

Executive Summary

Business and Operations Review



Eugene School District 4J

Visitation
Oct. 21-22, 2008

Final Report
December 2008

INTRODUCTION

Today's public has high expectations: Schools will operate effectively and efficiently while meeting the diverse needs of our future citizens. Citizens and parents want reassurance that their taxes are spent wisely before voting to spend more on buildings or programs. In recent years, public interest – therefore media interest – in public education accountability and transparency has grown. For example, legislative bills regarding mandatory performance audits have been introduced during recent sessions, and the public asks “Why can't governments (including school districts) simply operate like businesses?”

The answer lies in the differences in purpose. According to a white paper issued by the Governmental Accounting Standards Board (GASB), governments are fundamentally different from for-profit business enterprises in several important ways. They have different purposes, processes of generating revenues, stakeholders, budgetary obligations, and propensity for longevity. These differences require separate accounting and financial reporting standards to provide information to meet the needs of stakeholders to assess government accountability and to make political, social, and economic decisions. School districts exist to provide educational services to all children. These services are necessary to enhance or maintain the well-being of citizens. In contrast, business focuses primarily on generating a financial return on investment.

The purpose of government is not to generate a financial return on investment but to provide public services and goods as determined through the political process in an effective and efficient manner.

That being said, school districts and education service districts (ESDs) want to be responsive to public demands, they want to demonstrate that they are responsible stewards of the public's tax dollars, and they want to improve wherever there is room for improvement. They are looking for affordable external business and operations reviews to help them in these endeavors.

That's why Oregon Association of School Business Officials (OASBO), Oregon School Boards Association (OSBA), and Chalkboard Project joined forces in 2007 to create a pilot program to conduct voluntary reviews in five school districts around the state. The goal is to objectively examine school district operations to identify best practices and make recommendations for improvements.

This pilot project is the first step in providing self-evaluation tools that will allow Oregon school districts and ESDs to evaluate their own effectiveness as well as the resources to improve business and operations processes where they can. This review process and report are intended to provide an objective look at the operational effectiveness of a district in specific program areas. At the completion of the pilot project, we will have developed a “tool-kit” consisting of self-evaluation tools and best practices that will be available to all districts.

The approach is positive – not punitive – and it reveals best practices as well as opportunities for improvement. School business officials, interested in doing the best job they can for students and taxpayers, have supported this project from the start.

Angie Peterman, executive director of OASBO and associate executive director of operations for OSBA, assembled the review team, which consists of current and former school business officials, members of the OSBA staff, and business partners whose combined experience in the areas of school business and operations spans more than 200 years. Including business partners in this process allows the opportunity to compare school business practices against general business practices. The review team conducted its review of Eugene School District 4J October 21-22, 2008. The team consisted of the following individuals:

Oregon Association of School Business Officials

Bill Dierdorff, Emeritus
Al Shannon, Emeritus
Sue Foster, Emeritus
Kent Stephens, Medford School District
Angie Peterman, Executive Director

Oregon School Boards Association

Shannon Priem, Communications Officer, OSBA
Dian Cox-Coleman, Communications Specialist, OSBA

Business Partners

John Tapogna, EcoNorthwest
John Fairchild, Transportation Consultant
Tammy Fitch, Wilson-Heirgood
Brent Peterson, RBC Wealth-Management

Oregon Department of Education

Craig Pruitt, Student Transportation
Barbara Cruickshank, Financial Reporting Analyst

North American Association of Educational Negotiators

Ron Wilson, Executive Director

Phases of the Review Process

1. **Planning** – Develop a set of goals and objectives for the review and select a team of professionals experienced in specific review topics. District staff receives a summary that describes the involvement of staff. Staff members complete a self-evaluation and provide documents such as policies, budgets, and audits for the review team to examine prior to the on-site visit.
2. **Analysis** – Review documents provided by staff and the activities completed during the on-site visit. Review team members conduct interviews with administration, staff, parents, patrons, board members and students. Reviewers collect additional documents, forms and policies during the interviews. Team members visit work sites to observe activities.
3. **Evaluation** – Team members individually review their observations and interview notes and the collected district documents. The review team members discuss their findings with those team members involved in the review of a specific program and determine whether further review is necessary. Team members review and forward reports to the project leader for compilation. The project leader returns a draft of the report to members of the review team.
4. **Reporting** – The project leader meets with the district superintendent and designated staff to discuss the report's commendations and opportunities for improvement. The superintendent and district staff members review the preliminary report and provide feedback to the project leader. Based on the feedback, the project leader may schedule additional on-site work. The project leader and several review team members make a brief presentation to the district board of directors and general public outlining their findings.

