



MDUSD Fiscal Health Risk Analysis

2021-2022

- Progress Monitoring
- FCMAT Recommendations

Using This Document

As a result of the Fiscal Health Risk Analysis conducted by FCMAT in May/June 2021 and the report presented to the Board of Education at the August 11, 2021 meeting, the Chief Business Officer and her team will regularly communicate progress on the FCMAT recommendations on the Business Services page of the District website, family communication platforms, Ask the CBO video updates, and presentations to the Board of Education.” The sections coincide with the Fiscal Health Risk Analysis Questions and evaluation areas noted in the July 29, 2021 report. The only areas reported here are those that the FCMAT team reported a “No” for sufficient documentation or evidence to support the recommended practice for school districts.

This document serves as a “dashboard” to outline the efforts to date. Items are color-coded as follows:

Fully Implemented	Implementation in Progress	Planning in Progress	Not Started
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Section 1: Annual Independent Audit Report

There were no areas of concern noted in this section.

Section 2: Budget Development and Adoption

2.10 Other than objects in the 5700 and 7300s and appropriate abatements in accordance with the California School Accounting Manual (CSAM), does the district avoid using negative or contra expenditure accounts?		Oversight Responsibility
FCMAT Report: FCMAT could not determine if the district avoids using negative or contra expenditure accounts based on documents received from the district.	August 11, 2021 Planning in Progress	CBO Director - Fiscal
Director of Fiscal is working with Internal Auditor to ensure this infrequent process is not happening in any accounts.		

Section 3: Budget Monitoring and Updates

3.6 Has the district addressed any deficiencies the county office of education has identified in its oversight letters in the most recent and two prior fiscal years?		Oversight Responsibility
FCMAT Report: The county office of education identified deficit spending as a deficiency in the district’s 2019-20 and 2020-21 oversight letters. The district had decreased its deficit-spending since fiscal year 2017-18 and is not projected to deficit spend in the current year. However, the district’s multiyear projections anticipates \$6,632,961 in deficit spending in the unrestricted general fund for 2021-22, increasing to \$13,993,404 in 2022-23.	August 11, 2021 Planning in Progress	CBO Superintendent School Board
MDUSD: CCCOE has notified the Board President for consecutive years that the district is deficit spending. In 20/21, the district reduced expenditures approximately \$20M, but the impact of COVID negated the savings in many reductions due to the lack of COLA in 20/21 and the Governor’s mandate that prevented layoffs. The district continues to deficit spend		
3.9. Are all balance sheet accounts in the general ledger reconciled at least at each interim report and at year end close?		
FCMAT Report: Interviews indicated that balance sheet accounts have not been reconciled except account receivable and accounts payable annually. The other liability account balances continue to roll forward year after year.	August 11, 2021 Not started	Director - Fiscal
MDUSD: The payroll liability accounts were not reconciled. The Fiscal Team is now reviewing each liability account to make any final reconciliations.		

Section 4: Cash Management

4.1 Are accounts held by the county treasurer reconciled with the district's and county office of education's reports monthly?		Oversight Responsibility
FCMAT Report: The documentation provided does not show that the accounts held by the county treasurer are reconciled monthly, and the March and January 2021 balances shown on the district spreadsheet do not match the amount from the general ledgers provided to FCMAT. FCMAT found that irregularities are largely due to district-established practices regarding end of month posting between funds.	August 11, 2021 Fully Implemented	Director - Fiscal
MDUSD: This item has been resolved since the FCMAT team started its work. Reconciliation was delayed by the closing of the Food Service Fund. The Interfund Transfer with the Food Service Fund will be recorded at the state reporting periods.		
4.2 Does the district reconcile all bank (cash and investment) accounts with bank statements monthly?		
FCMAT Report: Interviews indicated that bank accounts are reconciled, but documents were not provided that indicate a consistent, monthly process.	August 11, 2021 Implementation in Progress	Internal Auditor
MDUSD: FCMAT was not provided all documentation. The Internal Auditor is currently reviewing all bank reconciliations.		

