion. If allowed, new position moves forward to Deputy and Superintendent for approval. Approved position is then submitted to the Budget department for assignment of position control identifying number. Budget then sends completed position requisition to H.R. for posting (Business Process Map was created for this new process and is currently being revised).	
21	Do managers and staff responsible for the district's human resources, payroll and budget functions meet regularly to discuss issues and improve processes?	Staff indicated that those responsible for human resources, payroll and budget meet two times per year. Scheduled meetings should be conducted at least monthly to resolve ongoing issues and problems, as well as improve processes, between the departments.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	McArn/Quinto	H.R. and Business Services now meets bi-monthly.	10/4/2019