

REPORT OF THE  
OFFICE OF THE AUDITOR GENERAL

261

IMPROVEMENTS NEEDED IN BUDGETARY AND  
FINANCIAL CONTROLS AND OPERATIONS OF  
FREMONT UNIFIED SCHOOL DISTRICT

OCTOBER 1975

TO THE  
JOINT LEGISLATIVE AUDIT COMMITTEE

MEMBERS

Assembly

Mike Cullen, Chairman  
Eugene A. Chappie  
John Francis Foran  
Bob Wilson

Senate

Clare L. Berryhill, Vice Chairman  
Anthony C. Beilenson  
George Deukmejian  
James R. Mills

SUMMARY

Our review of the budgetary and financial controls and operations of the Fremont Unified School District disclosed numerous deficiencies. These deficiencies, which are summarized below, evidence what can happen if systems of controls are not enforced:

<u>Deficiencies</u>	<u>Page</u>
The financial operations of the Fremont Unified School District are seriously deficient of internal controls and, because of numerous compounding deficiencies, the district's records are, to a large extent, unauditab	6
The district's business service operation is not effectively organized to combine complementary activities and provide adequate leadership or control over assets	7
The district's accounting system is incomplete, improperly designed, and lacks essential data processing controls to provide accurate, complete and reliable data, management information, and control of assets. The district also has not developed methods to assure that expenditures are within the budget authorized by the board	9

<u>Deficiencies</u>	<u>Page</u>
The district maintains inadequate accounting control over warehouse inventories and district equipment	16
The district has not developed adequate operating procedures for deposit of cash receipts, to assure that all purchases are in the best interests of the district or to authorize cash disbursements	19
The district has not provided adequate direction to school principals and has not monitored activities to assure that student body funds are properly administered.	25
Specific recommendations are made for the district superintendent to correct the deficiencies noted.	28
External budget and financial controls established in the Education Code to monitor district financial operations are ineffective.	31
The Fremont Unified School District Board of Education does not effectively control district financial activities, as evidenced by the following:	32
- Inadequate board minutes	32
- Incomplete budget deliberations	33

<u>Deficiencies</u>	<u>Page</u>
- Budget appropriations submitted to the county exceed budget appropriations adopted by the board	35
- Budget transfers falsified	36
- Incomplete, inaccurate and infrequent financial statements	37
- Auditor's reports not reviewed	38
 The Alameda County superintendent of schools did not limit expenditures of the Fremont Unified School District to those authorized by the board, or require original signatures on budget transfers supposedly authorized by the school board.	 39
 The independent auditors did not perform an adequate review in accordance with requirements of the American Institute of Certified Public Accountants and guidelines of the State Department of Finance.	 41
 Specific recommendations are directed to the Fremont Unified School District Board of Education, the Alameda County superintendent of schools, and the independent auditors to correct the deficiencies noted.	 44

<u>Deficiencies</u>	<u>Page</u>
Electronic data processing at Fremont Unified School District has received insufficient direction and control from the district superintendent and his staff. As a result, the district:	47
- Acquired equipment without competitive bids, in violation of provisions of the Education Code	48
- Leases excessive equipment	49
- Uses data processing systems which are inadequate for both district needs and for the equipment being used	51
- Provides inadequate security for the system	52
- Sold computing equipment to a private firm in apparent violation of the Education Code.	53
Specific recommendations are made for the district superintendent to correct the deficiencies noted.	53

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
BACKGROUND	2
INTERNAL CONTROLS AND FINANCIAL OPERATIONS WITHIN THE DISTRICT ARE INADEQUATE	6
Ineffective Organization	7
Inadequate Accounting and Budget Control System	9
Inadequate Control Over Assets	16
Inadequate Operating Practices	19
Inadequate Direction and Monitoring of Student Body Funds	25
Recommendations	28
EXTERNAL BUDGET AND FINANCIAL CONTROLS ARE INEFFECTIVE	31
Ineffective Control by the District Board of Education	32
Ineffective Control of District Expenditures by the County Superintendent of Schools	39
Inadequate Audits and Reports By Independent Auditors	41
Recommendations	44
PROCEDURES FOR ACQUISITION, USE, AND CONTROL OF ELECTRONIC DATA PROCESSING EQUIPMENT AND RELATED PROGRAMS ARE INADEQUATE	47
Lack of Competitive Bidding	48
Excessive Equipment Obtained	49
Inadequate Programs for District Needs	51
Inadequate Security and System Accounting	52
Sale of District Computing Equipment Time to a Private Firm	53
Recommendations	53