EXECUTIVE SUMMARY

Eugene School District 4J in brief

The district that would become Eugene School District 4J (4J) started in 1854, five years before Oregon attained statehood. 4J currently spans approximately 155 square miles in the southern Willamette Valley and its boundaries include about 85 percent of the city of Eugene, the town of Coburg and a small part of Linn County to the north. The district serves approximately 17,000 students in 26 elementary school programs, 13 middle school programs (including a K-8 program), eight high school programs, and three charter schools.

4J's board of directors seems extraordinarily capable of working effectively together. An observation also made by a number of interviewees during the review. Board members themselves seem proud of this ability and together the board dedicates the necessary time through training and discussions to ensure that this level of success continues. The members of the board share an interest in educating all children and seem to be held in high regard by their community. The board is open and encouraging to public engagement in many forms and forums.

4J operates under a very decentralized management approach whereby individual school sites have significant autonomy. For many years the district has utilized a site-based-decision making model which has allowed many decisions to be made at the school level rather than the district level. Although this process has worked efficiently in the past, board members are aware of the district's current struggles to maintain such a decentralized management approach. They know some of their challenges, brought about by lagging enrollment and budget issues, include decisions about purchases, centralization and what will remain under local school control. The Board and staff communicated their desire to address these issues and see this review as one vehicle to accomplish that.

Initial review team impressions

“The fundamental purpose of District 4J is to give each of our students an excellent education; we invest in our students because they are our future.” This is the philosophy of 4J and was evident throughout the review process.

While the district recognizes the importance of issues such as attendance boundaries, test scores, class sizes and calendars, they have established the following basic beliefs:

- “This is a student-centered district; everything we do must be good for children.
- “We realize that to get better implies change; we should be investigating, learning, trying, exploring fine-tuning and constantly leading progress.
- “We create an environment in our district that is demanding but nurturing, rigorous but compassionate, safe but risk-taking. We foster both independence and collaboration and require accountability as well as involvement from everyone.”

Eugene is home to several institutions of higher learning, which undoubtedly contributes to the high value placed on education within the community. This has had both positive and negative consequences on communications within and throughout the district. Broad support for schools has meant that the district did not need to concentrate on communicating the importance of education to parents and public. The district relies heavily on *The Register-Guard* newspaper. Consequently, communication staff hasn't needed to "court" the media about student success and could instead concentrate on reaching stakeholder groups (through its many committees) and on legislative advocacy, reaching out to business partners and Web site development. The district's small communications staff has made wise choices; however, as the district explores changes that may centralize some functions, internal communications needs to increase.

Eight areas reviewed by team

Financial Planning, Accounting, Purchasing and Reporting: The Financial Services Department provides support to all district schools and departments regarding budget, financial management, accounting, payroll, and purchasing. In addition, this department is responsible for district-wide financial management that includes the annual budget, sale of bonds, management of debt service, arbitrage compliance, cash and investment management, business information systems and the annual audit.

Summary of Findings

The decentralized nature of 4J brings with it some unique challenges from a financial, accounting, purchasing and reporting perspective. In order to truly allow site-based-decision making, individual sites have been given the autonomy to make decisions based upon what they believe to be in the best interest of their facility. This isn't necessarily a bad thing, but it can present significant challenges from an overall management and oversight perspective.

School-based purchasing makes sense for an array of goods and services required by the district and, with more oversight and support, should continue. But some areas warrant a more disciplined, coordinated purchasing strategy to take full advantage of bulk purchasing efficiencies. In those areas where decentralized purchasing makes sense, better support to—and oversight of—the procurement and accounting processes is needed.

