

Intended Outcomes of Post-Mortem Report

- To identify and understand OUSD's financial issues that the Board of Directors should monitor going forward to avoid future crises.
- To provide details on the drivers of the 16-17 budget crisis in one document, to address board and public questions about the causes of the crisis.

Resolution on Post-Mortem Report Contents

- i. Please provide an overall narrative of the proximate causes of the budget crisis that emerged in the 15-16 and 16-17 budget years, and which continues in the 17-18 school year, with as much specific detail as possible about the financial consequences of each contributing cause (ie, poor position control resulted in this many unbudgeted hires and cost the district \$___ above what was budgeted for personnel).
2. Please provide a list of anticipated expenses that were not included in the 16-17 budget, such as the cost of our 2016 ballot measure election and substitutes, extended contracts and overtime pay. Please explain why the expense was not included, and whether other such expenses were excluded in the past.
3. Are there any legal implications of employee conduct that contributed to the 16-17 budget crisis?
4. Finance staff have attributed the 16-17 budget crisis to a "run on the bank" among OUSD principals. What evidence is there to support this assertion? By how much did principals overspend their budgets?
5. Please provide a history of the "Books and Supplies" budget category for fiscal years 12-13, 13-14, 14-15, 15-16 and 16-17, explaining the fluctuations and implications for the budget.
6. Additionally, please provide the board additional detail in the areas identified as problematic in the FCMAT report. Specific requests are provided below. Priority categories have been identified, so if there are issues with staff capacity, please address the highlighted areas at a minimum.

Deficit Spending -- please provide details about deficit spending for budget years 12-13, 13-14, 14-15, 15-16 and 16-17, including the top five drivers of the deficit spending, efforts to address the drivers, and the amounts of deficit spending for each year identified.

Fund Balance -- please provide details about changes in OUSD's fund balance for budget years 12-13, 13-14, 14-15, 15-16 and 16-17, including the drivers of the decline in fund balance, and efforts to address the drivers.

Reserve for Economic Uncertainty - please provide details about changes in OUSD's reserve for economic uncertainty for budget years 12-13, 13-14, 14-15, 15-16 and 16-17, including the drivers of the decline in reserve funds, efforts to address the drivers, and the amounts of variance from the board-required 3% reserve. Please specify how it was decided (and by who) to disregard the board-mandated 3% reserve requirement.

Enrollment and Attendance - please provide details about the financial impact of enrollment change in OUSD for budget years 12-13, 13-14, 14-15, 15-16 and 16-17. Please specify how it was decided (and by who) not to disclose to the board the spreadsheet error that contributed to the miscalculated enrollment projection for the 16-17 school year and not to consolidate teachers as a result of the enrollment decline in 16-17.

Cash Monitoring - please provide details about the financial impact of enrollment change in OUSD for budget years 12-13, 13-14, 14-15, 15-16 and 16-17. Please specify what OUSD has spent in interest expenses in order to borrow funds during these five budget years and the practices we would need to change in order to avoid borrowing to ensure adequate cash flow.

Bargaining Agreements - Please provide the rationale and documentation that supports the salary increases for managers of those employees who received contract-mandated increases, and whether there was an identified funding source to support the raises. If not, why was this information not provided to the board?

How many people received pay increases that were not mandated by the contract, and what was the total financial impact of those raises, as well as the cost of the contractually-mandated raises? Why was it decided not to disclose to the board the structural deficit created by awarding raises that outpaced the projected COLA?

General Fund - please provide details (dollar amounts) regarding the use of one-time block grant funds from the state and time-limited parcel taxes to cover ongoing expenses in OUSD for budget years 12-13, 13-14, 14-15, 15-16 and 16-17. What efforts have been made to reduce expenditures that are funded with one-time money?

Encroachment - please provide details about the financial impact of encroachment in OUSD for budget years 12-13, 13-14, 14-15, 15-16 and 16-17, along with efforts undertaken to address the restricted programs in which expenses have repeatedly exceeded revenues.

Position Control and Human Resources - Please provide the number as well as a list of positions that were not budgeted for, but which were nevertheless filled in 16-17, along with the salary for each position and a total of the additional, unbudgeted financial impact on the 16-17 budget. Please provide comparison data for budget years 12-13, 13-14, 14-15, 15-16.

What controls do we have in place to prevent this kind of thing from happening? Why were they ineffective during fiscal year 16-17?

When was it discovered in 16-17 that there were more unbudgeted positions being hired for than was typical previously, and what actions, if any, did finance staff take to stop the practice? Why was the board of directors not notified that this practice was taking place, and whose decision was it not to notify the board?

Budget Monitoring & Updates

Who had the authority, during FY 16-17, to authorize expenses that exceeded site and department budgets? What is the feedback and/or consequence for site and departmental overspending? Is it applied consistently and uniformly to both sites and central departments? What information, if any, is provided to the board regarding patterns of overspending in central departments or at sites, aside from the Cafeteria Fund, ECE and Special Education? If other overspending (such as on administrative salaries in the Central office) has not been brought to the attention of the Board of Education, why were these patterns neglected? Whose decision was it not to disclose this information?

There have been repeated audit findings for improper compliance with state and federal grants, lack of internal controls over ASB funds, position control and inadequate record-keeping regarding LCFF eligibility of students. What steps have staff taken to avoid repeated audit findings and fines and repayment of funds to the state or other agencies?

What training is provided to new board members regarding oversight specific to OUSD's budget (reading financial statements, understanding current issues such as audit findings and change initiatives, understanding the state budget's relationship to OUSD's budget)? What ongoing training is provided? If there has not been consistent training offered, what efforts have been made by staff to respond to board requests for information presented differently (ie, more narrative, more year over year trend data, more connection of district goals with related expenditures)?

Leadership/Stability - Please detail staff vacancies for key positions in the Finance, Budget and related teams for budget years 12-13, 13-14, 14-15, 15-16 and 16-17, and efforts to stabilize staffing in these roles. Why was it decided not to fill vacancies created in the CFO, Comptroller and Office of Accountability positions in the 16-17 school year, and what steps were taken to ensure that these functions would continue to be performed competently?

Internal Controls and Independent Audit Report - What steps have finance staff taken during budget years 12-13, 13-14, 14-15, 15-16 and 16-17 to prevent, discourage and detect fraud within OUSD?

Facilities - Please provide a history of contributions for Restricted Routine Maintenance Account (RRMA) for fiscal years 12-13, 13-14, 14-15, 15-16 and 16-17, and the variance from the required 3%.

General Ledger - Why are there required items left out of the 17-18 budget that were included in the 16-17 budget, such as BTSA? What other anticipated items were excluded? Whose

decision was it to exclude these items from the board-adopted 17-18 budget and why was this done? What controls exist to prevent mistakes like this from happening?