	<u>Page</u>
WRITTEN RESPONSES TO THE AUDITOR GENERAL'S REPORT:	
The Board of Trustees of the Fremont Unified School District	56
(Mrs.) Gloria B. Carr, Vice President, Board of Trustees, Fremont Unified School District	60
Alameda County Superintendent of Schools	64
Bray & Burke, Certified Public Accountants	66
APPENDIXES:	
Appendix A - Summary of Differences between Budgets Approved in Board Minutes and General Fund Budgets Submitted to the Alameda County Superintendent of Schools	68
Appendix B - Data Processing Equipment Fremont Unified School District	69

INTRODUCTION

In response to a legislative request, we have reviewed financial and business service operations at Fremont Unified School District as they are now practiced and have been practiced in preceding years. The scope of our work included a review of financial operations of the school district to the extent determined appropriate.

This review does not constitute an examination of any financial statements of the district in accordance with generally accepted auditing procedures. Accordingly, we do not express any opinion on the financial statements of the district.

Because of weaknesses of internal controls of the district, the size of the district, the use of sampling procedures and inherent difficulties in detecting forgeries, collusion, and unrecorded transactions, we cannot assure that all discrepancies have been discovered.



BACKGROUND

Fremont Unified School District is the second largest school district in Alameda County with an average daily attendance of approximately 33,000 students. General Fund expenditures for the fiscal year ended June 30, 1975 were approximately \$40 million. The district issues approximately 80,000 payroll warrants and 10,000 vendor warrants each year.

The Education Code places responsibility for the administration of school district financial affairs upon the governing board of school districts. The board must adopt and approve the annual budget and the transfers among budget items. The board must also approve all payments from school funds.

The county superintendent of schools and county auditor-controller are responsible for limiting school district expenditures to those authorized, and for determining if it appears that expenditures are legal and that sufficient district funds are available. In Alameda County the review and approval of warrants required of the county superintendents of schools and county auditor-controller is performed by the Alameda County superintendent of schools.

In addition, the statutes require that each school district be audited annually by an independent auditor.

The district superintendent is the board's chief executive officer. He coordinates the work of all schools and departments of the district, including administering the budget adopted by the board, establishing a control system for financial accounting, and purchasing supplies and equipment in accordance with the requirements of the Education Code and local board policy. The district superintendent is also responsible for preparing board minutes. Many of the duties of the superintendent can be delegated to members of his administrative staff.

Alleged irregularities and fraud concerning financial activities of Fremont Unified School District surfaced in October 1974. On December 4, 1974, the Alameda County District Attorney met with members of the district's governing board who voted to dismiss the district's former finance director for nine specific charges, including falsely indicating board approval of budget transfers, and payment for goods never received by the district. The dismissal was appealed by the district's former finance director. However, the hearing officer for the Personnel Commission found each of the nine specific charges to be true. The district's former finance director has since petitioned the Superior Court of California, County of Alameda, for a writ of mandate, stating that the decision of the Personnel Commission is invalid in that:

- The Personnel Commission proceeded without and in excess of its jurisdiction
- The Personnel Commission failed to grant the district's former finance director a fair hearing

- The findings of fact of the decision were not supported by evidence.

This petition is pending.

In February 1975, the board retained Price Waterhouse & Co. to conduct an operational review of district controls of the purchasing, warehousing, inventory, petty cash and revolving fund functions. The Price Waterhouse report was made public on May 1, 1975. Certain of the findings and recommendations related to internal controls and identified in our report concur with those previously made by Price Waterhouse.

During the course of our investigation, we maintained a liaison with the Alameda County District Attorney's Office. Information encountered during our review concerning possible fraudulent activities was referred to the Alameda County District Attorney's Office. Likewise, certain conditions described in this report were initially investigated by the District Attorney's Office.

The Alameda County District Attorney presented evidence to the Alameda County Grand Jury on June 26, 1975. The Grand Jury has returned an indictment against the district's former finance director on 11 counts of fraud. This case is currently awaiting trial in the Superior Court.