One out-growth of the site-based-decision making model utilized by 4J can be duplication of functions/services within the district. The district utilizes three different individuals, in three separate departments, housed in three different sites to oversee grant funds. This process is cumbersome and may be inefficient to the district. 4J should consider consolidating the staff functions and physical location of the staff responsible for grant oversight and accounting. The core functions and challenges of grant oversight and accounting are common, regardless of the source of the funding. This change could also provide an opportunity for the district to focus on establishing a broader strategy for grant writing.

The district has earned multiple awards from national organizations for the rigor and transparency of its budget presentations. Rigorous five-year expenditure, revenue, and

enrollment projections are a key to the district's strong budgeting reputation. The caliber of staff within this area reflects a great deal of knowledge and expertise.

Administration and Communications provides support in many areas, including issues management, publications, media relations, Web-site content, elections, legislative issues, public-information requests, community relations and involvement. These services are provided by the executive assistant to the superintendent and various district administrative personnel as part of their responsibilities.

Summary of Findings

District administrative staff and board members operate using a very collaborative model, engaging all stakeholders in a multitude of ways tailored to each group's needs – clearly evidenced by the high level of support various groups expressed for the district, even among those who may disagree with the district's approach to school choice. The district is reaching out to its growing Hispanic community utilizing the most authentic, relevant approaches to build trust. With a communications staff focused more on external communications, however – which has suited a district that operates under site-based management – a stronger emphasis needs to emerge to keep all staff informed. The district faces a major challenge in re-visiting the district's structure to address the critical question – what do we centralize and what stays autonomous?

As part of its recent strategic planning process the board launched “Re-shaping 4J's Future.” The program is designed to assist the district in guiding programs and services over the next 5-7 years, in light of declining enrollment and changing demographics. As a result, the board's new goals are much more specific than before – in fact, they are far more specific than those of many other Oregon school boards. The board is to be commended for accepting the challenges and accountability that come with setting specific goals.

Information and Technology (IT) is responsible for the technical operations of the district, instructional technology support and information services. The goal of IT is to design, build, maintain and enhance technology for students and staff, enabling them to make efficient use of information technologies in their respective environments. The district has made this a priority as evidenced by its work with Linn Benton Lincoln (LBL) ESD to hire their IT manager.

Summary of Findings

The District employs highly skilled technology staff in its central office. Centralization of technology services and purchasing could benefit the district. We noted through some of our interviews that both staff and the board recognize and support this change.

Concentrated efforts to communicate clearly and fully among administrators, departments and school site staffs are essential to 4J's continued success in building its technology infrastructure. Dedicating bond proceeds to technology and careful budget planning have contributed to 4J's significant success thus far, and the review team hopes that will continue. The review team commends the district for its dedication to fine-tuning technology, regular communications and training stakeholders as pathways to providing the best-possible environment for education. This

will be an ongoing challenge that can be effectively met by 4J, given its penchant for process, thoughtful planning and teamwork.

Human Resources (HR) is responsible for all personnel functions of the district, including recruiting, hiring, and retention of staff. HR oversees contract negotiations with employee groups, creates and maintains job descriptions, conducts annual staffing conferences with principals and other administrators to determine future openings and site needs, and manages employee supervision and evaluation.

Summary of Findings

The timing of this operations review coincided with the aftermath of an internal systemic “human resource meltdown” in operational functioning for the first month’s payroll of the 2008-2009 school year. These events, in retrospect, can only be described as traumatic both on a personal and an organizational level, demanding immediate, comprehensive corrective and preventive actions. In times of crisis, it is not atypical for organizations (or individuals) to be consumed in assigning blame and responsibility thus delaying needed actions. To the credit of the staff of the district, the clear intent of all of the individuals interviewed has been to accept responsibility where appropriate and eagerly engage in needed actions. The problem, of course, is to determine what actions are needed.

The department has made significant progress in identifying many of the underlying or root causes of the systemic failure in the August payroll. Among the most noteworthy are:

- Establishment of an HR Administrative Toolkit for supervisors and site administrators to help manage their individual sites or operations. The first training segment is designed to provide increased awareness and understanding of labor contract language and its interpretation.
- Department leadership has initiated a series of meetings at sites to discuss the focus of the human resource departmental changes to provide value-added human resource services and streamlined processes.