Section 5: Charter Schools

5.3 Has the district fulfilled and does it have evidence of showing fulfillment of its oversight responsibilities in accordance with Education Code Section 47604.32?		Oversight Responsibility
FCMAT Report: The district provided no evidence of oversight of the Eagle Peak Montessori charter school.	August 11, 2021 Implementation in Progress	Chief - Ed Srv
MDUSD: While the Fiscal Department has overseen the financials and the Internal Auditor has reviewed the budget and annual audit, the remaining oversight components had not been in place. In June/July 2021, the Educational Services Department leaders put in place an oversight matrix with deliverables, timelines, and MDUSD identified staff.		
5.5 Has the district identified specific employees in its various departments (e.g. human resources, business, instructional, and others) to be responsible for all oversight of all approved charter schools?		
FCMAT Report: The district identified staff members; however, interviews indicated that a defined plan had not been developed. Meaning that the district has not outlined their process on how they will review and monitor all approved charter schools to ensure that they comply with all applicable policies, laws, and regulations.	August 11, 2021 Implementation in Progress	Chief - Ed Srv
MDUSD: A new process and oversight matrix with deliverables, timelines, and MDUSD identified staff is now in place and the annual timelines have been followed since June 2021		

Section 6: Collective Bargaining Agreements

6.1. Has the district settled with all its bargaining units for the past two fiscal years? 6.3. Does the district accurately quantify the effects of collective bargaining agreements and include them in its budget and multiyear projections?		Oversight Responsibility
FCMAT Report: Although interviews indicated that it is settled with each of the five bargaining groups for the past two fiscal years, FCMAT could not find prior of the various settlements upon review of the district board meeting agendas and supporting documentation provided.	August 11, 2021 Planning in Progress	Chief - HR
FCMAT Report: FCMAT was not provided with an analysis of the impact of proposed bargaining agreements, including memorandums of understanding (MOUs), and their effects on multi-year financial projections.	August 11, 2021 Planning in Progress	Chief - HR
MDUSD: We are in negotiations with many of our bargaining groups. Any collective bargaining agreements will abide by AB1200, which will be added to board packets. Copies of settled agreements with AFSCME Local One and CSEA will be added to the Human Resources page of the MDUSD website.		
6.4. Did the district conduct a pre settlement analysis and identify related costs or savings, if any (e.g. statutory benefits, and step and column salary increase), for the current and subsequent years, and did it identify ongoing revenue sources or expenditure reductions to support the agreement?		
FCMAT Report: FCMAT was not provided with any pre settlement analysis that identifies costs or savings in the current and subsequent fiscal years. Upon further review of board agendas, in October 2019, the board approved an MOU with its Teamsters reclassifying various personnel in its Food Service Department. The agenda item did not specify the funding source or fiscal impact of this reclassification agreement.	August 11, 2021 Not Started	Chief - HR CBO
6.5. In the current and prior two fiscal years, has the district settled the total cost of the bargaining agreements at or under the funded cost of living adjustment (COLA)?		
FCMAT Report: Based on the documentation provided FCMAT could not determine if a tentative agreement was approved during the July 13, 2020 board meeting. The tentative agreement stated that effective July 1, 2020, the Mt. Diablo Education Association bargaining unit members would receive a 1.5% salary increase, which is greater than the funded COLA of 0.00% for fiscal year 2020-21.	August 11, 2021 Planning in Progress	Chief - HR
MDUSD: Negotiations are in progress. The District will report whether the agreements are greater than COLA.		
6.6. If settlements have not been reached in the past two years, has the district identified resources to cover the costs of the district's proposal?		