These events, together with deficiencies noted in this report, evidence what can happen if adequate systems of control are not established

and enforced. In our opinion, internal and external controls of the district are seriously deficient. No modification to the existing external control system embodied in existing state law is required. However, it should be emphasized that any system will operate effectively only to the extent that each person understands his duties, is versed and capable of performing and is dedicated to the tasks to be accomplished.

The former superintendent of Fremont Unified School District retired in June 1975. He has been replaced by a new district superintendent as of July 1, 1975.

INTERNAL CONTROLS AND FINANCIAL  
OPERATIONS WITHIN THE DISTRICT ARE INADEQUATE

The financial operations of Fremont Unified School District, which were administered by the former district superintendent and former finance director, are seriously deficient of internal control. (Internal control comprises the plan of organization and all methods and systems adopted to safeguard assets, ensure the accuracy and reliability of accounting data, promote operational efficiency and encourage compliance with managerial policies.) As a result, the district's records are, to a large extent, unauditible. An undetermined amount of district funds is lost annually through duplicate payments, payments for goods and services never received by the district, late deposits of cash receipts and inefficient procurement practices.

The major deficiencies in the district's internal control system are as follows:

- The district's business service operation is not effectively organized to combine complementary activities and provide adequate leadership or control over assets
- The district's accounting system is incomplete, improperly designed, and lacks essential data processing controls to provide accurate, complete and reliable data, management information, and control of assets. The district also has

not developed methods to assure that expenditures are within the budget authorized by the board

- The district maintains inadequate accounting control over warehouse inventories and district equipment
- The district has not developed adequate operating procedures for deposit of cash receipts, to assure that all purchases are in the best interests of the district or to authorize cash disbursements
- The district has not provided adequate direction to school principals and has not monitored activities to assure that student body funds are properly administered.

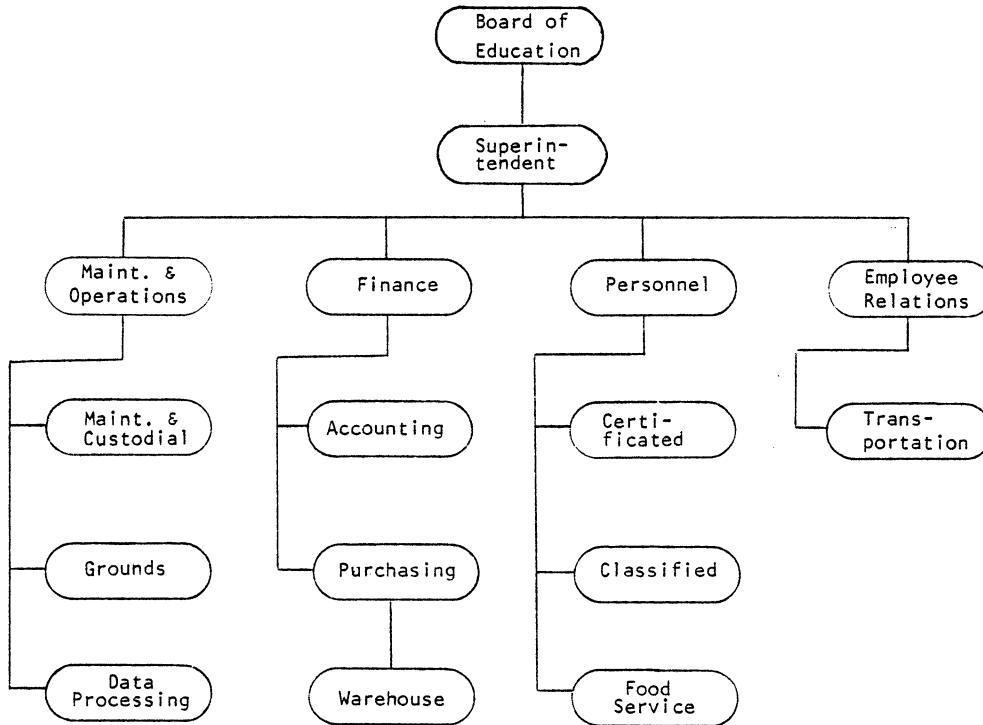
The above-cited deficiencies are consistent with the findings and recommendations of Price Waterhouse & Co., except that Price Waterhouse did not review or comment on student body funds.