The development of operational procedures and requirements will appear to correct some of the immediate systems failure within the department and the ability of the department to manage that process. It will not, however, address the more global issues of the large volume and complexity of personnel actions. A systems analysis (and possible revision) needs to be completed to insure efficiency and effectiveness of the procedures utilized. This would involve the district coming to terms with the following issues:

- Degree of decentralization vs. centralization.
- Efficacy of funding source layering at the sites.
- Collective Bargaining Agreement Impacts.

Maintenance and Facilities is responsible for maintenance, cleaning, management and support of the district's real property, such as buildings and grounds. The staff is committed to the school district and its students and maintains the property to provide the educational services needed. Staff members enjoy their work and realize that a clean facility positively affects student behavior.

Summary of Findings

The facilities department employs licensed trades workers (electrical, HVAC, and plumbers) to perform work that would normally have to be contracted out. This provides the district with several advantages including institutional knowledge of the physical plant and savings in maintenance costs.

4J offers an extensive training program for newly hired custodians consisting of one day in a classroom setting and two days on the job training. This training provides an excellent foundation for approved cleaning methods, use of district provided cleaning equipment and building orientation.

As is noted throughout this report, decentralization of some tasks is now creating challenges for the district. Among them is fiscal accountability for the use of some budget resources, i.e., custodial supply budgets. Under the current system a principal has the authority to expend budgeted custodial supply funds for items other than building maintenance. We recommend the district establish procedures to prevent utilization of resources for other than their budgeted purpose. This can be accomplished in one of two ways; 1) by administrative rule that limits use of budgeted funds only for their intended purpose or 2) placing budgetary control of these resources with the Facilities Department.

Transportation is responsible for the safe transport of students from home to school, transporting special-needs students and transporting students during field trips and extracurricular activities. 4J transported 5,059 students, and traveled 1,229,403 miles on home to school routes in 2006-07. The district operates a total of 73 regularly scheduled routes using 39 large capacity buses for general education purposes and 34 smaller lift equipped buses to assist with services to students with special needs. Both larger and smaller lift-equipped buses provide transportation services for mid day kindergarten routes.

Summary of Findings

4J employs a talented and technically competent management staff of transportation professionals who demonstrate a sincere concern for the training and treatment of staff, emphasizing the impact each person has on the success of the district and every student. The management team members have long term relationships with the district and soon will have the option of retirement. Given the integration of the multiple roles and critical impact the team has within the district, particularly related to technology, communication and corporate history, it was surprising no plan of succession or professional development was found. This is of

particular significance given the staff-written software and the district's ongoing need for boundary planning, student data sharing processes and other technology related activities in which transportation is involved.

The district is unique in that it provides very limited yellow bus service to high school students based on the Oregon State Board of Education approved waiver dated February 17, 2005. The waiver-identified "suitable and sufficient" transportation is provided by the Lane Transportation District (LTD.) Limited service offered is for high school students residing more than 1.5 miles from an LTD stop and those students traveling from school on field trips and activity trips. District staff estimated the move from "yellow" bus to LTD provided a net savings of eight buses and allowed the time needed to offer tiered routing, thereby providing expanded bus capacity with a reduced number of vehicles.

Numerous commendations were noted as a part of this report. Just a few of them include:

- Implementation of a Transportation Department Employee-Recognition program based on specific, measurable criteria.
- Establishing a bus stop procedure that eliminates the likelihood kindergarten students are discharged alone from the bus unless someone is there.
- Providing school-level support in areas related to student conduct on buses, including the availability of in-school suspensions and the limited implementation of (PBS) Positive Behavior programs that include transportation.

In the area of opportunities for improvement one of the most significant is succession planning. Management team members have long-term relationships with the district and will soon have the option of retirement. Given the integration of the multiple roles and critical impact the team has within the district, particularly related to technology, communication and corporate history, it was surprising no plan of succession or professional development was found. This is of particular significance given the staff-written software, the district's ongoing need for boundary planning, student data sharing processes and other technology related activities in which transportation is involved. We recommend the district develop a formal succession plan to prepare for the ultimate retirement of these critical personnel.

Nutrition Services is responsible for providing quality meal and beverage service to students and staff at all school sites. Staff in the Nutrition Services area is very proud of their operation and feel very good about working for Eugene School District. The district implemented nutritional guidelines within the state directives prior to the changes being mandated.

