

Benicia Unified School District

2003-2004 Grand Jury Report

I. Reason For Investigation

The Solano County Grand Jury elected to investigate a complaint signed by numerous citizens regarding Benicia Unified School District's (BUSD) fiscal procedures and accounting methods. Included in the complaint were allegations of lack of oversight by the Solano County Office of Education.

II. Procedure

The Grand Jury reviewed:

- The complaint signed by numerous citizens
- BUSD Board minutes and attachments for the years 2000-2001, 2001-2002, and 2002-2003
- BUSD budgets for the same years
- Independent audit reports for FYs 1999-2000, 2000-2001 and 2001-2002
- Financial Review of BUSD ordered by the Solano County Office of Education, dated March 2003
- Benicia Police Department reports
- Memorandum from State Superintendent of Public Instruction to County and District Superintendent and Chief Business Officials dated August 19, 2003

The Grand Jury interviewed:

- Officers of Benicia Police Department
- Citizens of Benicia
- Member of BUSD Board
- Solano County Office of Education Superintendent of Schools and Assistant Superintendent for Business/Finance

III. Background

1. A complaint came to the grand jury in December 2002 but there was a criminal investigation being conducted by the Benicia Police. An investigation by the Grand Jury could not proceed at that time due to a lack of jurisdiction. The Benicia Police finished their investigation in April of 2003 and forwarded the case to the Solano County District Attorney. There were no criminal charges filed. The 2003-2004 Grand Jury then elected to investigate the complaint.

2. California school districts are required to maintain reserve levels of at least 3 % of annual expenditures. According to the March 2003 Financial Review of BUSD by the Solano County Office of Education, the District had not maintained the required reserve levels for the previous three fiscal years (1999-2002). Despite this, the Solano County Office of Education filed positive interim financial reports for BUSD with the State Department of Education until the first interim report of FY 2002-2003 at which time a "qualified" certification was issued. A "qualified" certification indicates that a district may not meet its fiscal obligations within the next three years or does not have adequate reserves (Ed Code §42127.3 (a) and AB 1200 memo from State Superintendent of Public Instruction). The District received a "negative" certification for the second interim report for 2002-2003. A "negative" certification is assigned to the school district when it is determined that based upon current projections the school district will not meet its financial obligations for at least one of the next two years (Ed Code §42127.3 (e)).

3. There were allegations by complainants and witnesses that the former Assistant Superintendent, Business (Chief Financial Officer) of BUSD used improper accounting procedures and failed to properly inform the school board of the true financial status of the District. They also alleged that this was done in order to allow him to receive a retirement bonus under the District's Public Agency Retirement System (PARS).

4. The State of California requires that districts use a standardized accounting system, and it provides a Standardized Account Code Structure (SACS) and SACS-compatible bookkeeping software. BUSD began using this system during FY 2000-2001 but the Assistant Superintendent, Business and other employees of the district were not fully trained on the system and the result was a delay in producing financial reports and confusion about the true financial status of the District.

5. According to testimony given to the Benicia Police Department, there was ample evidence of "sloppy" accounting and bookkeeping practices. The complainants alleged income from the State was entered twice which made income appear to be greater than it actually was.

6. The March 2003 Financial Review ordered by the Solano County Office of Education states: "The District has not had in place Board policies and budget development and monitoring practices that can prevent and provide early detection of financial issues." The Review also points out a number of steps that the District should take to bring its spending into line with its revenues.

IV. Findings and Recommendations

Each finding is referenced to a background paragraph number

Finding #1 - The Grand Jury found no evidence that the BUSD financial problems were due to illegal activities and agrees with the police and the District Attorney findings that there was no criminal intent involved. (1)

Recommendation #1 - None

Finding #2 - The Grand Jury did find unconventional bookkeeping practices and instances of inaccurate entries of income. (2)(3)(4)(5)(6)

Recommendation #2 -The School Board ensure that the District Superintendent, Chief Financial Officer and appropriate District personnel be fully familiar with and trained to use and understand the Standardized Account Code Structure (SACS) mandated by the California Department of Education.

Finding #3 - The Benicia School Board did not respond appropriately to the serious warning of the outside audits and, later, by the Solano County Office of Education that their budget projections were not accurate. (1)(2)(6)

Recommendation #3 - The BUSD implement board policies and budget development and monitoring practices that provide an early warning of financial problems. The Benicia School Board take immediate action when the County Office of Education issues a warning regarding certification status.

Finding #4 - The Board approved retirement bonuses through the Public Agency Retirement System (PARS) based upon inaccurate and incomplete budget projections. (3)

Recommendation #4 - The Benicia School Board require accurate and complete fiscal information and financial projections prior to approving retirement packages.

Finding #5 - The Solano County Office of Education fulfilled the minimal mandated responsibility of notifying the BUSD Board of potentially not meeting its fiscal budget by issuing “qualified” and “negative” certification. (2)(6)

Recommendation #5 - The County Office of Education take a strong stand in budget discussions when impending problems appear and work with the school district until budget problems are resolved.

V. Comments

School boards are responsible for reviewing and understanding auditors’ reports and reports from the County Office of Education. Boards of Education must be prepared to make difficult financial decisions to keep the reserves in line with State financial guidelines.

Poor budgeting practices by the BUSD over a period of years resulted in a serious budget shortfall in the 2002-2003 fiscal year.

The entire BUSD Board needs to accept the responsibility of elected office and establish an improved communication system with the teachers and public to restore community trust.

The Solano County Office of Education, over a period of years, has not been sufficiently aggressive in overseeing Solano County School Districts’ budget problems.

VI. Affected Agencies

- Benicia Unified School District
- Benicia Unified School Board
- Solano County Office of Education
- Benicia Police Department (Courtesy Copy)
- Solano County District Attorney (Courtesy Copy)