#### INEFFECTIVE ORGANIZATION

The organizational structure of the support service function of Fremont Unified School District during the 1974-75 fiscal year, as shown below, did not combine complementary activities and did not provide adequate leadership or control over assets.

FREMONT UNIFIED SCHOOL DISTRICT

SUPPORT SERVICE FUNCTION



The district has not had an accountant for several years. The accountant's responsibilities had been assumed by the finance director.

Several business service units report through unrelated units that do not provide adequate control, leadership or overall responsibility for activities of the subordinate units. For example, the data processing unit reports to maintenance and operations, the food service unit reports to personnel, and the transportation unit reports to employee relations.

Under this organizational structure, the Director of Finance has control over accounting, purchasing and warehousing. The accounting department is also responsible for maintaining records of equipment and warehouse stock, and for processing invoices for payment. The warehouse receives and stores merchandise purchased by the district. Therefore, the Director of Finance controls all phases of vendor transactions because the organization does not provide for adequate segregation of responsibilities for accounting and safekeeping of assets.

This organizational alignment reportedly evolved over a period of years due to staff reductions and personnel conflicts.

INADEQUATE ACCOUNTING AND  
BUDGET CONTROL SYSTEM

Fremont Unified School District maintains records of expenditures and encumbrances on its computer. The computer and related accessories provide the district with excellent machine capability to produce accounting records. However, the district's accounting system is incomplete, is improperly designed and lacks essential data processing controls to provide accurate, complete and reliable data, management information and control of assets.

Accounting System Incomplete

The district's accounting system maintains only records of commitments to purchase and expenditures. The district does not maintain



adequate control records of assets (such as equipment, warehouse supplies, and accounts receivable) of liabilities or of cash outside of the county treasurer. The district's single-entry accounting system is not typical of systems used by most school districts in California and does not conform to the California School Accounting Manual officially approved by the State Board of Education for required use by California public schools.

Expenditure Accounting System  
Improperly Designed

The district's accounting system for expenditures is improperly designed. District funds (General Fund, Cafeteria Fund and Capital Outlay Fund) are comingled, rather than being accounted for separately. Warehouse issues are recorded as expenditures when purchased and again as expenditures when issued to schools without relieving the warehouse of accountability. Also, expenditures and encumbrances are not classified in a manner to permit a periodic reconciliation of the district's records of expenditures to records of cash disbursements and budget control accounts kept by the county superintendent of schools.

District expenditures must be reconciled to cash disbursed by the county in order to assure the accuracy, completeness and reliability of data recorded.

Summaries of district expenditures for the 1973-74 fiscal year had not been run on the computer since September 1973. At our request, the district's data processing department made a special run summarizing

expenditures for the complete 1973-74 fiscal year. The district's computer print-out disclosed the following errors resulting from improper system design:

- Warehouse issues in the amount of \$319,984 were recorded twice
- Capital Building Fund expenditures of \$1,261,351 were recorded together with the General Fund
- Cafeteria Fund expenditures of \$305,071 were recorded together with the General Fund.

After adjustment for these errors, the district's computer print-out indicated that approximately \$1,035,000 of expenditures recorded by the county had not been recorded by the district. The district has not reconciled its recorded expenditures to those of the county and does not have the records necessary to do so. At the time of our review the interim finance director was unable to reconcile recorded expenditures even on a current basis.

#### Essential Data Processing Controls Lacking

The district's data processing system lacks even the minimum controls usually present, such as batch totals on input data and prenumbered warrants. In addition, no controls are maintained to prove the accuracy and completeness of summaries of expenditures later made by processing data stored on punched cards. Such controls are necessary to assure that all transactions are accurately recorded and that cards representing expenditures have not been altered or lost.

Budget not Properly Allocated  
On District Records

The former district superintendent and former finance director did not develop a system to assure that expenditures made by the district are within the budget authorized by the board. The district superintendent, with assistance from the administrative staff, is responsible for implementing policies of the board.

To ensure that expenditures of various departments are limited to the amounts authorized by the board, the authorized limits must be properly allocated and recorded on district records. This has not been done. To illustrate, the expenditure budget submitted to the state and county for fiscal year 1973-74 totaled \$33,918,405; the district, however, recorded and allocated to the various departments of the district only \$13,646,782 of the budget. Many departments had no budget allocation according to the district's records. Similarly, for the 1974-75 fiscal year, only \$36,111,245 of the \$38,916,200 expenditure budget, which was submitted to the state and county, was originally allocated to schools or departments on the district's records.