Summary of Findings

Generally there is a positive attitude toward the school district and a focus on students. Everyone feels part of the team and is proud of their role in educating students. There are very few parental, community or student complaints about the service or quality.

Program changes have been made to improve the nutritional content of food served in the district. Community involvement and awareness of the changes has resulted in positive feedback.

Staff training is provided for at least 2 days annually. In addition, last August a two day session of leadership training was provided for all kitchen coordinators. The response was very positive from the attendees and the results are very apparent to the management team.

The Nutrition Services department is working hard within some major constraints. They do not have overall district direction or the commitment of the district to provide a business based operation. They don't utilize financial information by school to make management decisions. Building staff operate within a culture of acceptance without any initiative for change. They are, however, in a supportive environment and are not criticized based on unknown expectations.

The board needs to determine the future direction of the program and develop a viable timeline to reach those goals. The Oregon Department of Education is available as a resource to help identify options or the review team would be happy to assist Eugene staff in locating successful operations elsewhere in the state.

Risk Management addresses various factors including property, liability and workers' compensation insurance coverage.

Summary of Findings

Eugene School District has general liability and property coverage with P.A.C.E. and Workers' Compensation coverage is through SAIF. The deductibles and coverage for the PACE policy appear to be appropriate for the size of the district. The risk manager is relatively new to his position and has several opportunities for improving the already good outcomes achieved by his staff and the safety specialist that resides in the facilities department. Utilization of the resources of loss control and claims management from both PACE and SAIF have added to safety controls for the site-based school system. On-site inspections and quarterly reports to the district-wide Safety Committee allow for recommendations to the principals and custodians to address safety concerns.

Among the commendations noted are:

- Utilization by the Workers' Compensation Department of the Preferred Worker Program, Site modification, Light Duty, and Return to Work Programs.
- Personal contact with injured workers by card, email, and phone to keep open communications and facilitate efficient claims handling and necessary modifications to work site.
- Extensive walk-through of each building annually with the insurance carriers and safety specialist to identify areas of concern that are addressed and reported to the safety committee.

Currently, a district-wide safety committee meets monthly to review inspections and claims. We recommend the district establish a site-based volunteer safety committee at each building. This will allow for increased input and identification of safety needs across the district.

We recommend the district review the practice of assigning safety specialists to the facilities or transportation departments to determine efficiency with the overall risk management plan and budgets that are appropriated to each. While good communications exist between the current staff, the priorities, staffing, and budget may not address the priorities of the risk management plan. There are advantages and disadvantages to the current practice that impact a cohesive district approach to risk management.

Overall Conclusion:

4J's decentralized management approach requires some additional review and scrutiny on the part of the Board and staff. While the process has served the district very well in the past, current demographic changes and funding challenges require consideration of more centralization. The review team is not suggesting the district abandon site-based-decision making but that you consider centralization of some services. Through out the body of this report you will note various recommendations as to what those services might be. Some of the more common services performed centrally are: purchasing, business (including payroll, accounting, budget coordination, etc.), maintenance, custodial, transportation, food service, IT management, security and personnel. Exhibit A which is included in the full report provides some additional insights into those services which may best be served at a district rather than site level.

SPECIFIC OPERATIONAL AREA REPORTS

Overview of Process

This operational review includes the following business and operations areas:

1. Financial Planning, Accounting, Purchasing and Reporting
2. Administration and Communications
3. Technology
4. Human Resources
5. Maintenance and Facilities
6. Transportation
7. Nutrition Services
8. Risk Management and Safety

In preparation for the on-site visit, the district was asked to complete a self-evaluation document in each of the review areas. The self-evaluations were completed by district personnel and returned to the review team before the on-site visit. In addition to the self-evaluation, the district provided access to numerous documents in advance of our visit. Below is a summary of those documents:

1. Current board policies
2. Current budget
3. Prior three years audit reports and management letters
4. Current organizational chart
5. Current job descriptions
6. List of current employees by position
7. Current labor contracts and agreements
8. All procedures manuals and handbooks
9. Facility management plans, floor plans, list of maintenance, grounds, and custodial assignments, work hours, and special skills, certifications and/or training required.
10. District technology plan
11. Other documents deemed to be pertinent to or required for completion of the review that were not specifically mentioned above, such as contractor agreements that may impact one or more areas under review.
12. Enrollment data (including projections)

Review team members analyzed the self-evaluation and other documents before visiting the district to identify potential best practices and areas for further review during the on-site visit. Copies of the self-evaluation are included under Appendix A.