FCMAT Report: FCMAT could not confirm that all five bargaining units were settled for the past two years, and the district has not identified funds to cover any possible settlements.	August 11, 2021 Planning in Progress	Chief - HR
6.7. Did the district comply with public disclosure requirements under Government Code Sections 3540.2 and 3547.5 and Education Code 42142?		
FCMAT Report: FCMAT reviewed board minutes and supplemental documentation provided by the district and found that the district did not disclose to the public or county office the information and possible costs contained in any tentative agreements or for the numerous memorandums of understanding (MOUs).	August 11, 2021 Planning in Progress	Chief - HR CBO
MDUSD: The District has always completed public disclosure requirements with the Contra Costa County Office of Education. However, FCMAT pointed out that there is no history of adding those to board packets. Moving forward, the District will include all AB1200 documents in the board packets for any negotiations or MOUs.		
6.8. Did the superintendent and CBO certify the public disclosure of collective bargaining agreement prior to board approval?		
FCMAT Report: The Assembly Bill 1200 public disclosure documents were not included in the board agendas where any settlement agreements or MOUs were being considered for approval.	August 11, 2021 Planning in Progress	Chief - HR CBO
MDUSD: The District has always completed public disclosure requirements with the Contra Costa County Office of Education. However, FCMAT pointed out that there is no history of adding those to board packets. Moving forward, the District will include all AB1200 documents in the board packets for any negotiations or MOUs.		
6.9. Is the governing board's action consistent with the superintendent's and CBO's certification?		
FCMAT Report: As stated above, FCMAT was not provided with copies of any AB1200 public disclosures and therefore could not determine if the governing board's action was consistent with the superintendent's and CBO's certification.	August 11, 2021 Implementation in Progress	Chief - HR CBO
MDUSD: The Superintendent and CBO certifications have always been sent to CCCOE, with the governing board acting on those certifications with board actions.		

Section 7: Contributions and Transfers

7.1. Does the district have a board-approved plan to eliminate, reduce or control any contributions/transfers from the unrestricted general fund to other restricted programs?		Oversight Responsibility
FCMAT Report: The district does not have a board-approved plan to eliminate or reduce its contributions to any program that encroaches on the general fund.	August 11, 2021 Implementation in Progress	Director - Fiscal
<p>MDUSD: Contributions from the General Fund include the following programs:</p> <p>Special Education - approximately \$56.6M Athletics - approximately \$980K (board priority)</p> <p>MDEA Reps - approximately \$120K Unpaid student meal fees - \$200K (required based on parameters of Cafeteria Fund)</p> <p>Routine Restricted Maintenance - \$12M (required by Ed Code)</p>		

Section 8: Deficit Spending (Unrestricted General Fund)

8.2. Is the district projected to avoid deficit spending in both of the two subsequent fiscal years?	Oversight Responsibility	
<p>FCMAT Report: The district’s second interim MYP projects \$6,632,961 in unrestricted general fund deficit in 2021-22 increasing to \$13,993,404 in 2022-23. Corresponding total (unrestricted and restricted) general fund deficit spending is \$11,734,329 in 2021-22 and \$17,463,866 in 2022-23.</p>	<p>August 11, 2021 Not Started</p>	<p>Superintendent Executive Cabinet School Board</p>
8.3. If the district has deficit spending in the current and two subsequent fiscal years, has the board approved and implemented a plan to reduce and/or eliminate deficit spending to ensure fiscal solvency?		
<p>FCMAT Report: The district does not have a board-approved plan to reduce or eliminate deficit spending, which is expected to increase in 2021-22 and 2022-23. This deficit spending is expected to erode its unrestricted fund balance from \$47,487,966 in 2020-21 to \$40,855,055 in 2021-22 and significantly further to \$26,861,600 in 2022-23.</p> <p>While the board has a history of following most district recommendations and approving staffing reductions, the implemented reductions have not been sufficient to reduce or eliminate the district’s deficit spending.</p>	<p>August 11, 2021 Not started</p>	<p>Superintendent Executive Cabinet School Board</p>