In January 1975 the interim finance director reallocated the 1974-75 budget of the district so that the amount internally allocated equalled the budget submitted to the state and county. However, the board minutes and other records of the budget adopted by the board, which are recorded by the superintendent, were incomplete. Therefore, \$438,140 of the \$2,804,955, which was originally unallocated, was allocated to

undesigned suspense accounts within major classifications of expenditures in order to allocate the complete 1974-75 budget as submitted to the state and county.

Expenditures Not Limited to Budget  
By District Accounting Office

The district has not established adequate controls to determine if schools or departments have budgeted funds available when purchase requisitions are submitted, when purchase orders are issued, or when invoices are paid. For the 1973-74 fiscal year, more than one-half of the internal budget allocations were overexpended.

Schools are allocated funds based on average daily attendance. These funds, to be administered by the schools' principals, are to be used for various purposes such as textbooks, other books and other expenses related to education. The district processes only emergency requisitions from a school when the school has expended its combined allocation for all purposes. Control is not exercised by category of expenditures as budgeted.

Transfers of School Allocations  
Unrecorded and Improperly Made

School principals are allowed to use funds within major classifications interchangeably with the permission of the superintendent. For example, monies allocated for textbooks, other books and other educational supplies may be used interchangeably. The statutes provide that the

transfer of allocations between major classifications, such as repair of educational equipment, health supplies, capital outlay or purchase of educational supplies, may be made only with board approval.

Although transfers within major classifications were requested by school principals and approved by the superintendent, such transfers of budget allocations were generally not recorded on the district's records. Based on such transfers, the principals spend money for purposes other than originally budgeted, thus overexpending accounts as shown in the district's accounting records. For example, in the 1973-74 fiscal year, the district's six high schools combined overexpended their allotments for instructional supplies according to the district's accounting records by \$58,597.73. This was offset by unexpended allotments for textbooks shown in the district's accounting records of \$61,252.89.

In the 1973-74 fiscal year several schools received budget augmentations, as evidenced by district accounting records which do not disclose the source of funds. Documents initiating these budget transfers were not prenumbered, signed or approved. This type of unauthorized transaction can remain undetected because the district does not maintain a double-entry accounting system, only part of the budget is recorded in the district's records, and the district does not reconcile its records to the county's.

Funds Not Controlled by  
Department Charged

Approximately 90 percent of the funds expended by Fremont Unified School District were charged to the Finance Department. The Finance

Department paid expenses of many other departments. For example, the Finance Department was charged for all or a substantial part of the costs of:

- Credentialed salaries
- Many classified salaries
- Employee benefits
- Utilities
- Capital outlay
- Data processing
- Food service
- Transportation
- Gardening
- Maintenance
- Facilities
- Rental of portable buildings.

Monthly budget reports detailing charges from funds they control are provided to school principals and department administrators. However, the principals and department administrators do not receive statements showing expenditures paid for by the Finance Department, even though these expenditures may have been for the schools or departments. The district does

not allocate indirect costs to determine departmental or program costs. No comparison is made of total expenditures budgeted for a school or department and total expenditures made by or for the school or department.

This constitutes a serious control weakness as all expenditures for a school or department are not required to be authorized or reviewed by the school principals or department administrators for which they were made.

#### INADEQUATE CONTROL OVER ASSETS

Fremont Unified School District has not maintained adequate control of warehouse inventories or district equipment.

##### Inadequate Accounting Control Over Warehouse Inventories

The district's perpetual inventory system generates reports of warehouse inventory on hand that show many deficit balances. The deficit balances result from the district's practice of reducing warehouse stock records before filling orders and failing to correct entries if an item is out of stock. Also, no record is kept of documents sent to data processing to assure that they were accurately recorded.

The district's physical inventory count of stock on hand in its warehouses on June 30, 1974 amounted to \$21,806 less than the district's perpetual inventory record indicated should be on hand. It cannot be reasonably

determined how much of this difference resulted from improper and unrecorded data, and how much, if any, resulted from other factors, such as loss or theft.