Other documents and reports were reviewed by members of the team during the on-site visit. A list of those documents is included in Appendix B.

The on-site visit included in-depth interviews of personnel in each of the identified review areas. A list of interviewees is included in the operational area reports in this document. The review

team visited various sites throughout the district. During this portion of the process, review team members collected additional documents and were able to verify information gathered from the self-evaluation and interviews. The review team members also examined various practices and procedures in place at Eugene School District, identifying numerous “best practices” that will become part of our tool kit for assisting other districts.

Observations, Commendations and Opportunities

Review team members were divided into subcommittees for in-depth review of each of the eight topic areas. The reports reflect the combined comments of each of the subcommittees. Each of the sections in the full report includes these components:

1. Description of area reviewed
2. List of review team members
3. List of individuals interviewed as part of the review
4. List of sites visited (if any) during the review
5. General observations
6. Commendations
7. Opportunities for improvement

Financial Planning, Accounting and Reporting

Competent financial management is the hallmark of any successful business operation. The operation of public education is a business of the first magnitude. As demand for public service increases, revenue decreases, and citizens demand accountability, it is imperative that educational leadership provide efficient, effective and economical school services.

This section of the report reviews the budgeting, accounting, payroll, purchasing and other financial management functions of Eugene School District 4J.

Team Members

Kent Stephens, Medford School District

Kent Stephens has served as a school business official in Oregon and Utah since 1992. He currently serves as Chief Financial Officer for the Medford School District, and held similar positions at Salt Lake City School District and Lane Education Service District. Kent is a Registered School Business Administrator with ASBO, International, and represents all Oregon school business officials on the state superintendent's committee formed to create district best business practice auditing criteria.

Brent Peterson, Consultant

Brent currently works for RBC Wealth Management and has 14 years' experience in capital markets. He currently holds licenses for series 7, 63, and 65 securities as well as Oregon life and health.

John Tapogna, Consultant

John Tapogna is a managing director at ECONorthwest, an Oregon-based economic consulting firm. His recent consulting work for the Oregon Governor's Office and Department of Education culminated in Rethinking the Budget Framework: Oregon's PreK-20 Education Enterprise, which makes a case for a new budget framework, proposes new budget tools, and suggests changes in legislative budget processes. Tapogna has presented PreK-20 budgeting concepts at gatherings of the National Conference of State Legislatures and The National Center for Public Policy and Higher Education. He co-authored a finance chapter in Minding the Gap: Why Integrating High School with College Makes Sense and How to Do It, which was recently published by Harvard Education Press.

Angie Peterman, OASBO

Angie Peterman is the Executive Director for the Oregon Association of School Business Officials, Vice-president of the Association of School Business Officials International and Associate Executive Director of Operational Support Services for Oregon School Boards Association. Angie was a former business manager for the South Umpqua School District and has thirty-three years of accounting, municipal finance, and district operations experience.

Interviewed

Tyler Hebard, Payroll/Accounts Payable Supervisor
Julie Cone, Buyer
Cathy Mattatall, Office Manager Cesar Chavez Elementary School
Susan Fahey, Chief Financial Officer
John Ewing, Financial Analyst
Janet Peterson, Financial Analyst/Business Systems Conversion
Phil Scrima, Financial Operations and Reporting Manager
Nancy Gripp, Finance Clerk
Sheri Lee, Grant Accounting Clerk
Beth Gerot, School Board Member
Tim Carmichael, Athletic Director, Churchill High School
Dennis Biggerstaff, Principal Churchill High School
Jenny Mangus, Accounts Payable Clerk
Lee Ann Ferguson, Accounts Payable Clerk
Caroline Passerotti, Financial Analysis & Budget Manager

Site Visits

All interviews were conducted at the district's central office.