Section 9: Employee Benefits

9.1. Has the district completed an actuarial valuation in accordance with Governmental Accounting Standards Board (GASB) requirements to determine if the unfunded liability for other post-employment benefits (OPEB)?		Oversight Responsibility
FCMAT Report: Prior to FCMAT's review, the district had approved a contract during the February 24, 2021 board meeting with a new vendor to complete an actuarial valuation that aligns with the GASB 75 guidelines.	August 11, 2021 Implementation in Progress	CBO Internal Auditor
MDUSD: When it was discovered that our actuary made an error in the GASB 75 reporting, the company rectified the error and we ended our contract with them. Total School Compensations was approved by the Board at the February 24, 2021 meeting as the new MDUSD actuary.		
9.2. Does the district have a plan to fund its liabilities for retiree health and welfare benefits with the total of annual required service payments no greater than 2% of the district's unrestricted general fund revenues?		
FCMAT Report: The district funds its retiree health and welfare benefits program on a pay-as-you-go basis. The actuarial valuation report indicated a pay-as-you-go OPEB contribution of \$20,668.861 in 2019-20, which is 7.2% of its unrestricted general fund revenues.	August 11, 2021 Not started	CBO Superintendent
9.3. Has the district followed a policy or collectively bargained agreement to limit accrued vacation balances?		
FCMAT Report: The district's collective bargaining agreements with its classified employees stipulates that they may elect to carry over 10 days of vacation in addition to one year's entitlement. The liability for compensated absences has continued to increase as reported in the district's audit report since fiscal year ending June 30, 2017.	August 11, 2021 Not started	Chief - HR

Section 10: Enrollment and Attendance

<p>10.3. Does the district track historical enrollment and ADA data to establish future trends? 10.6. Are the district’s enrollment projections and assumptions based on historical data, industry-standard methods, and other reasonable considerations?</p>	<p>Oversight Responsibility</p>	
<p>FCMAT Report: The district’s enrollment projections do not correlate with historical data. The district’s enrollment has been in decline since 2015-16 but recent enrollment projections indicate that the K-5 population will increase 2.9% and TK-12 enrollment will increase by 1.2% over the next five years.</p> <p>The district’s enrollment projections do not correlate with historical data. The district’s enrollment has been in decline for several years, but its projections indicate that the overall TK-12 enrollment will increase in the immediate upcoming years. This expectation is based on a demographic study recently conducted and is contrary to what historical and cohort survival methods of projection would forecast.</p>	<p>August 11, 2021 Implementation in Progress</p>	<p>CBO Executive Cabinet</p>
<p>MDUSD: The District has used the cohort survival method for projections until this year. As a result of COVID, and with input from our demographer and parent surveys, enrollment was projected to increase slightly to make up for the large number of drops in the 2020/21 school year. However, enrollment projections will use housing developments within district boundaries and the cohort survival method moving forward.</p>		

Section 11: Facilities

11.4. Does the district use its facilities fully in accordance with the Office of Public School Construction’s loading	Oversight Responsibility
<p>FCMAT Report: The district does not use its facilities fully in accordance with OPSC loading standards. Three of the five high schools are above 95% capacity with the other two high school sites between 50-60%. Of the nine middle schools, only one is above 90% with the others ranging from 79% to as low as 51% of capacity. Of the 30 elementary schools, one is above capacity and eight are above 75% capacity, leaving 20 in the range of 40-75%. Mountain View Elementary is reported at 13.3% capacity.</p> <p>Typically, excess classroom space is not left unused and the district incurs more costs for cleaning, maintenance and utilities.</p>	<p>August 11, 2021 Planning in Process</p> <p>CBO Superintendent</p> <p>Executive Cabinet</p> <p>Director of Facilities & Bonds</p>
<p>MDUSD: A master planning team is currently working to evaluate site capacity, with data that the second FCMAT team will use to provide data in its Maintenance/Operations/Facilities review.</p> <p>This same team will analyze excess classroom space for program consolidation and classrooms will be off limits to prevent filling excess space.</p>	

Section 12: Fund Balance and Reserve for Economic Uncertainty

12.4. Is the district's projected unrestricted fund balance stable or increasing in the two subsequent fiscal years?	Oversight Responsibility	
FCMAT Report: Due to deficit spending, the unrestricted fund balance is projected to decline from \$47,486,966 in 2020-21 to \$40,855,055 in 2021-22 and further to \$26,861,600 in 2022-23.	August 11, 2021 Not Started	Superintendent School Board CBO