At June 30, 1974, the county's records of inventory on hand, valued at cost, exceeded the amount shown in the district's perpetual inventory, valued at catalog price, by \$108,797. This difference accumulated over a period of years. To determine how much of the difference is due to pricing inconsistencies, it would be necessary to reconstruct the records for the entire period of several years.

The district had not reconciled its perpetual inventory record either to its physical inventory or to the county's records.

Inadequate Accounting Records to Safeguard District Equipment

Fremont Unified School District does not maintain adequate accounting or inventory records to safeguard district-owned equipment valued at approximately \$5 million. The State Education Code requires districts to maintain such records to control district assets and for insurance purposes.

The district's equipment was last inventoried and appraised at \$4.5 million in June 1970. According to the county's records the district has since purchased \$1.4 million of equipment.



The district does not maintain a control account to record the purchase or disposition of equipment and to summarize the total cost of the district's equipment. Further, the district does not maintain detailed records of equipment. Such detailed records, which should total to equal the control account, should contain:

- A description of the equipment
- Identification numbers
- Cost
- Location history
- Disposal record, etc.

Several transactions which led to the indictment of the former finance director remained undetected for years because the district did not maintain such detailed records to account for district equipment. For example, a desk and calculator purchased in 1969 was allegedly shipped to a private company. If detailed records were prepared upon receipt of the invoice for equipment purchased showing its location and identification numbers and if there was an annual inventory, such missing equipment would have been detected.

Because the district does not maintain an adequate system to account for district equipment, the accounting records provide no assurance that all proceeds from the disposal of equipment are actually received by the district.

INADEQUATE OPERATING PRACTICES

The district has not deposited all cash receipts promptly, has not developed efficient procurement practices and has not used a satisfactory system for authorization of cash disbursements.

Late Deposit of Cash Receipts

The district does not always deposit cash receipts monthly in the county treasury as required by the Education Code. Two significant violations noted during our review are as follows.

- On March 31, 1971 the board passed a resolution to accept a gift of corporate stock valued at \$48,825. This gift was to be used for improvements at American High School. The stock was sold, and the proceeds were used to purchase a time certificate of deposit from a local bank. The time deposit was not cashed and deposited with the county for approximately two years, even though the Education Code requires that all gifts of money required to be used for specific purposes be deposited with the county treasurer and designated as a special trust fund. While separately invested in a certificate of deposit, this money did not appear on the county's records nor was it shown on district financial statements prepared by the independent auditors.
- Federal warrants dated March 20, 1973, for \$47,651, and June 12, 1973, for \$243,868, were not deposited until

November 16, 1973. The district lost approximately \$8,000 in interest income as a result of not depositing these warrants on a timely basis with the county treasurer.

Inefficient Procurement Practices

The district has not developed efficient procurement practices to assure that all purchases of services and supplies, which amount to approximately \$8.6 million annually, are in the best interest of the district. Acceptable procedures would require that:

- Most purchase orders be issued by the purchasing officer
- Specifications be prepared by the purchasing office
- Competition among vendors be encouraged
- Terms of purchase be recorded when orders are placed, and compared with invoices before payment.

The most serious deficiencies in the district's procurement practices are as follows.

Frequent Use of Confirming  
Purchase Orders

Approximately 28 percent of the transactions and 6 percent of the money paid by the district to vendors is authorized by confirming purchase orders. Confirming purchase orders are frequently issued by the district after the merchandise is received. Most governmental organizations use confirming purchase orders only in emergencies. The district

has no procedures in force limiting the use of confirming purchase orders to emergencies.

Competitive Bids Are  
Infrequently Used

The governing board of a school district that awards service contracts for more than \$5,000, or material supply and equipment contracts for more than \$8,000, is required by law to award the contract to the lowest responsible bidder. Generally it is to the economic advantage of a school district to consolidate its needs and purchase as much as possible through competitive bids.

During the 1973-74 fiscal year, the district awarded only ten contracts to vendors for services and supplies using specifications, advertising procedures and competitive bids. Nine of these awards amounted to a combined total of \$382,290. District records were inadequate to determine the dollar amount of the other award. Nineteen other purchases amounting to \$105,836 were made after obtaining informal price quotations. There is no evidence that the district attempted to obtain any form of competition for the remaining purchases amounting to approximately \$8.1 million.