General Notes and Observations

The caliber of staff in the finance office reflects a great deal of knowledge and expertise. Hiring seems to focus on employing individuals trained and qualified to hold these positions and capable of making a difference. The Finance Office has a clear understanding of their supporting role in the larger educational mission of the district. It is unclear whether finance staff is recognized for their system-wide contributions.

BUDGET and FINANCE

COMMENDATIONS

a. Budget Awards - The district has earned multiple awards from national organizations for the rigor and transparency of its budget presentations. Rigorous five-year expenditure, revenue, and enrollment projections are a key to the district's strong budgeting reputation.

b. District benefits from competent oversight by its School Board and Budget Committee - The volunteer members of the school board and budget committee, interviewed through this process, were well-versed in the details of the district's fiscal position. Those interviewed reported good working relationships with the superintendent and finance staff

c. Budget committee training - The district provides budget training to new budget committee and board members. Training is done by district personnel and is available to all staff, board and budget committee members as a refresher as well. Training is approximately two hours in length

d. Finance - The recent addition of a Chief Operating Officer shows strong potential to pull the finance and accounting functions into better alignment with human resources, facilities, and information technology

OPPORTUNITIES FOR IMPROVEMENT

a. Evaluate declining enrollment and effect on operations and facilities - The children of the baby boomer generation have aged out of the K-12 system, and Eugene—like many districts across the state is experiencing a long-term trend of declining enrollment. The district should articulate the tradeoffs between the status quo—with a number of smaller schools—and an alternative scenario with fewer buildings and a richer program offering. A rough estimate of fixed operational savings of \$0.25 million per school closure means the district could generate several million dollars annually to further strengthen core functions and enrich instructional opportunities.

b. Resource allocation model – The district utilizes a resource allocation model which is cumbersome and extremely complex. The model is time consuming and may not target staffing in all desired areas. Staff has been researching various models utilized by districts of similar size both inside Oregon and on a national level. The district is seeking a model that considers student characteristics; achievement requirements; incentives; and compliance. We recommend the district contact *The Council of Great City Schools* for additional samples of allocation models.

The review team recognizes the magnitude of this task and believes 4J may be the first district to attempt an allocation model that includes all of the above identified characteristics.

PURCHASING

COMMENDATIONS

Extensive use of “piggyback” contract provisions of other governmental agency contracts is a common practice in the Eugene School District. This allows the district to purchase without repeating the competitive process conducted by other agencies. The district also includes the ability for other districts to “piggyback” their contracts. This practice saves significant time and allows all participants to benefit from the larger purchasing power of the group.

OPPORTUNITIES FOR IMPROVEMENT

Review procurement process for opportunities for centralized purchasing. School-based purchasing makes sense for an array of goods and services required by the district and, with more oversight and support, should continue. But some areas warrant a more disciplined, coordinated purchasing strategy to take full advantage of bulk purchasing efficiencies. Individual schools negotiating copier leases is inefficient. Major technology purchases are another strong candidate for centralized purchasing.

ACCOUNTING

COMMENDATIONS

Software conversion - Eugene is midway through a successful implementation of Lawson financial and human resources software. The system is reasonably comprehensive and allows direct entry at the school level, which is critical in this large and highly decentralized school district.

OPPORTUNITIES FOR IMPROVEMENT

a. Support decentralized procurement and accounting processes. Provide better support to—and oversight of—the highly decentralized procurement and accounting processes. The district has a long tradition of site-based management, which has its advantages and challenges. On the plus side, schools have broad autonomy to plan and purchase their key supplies, materials, and services. Decisions are made close to the classroom.

One of the challenges of such autonomy can be insufficient accountability and lack of sufficient controls. Our review suggests more accountability and central support are needed. Some school-based purchasers have been lax in charging expenditures to appropriate accounting codes and/or have spent resources before verifying that budget authority exists. While schools have documented procedures and guidelines for managing student-body funds finance staffing levels are not sufficient to support schools at a level necessary to ensure accountability. Occasionally,

school-based officials request payments on supplies and materials without providing the accounts payable office evidence of receipt.

While external audits have not uncovered purchasing fraud, the environment does create significant risks for possible abuses. A variety of recommendations will strengthen processes and protect school-based personnel from exposure.