Section 13: General Fund - Current Year

13.2. Is the percentage of the district's general fund unrestricted expenditure budget that is allocated to salaries and benefits at or below the statewide average for the current year?	Oversight Responsibility	
<p>FCMAT Report: The statewide average of unrestricted general fund expenditures allocated to salaries and benefits for 2019-20 was 88% up from 86% in 2016-17 and 87% in 2018-19. For the current year, the district's budget indicates 89.4% of unrestricted expenditures are allocated for salaries and benefits.</p> <p>In the forecast year 2021-22, the district expected to expend 88.2% of its unrestricted expenditures on salaries and benefits. The decrease is due to planned textbook adoption costs that inflate the total expenditures, however the percentage remains well above the state average. For 2022-23, the district projects salary and benefits to increase to 91.9% of unrestricted expenditures.</p>	<p>August 11, 2021 Planning in Progress</p>	<p>Chief - HR CBO</p>
13.3. Is the percentage of the district's general fund unrestricted expenditure budget that is allocated to salaries and benefits at or below the statewide average for the next two years?		
<p>FCMAT Report: The district's allocation of unrestricted expenditures to salaries and benefits has historically been significantly above the state average leaving less unrestricted funds to address the district's other expenses and contributing to the district's deficit spending.</p>	<p>August 11, 2021 Planning in Progress</p>	<p>Chief of HR CBO</p>
13.5. Does the district either ensure that restricted dollars are sufficient to pay for staff assigned to restricted programs or have a plan to fund these positions with unrestricted funds?		
<p>FCMAT Report: Based on the 4.30.2021 general ledger report, FCMAT found a significant lack of alignment between salaries and benefits budget account lines and actuals. In addition, annual audits for the prior three fiscal years identified significant variances between budget and actuals for employee compensation. As a result, FCMAT is uncertain as to the extent funding for positions is adequate in restricted programs and, if short, the impact on unrestricted funds.</p>	<p>August 11, 2021 Not Started</p>	<p>Executive Cabinet</p>

Section 14: Information Systems & Data Mgmt.

14.1 Does the district use an integrated financial and human resources system?		Oversight Responsibility
FCMAT Report: The district intends to implement the personnel module of its financial system but currently uses ad hoc spreadsheets to project and manage human resource information.	August 11, 2021 Planning in Progress	Integrated Systems Specialist Chief - HR CBO
14.2. Does the district use the system(s) to provide key financial and related data, including personnel information to help the district make informed decisions?		
FCMAT Report: The district and board are not confident in the information received from the financial system and Human Resources spreadsheets. Staff turnover and information system instability have resulted in a reluctance to take action based on the district's fiscal and HR related data.	August 11, 2021 Planning in Progress	Integrated Systems Specialist Chief - HR CBO
14.6. If the district is using a separate financial system from its county office, has the district provided the county office with direct access so the county office can provide oversight, review, and assistance?		
FCMAT Report: The county office does not have direct access to the district financial system. The county office used to contract with a consultant who was given direct access to the system, however that process is no longer active.	August 11, 2021 Implementation in Progress	Director - Fiscal CBO
MDUSD: The District has offered access to the county office, and it has been in place in recent years. CCCOE informed MDUSD that they have a liaison who will work with us and knows the Business Plus system.		