Sixty-two percent of the district's purchase transactions are for less than \$100. The district has not developed specifications, commodity codes or a data processing system which would enable them to readily determine historical usage of various commodities and to forecast and consolidate

requirements so that the requirements could be purchased through contracts awarded to the lowest responsible bidder. Such data combined with warehouse operating cost data, and price data related to the purchases of various quantities should be used to determine the most economical quantity of purchase.

Several purchases were apparently split to keep expenditures on each purchase order small enough to circumvent the competitive bid requirements. In other instances, expenditures exceeded the limit provided by law, but the district did not utilize competitive bids.

We could not retroactively determine the extent of losses which resulted from the lack of competitive bidding. However, it appeared to us that considerable savings to the district could be achieved through better planning and more frequent use of competitive bids.

Unsatisfactory System of  
Authorizing Cash Disbursements

Deficiencies in the district's system of authorizing cash disbursements coincide to a large extent with weaknesses in the district's organizational structure, internal allocation of budgeted funds and procurement system. However, these improprieties are magnified by a lack of control over requisitions and purchase orders, and a lack of procedures specifying systems to be used, signatures required, and conditions to be met before payments are made. In addition, district employees have authorized payment for some goods and services before they have been received; this is in violation of the Education Code. Also, district employees have engaged in

deceitful activities in submitting vouchers for petty cash disbursements and in certifying board approval of cash disbursements. These are discussed in detail below.

Lack of Control Over  
Requisitions and Purchase Orders

Purchase requisitions and purchase orders are not prenumbered to assure accountability. Many purchase requisitions are not signed by the requestor. The district's purchase order forms do not call for an authorizing signature.

Unsatisfactory  
Record of Receipt

Approximately 25 percent of the disbursement vouchers on file at the district do not contain a proper record of receipt of goods or services. In addition, some vouchers have been intentionally authorized for payment prior to receipt of the goods or services, even though the Education Code requires that goods and services be received before they are paid for.

Informal district records indicate that the district authorized and initiated payment at the end of the fiscal years for goods and services not yet received. For example, according to district records, at the end of the 1974 fiscal year warrants amounting to approximately \$85,000 were prepared prior to receipt of goods or services.

District employees advised us that the warrants prepared before receipt of goods and services were generally held in the district's safe until the goods or services were received. However, since the warrants are prepared in advance and no official systematic accounting record is kept, this practice constitutes a serious control problem. In fact, it is apparent that some payments were actually made before receipt because, as of May 1975, the district was still trying to obtain delivery of some supplies which they paid for with a warrant dated June 30, 1974.

Falsified Petty Cash  
Disbursements Vouchers

For the three years ended June 30, 1974, a total of \$1,172 was disbursed from the district's petty cash fund improperly. These disbursements were supported by miscellaneous invoices which, we were told by district employees, were falsely identified as being related to school district business when they were actually receipts provided by clerical personnel in the finance office from their personal purchases. The district's clerical personnel coded these fraudulent disbursement vouchers so that they could be identified at a later date.

Falsified Board  
Authorization of Disbursements

The Education Code requires that every disbursement be authorized by the school board. A district employee must certify to the county superintendent the board's authorization of specific disbursements.

We were advised by a district employee that the required certification was routinely provided to the county before the board had actually authorized the disbursements. Many disbursements, particularly near the end of fiscal years, were never presented to the board for its authorization, but it was certified to the county that the board had authorized them. A district employee identified a number of these unauthorized disbursements, totaling \$1,035,815 for fiscal year 1973-74 and \$484,989 for fiscal year 1972-73.

It cannot be determined from district records whether or not the board actually authorized all cash disbursements. Board minutes frequently do not identify specific disbursements authorized by the board, and district warrants are not prenumbered.

INADEQUATE DIRECTION AND MONITORING  
OF STUDENT BODY FUNDS

The district has not provided adequate direction to school principals and has not monitored activities to assure that student body funds are properly administered.

Student body funds are nondistrict funds obtained by the student body or a student organization using the name of the school. Section 10703 of the Education Code provides that all expenditures of such funds must be approved by three persons: an employee of the school district designated by the governing board, a certificated employee who is designated advisor to the student organization and a representative of the student organization. The code further requires the governing board of each school district to provide for the supervision of student body funds.