1. Phase in technology to scan and store receiving documentation on the district's purchases. The central office should retain the receiving documentation.
2. Hire an experienced financial analyst/internal auditor to train and monitor the school-based finance staff on appropriate accounting and budgeting practices and to disseminate information on bulk purchasing opportunities.
3. Adopt finance and accounting training as a priority, especially for site-based staff.

A common thread that surfaced over many areas was a lack of training or understanding of the importance of accuracy of information being provided to Financial Services. This causes a lot of time and effort to be spent in researching and correcting of errors. Overall, it felt like the lack of understanding created tension between the sites and Finance. While annual training is provided to site based financial staff, it does not appear to be sufficient to cover the district's multitude of complex financial issues. If additional training was implemented and the importance of accurate information was made a priority, the tension might ease and there might be more free time to take on additional tasks.

b. Consolidate grant oversight and accounting. The district's oversight and reporting functions for federal and private grants lacks coordination. The processing of federal Title I, special education, and private foundation grants are handled by three different individuals in three separate departments that are also separated physically from each other. Because the core functions and challenges of grant oversight and accounting are common, the district should consider consolidating the existing staff into a single office.

In addition to oversight and accounting, we recommend the office be responsible for setting a broader strategy around grant development, which is currently lacking. District grant writing resources should also be consolidated in the office.

PAYROLL

OPPORTUNITIES FOR IMPROVEMENT

a. Tighten payroll processes and improve compensation accuracy. The payroll department essentially performs a processing function. The department frequently receives inaccurate, or late, data which results in payroll inaccuracies, and the overpayment or underpayment of employees. Overpayments and underpayments are dealt with on an individual basis. Each case is reviewed individually and an agreement is reached using BOLI laws as a guideline. The review team did not find evidence that a written process exists to address this.

Improvements in Human Resource processes will reduce inaccurate information within the system and the frequency of compensation errors. Still mistakes will occur. We recommend the Finance and Human Resource Departments jointly adopt a process and procedure to deal with compensation errors. This procedure should be followed consistently, be well disseminated among staff, and clearly describe responsibilities of overpayment notification by employees. Payroll accuracy would also improve with a transition away from salary prepayment. Employees who work the school year receive their first paycheck on the final business day of August, only a few days after beginning their new contract. The pre-payment for work yet-to-be performed is not seen as a sound business practice. Generally speaking, employees should be compensated after work is completed, usually on a monthly basis.

b. Strengthen documentation and compensation agreement for non-exempt employees engaged in extra duty assignments. Classified employees who have extra-duty assignments or receive stipends must be paid overtime for hours worked in excess of 40 hours per week. The Bureau of Labor and Industries (BOLI) requires that actual hours worked be documented for all hourly non-exempt employees. There was concern voiced that, administrators – working within a fixed budget – may pay a flat stipend rather than reflect the actual hours worked. The district should establish clear rules governing stipend payments to classified staff that are consistent with non-exempt, hourly status.

CENTRAL OFFICE FACILITIES

OPPORTUNITIES FOR IMPROVEMENT

Reorganize central office space to better support existing job functions and coordination with other departments. The finance office staff expressed concerns about adequate workspace. Some duties and tasks require quiet, private space to maximize productivity. Staff should also be strategically located in operationally efficient work groups and adjacent to departments with common functions. Space should be allocated with these issues in mind.

STUDENT BODY FUNDS ACCOUNTING

OPPORTUNITIES FOR IMPROVEMENT

Formalize procedures relevant to cash collection and accounting at school sites. The district controls related to cash collected at the building level for student activities and athletic events appear to be weak. The district student body accounting handbook was recently updated with improved procedures and controls over cash collected at the building level. However, the decentralized nature of the district and minimal finance staff dedicated to this function makes it difficult to monitor and enforce these controls. Although this area appears to account for a small percentage of the district's overall resources, it is the area with the highest risk for fraud. The district could suffer strong substantive and reputational damage if a money handler took advantage of the weak controls.

In speaking with finance staff, concern was voiced over the decentralized nature of the district's operations and the impact of that decentralization in some areas. For example, staff doesn't feel they have the ability to enforce standards within individual schools related to student body fund accounting. We recommend the district enforce the standards established in their Student Body Handbook and train the finance clerks and others at each school site as necessary.