Section 15: Internal Controls & Fraud Prevention

15.2. 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?		Oversight Responsibility
FCMAT Report: The district does not have a structured process to review and update access to its financial system other than as the Technology Department is informed by Human Resources. No periodic reviews and verifications are scheduled to ensure appropriate access.	August 11, 2021 Not Started	Chief - HR
15.5. Does the district review and work to clear prior year accruals throughout the year?		
FCMAT Report: The district works to offset accruals continually throughout the year, but fails to completely clear accruals by year end, leaving balances to carry to the following year. FCMAT could not determine how long accruals are left and allowed to carry on the district's books.	August 11, 2021 Not Started	Director - Fiscal
15.8. Does the district have a process for collecting reports of possible fraud (such as an anonymous fraud reporting hotline) and for follow up on such reports?		
FCMAT Report: The district does not have an established process for collecting and following up on reports of possible fraud. No reporting hotline exists.	August 11, 2021 Fully implemented	Internal Auditor
MDUSD: A fraud hotline exists, overseen by the District's Internal Auditor. The information has been shared with the community, added in three locations on the MDUSD website, and flyers have been sent to all school sites to be shared with staff and placed on staff bulletin boards.		
15.9 Does the district have an internal audit process?		
FCMAT Report: The district has an internal auditor, but does not have a formalized internal audit process.	August 11, 2021 Planning in Progress	Internal Auditor

Section 16: Leadership and Stability

16.4. Is training on financial management and budget provided to site and department administrators who are responsible for budget management?	Oversight Responsibility	
FCMAT Report: The district does not have a schedule to provide regular training to site and department administrators on the Business Plus system. However, training is offered when system changes occur and the business office provides ongoing access to training manuals for self-help.	August 11, 2021 Not Started	Integrated Systems Manager Director of Technology & Innovation

Section 17: Multiyear Projections

17.2. To help calculate its multiyear projections, did the district prepare an accurate LCFF calculation with multiyear considerations?	Oversight Responsibility	
FCMAT Report: The enrollment and ADA used to calculate LCFF in the out years does not align with the enrollment and ADA projections and reasonable assumptions. The LCFF calculator uses a flat ADA for 2022-23 through 2045-25, but the district’s enrollment projections indicate increasing enrollment while historical patterns indicate a declining enrollment trend.	August 11, 2021 Not Started	
17.3. Does the district use its most multiyear projection in making financial decisions?		
FCMAT Review: The district uses MYP to propose reductions in expenditures. However, there is a lack of confidence in information used to develop the MYP and the district’s ability to implement the previously approved reductions. Therefore, the district’s financial decisions are not made to correct the structural deficit identified in the multiyear projections.	August 11, 2021 Planning in Progress	
17.4. If the district uses broad adjustment categories in its MYP, is there a detailed list of what is included in the adjustment amount and are the adjustments reasonable?		
FCMAT Report: The explanations do not provide enough detail to explain the adjustments; therefore, it is undeterminable whether these adjustments are reasonable.	August 11, 2021 Planning in Progress	Director - Fiscal

Section 19: Position Control

19.2. Does the district analyze and adjust staffing based on staffing ratios and enrollment?	Oversight Responsibility	
<p>FCMAT Report: The district does analyze and factor staffing based on the ratios and enrollment, however it does not use the maximum allowable ratios in its factors. The district’s only staffing commitments are those identified in the collectively bargained agreements, which set minimum staffing levels by setting maximum class sizes.</p>	<p>August 11, 2021 Not Started</p>	<p>Chief - HR</p>
19.3. Does the district reconcile budget, payroll and position control regularly, at least at budget adoption and interim reporting periods?		
<p>FCMAT Report: FCMAT found evidence of reconciliation and alignment of budget, payroll and position control. A lack of alignment was found for both certificated and classified major object codes and was found throughout the budget in essentially every resource and fund.</p>	<p>August 11, 2021 Not Started</p>	<p>Chief - HR CBO</p>
19.6. Do managers and staff responsible for the district’s human resources, payroll and budget functions meet regularly to discuss issues and improve processes?		
<p>FCMAT Report: According to interviews and the lack of documentation received supporting meetings, the distinct human resources, payroll and budget staff have not held regular meetings in the last few years.</p>	<p>August 11, 2021 Planning in Progress</p>	<p>Chief - HR CBO</p>
<p>MDUSD: The Fiscal/HR teams will meet weekly and then bi-weekly to address issues of general concern. The meetings will be facilitated by the Chief of HR and the CBO. Meeting agendas and notes will be shared with the Superintendent.</p>		