The Board of Education of Fremont Unified School District designated the principals as responsible for supervising student funds with direction from the district superintendent, who is also responsible for monitoring administration of the funds. In general, the board provisions agree with guidelines published by the State Superintendent of Public Instruction. The state guidelines further indicate that through proper administration of student body funds, students can be given experience in business that will be of value to them throughout their lives. District practices do not appear to contribute to this latter objective.

In 1964, the district superintendent published accounting procedures for student body organizations. However, only one of the three schools we reviewed was aware of this publication. In our review of three of the district's five high schools, many deficiencies in the accounting systems were observed indicating that the district superintendent had not monitored the administration of student body funds to assure compliance with published procedures. Examples of these deficiencies include the following:

- Student body funds were expended at all three high schools without proper authorization by student representatives. For example, disbursements were made without supporting documentation, and minutes of student council meetings were inadequate to demonstrate required approval of expenses.

- Controls on the expenditure of student organization trust funds at all three high schools were insufficient to prevent deficit spending by student organizations. As a result the student body at one school has insufficient cash in savings and checking accounts to cover all funds held in trust for student organizations. The deficits of student organizations will have to be repaid by students in the future.
- Checking accounts at two schools had not been reconciled for three and four months. At one school, errors on fund record cards amounted to \$2,739 or approximately 20 percent of the cash balances for all student funds.

Many other elements desirable to control and safeguard student body funds and to provide a valuable educational experience to students were also lacking.

#### CONCLUSION

Financial operations of the Fremont Unified School District are seriously deficient of internal controls. Because of numerous compounding deficiencies in internal control, the district's records are, to a large extent, unauditible.

RECOMMENDATIONS

We recommend that the superintendent of the Fremont Unified School District:

- Reorganize the district's business service operations to combine complementary activities and to provide adequate leadership and control over assets.
- Acquire a computer software package of proven design for business applications, as explained in a following section of this report, to provide complete accounting for the district's transactions, and provide data processing controls to assure accuracy, completeness and a reliability of data, management information and control of assets.
- Establish controls to assure that expenditures are within the budget authorized by the board.
- Establish a perpetual inventory system to maintain accounting control over the district's warehouse inventories.
- Maintain historical unit accounting records to safeguard the district's equipment.
- Deposit cash receipts in accordance with procedures required by the Education Code.

- Improve the efficiency of the district's procurement practices by:
  - Limiting use of confirming purchase orders
  - Developing specifications, consolidating purchases when feasible and utilizing competitive bids and price quotations to assure that the lowest possible price is obtained
- Improve the district's system of authorizing cash disbursements by:
  - Prenumbering requisitions and purchase orders and requiring that they be signed by designated officials
  - Requiring a proper record of receipt of goods and services prior to the payment of vendor invoices
  - Providing certification of board authorization to the county only after board authorization has been given and appropriately recorded in board minutes.
- Provide direction to school principals and monitor administration of student body funds to assure that:
  - Expenditures are properly authorized by the students
  - Trust activities remain solvent
  - Sound administrative practices are followed to provide a good learning example to the students.

SAVINGS AND BENEFITS

Proper implementation of these recommendations will improve internal control and may reduce the amount of district funds lost through duplicate payments, payments made for goods or services never received, late deposits of cash receipts, and inefficient procurement practices.

EXTERNAL BUDGET AND FINANCIAL  
CONTROLS ARE INEFFECTIVE

The Fremont Unified School District Board of Education, the Alameda County superintendent of schools and the independent auditors have provided ineffective external review systems to monitor the financial operations of the district. The Education Code establishes the responsibilities of school boards, county superintendent of schools and independent auditors to monitor financial activities of school districts.

The Education Code requires that the district superintendent file a preliminary budget with the board for study. The board, after deliberation, must approve a tentative budget. The tentative budget must be submitted to the county superintendent for review. Following review by the county superintendent, the board must approve a publication budget based upon the tentative budget and taking into consideration the county superintendent's recommendations. The publication budget must be published in a newspaper followed by public hearings before the board adopts the final budget. The final budget adopted by the board must be transmitted to county and state officials.

The Education Code further requires that each disbursement by the school district be authorized by the board. The county superintendent and county auditor-controller are required to limit expenditures to those authorized by the board. Transfers of amounts among budget items must be authorized by the board.

In addition, the Education Code requires that each school district be audited annually by an independent auditor. The State Department of Finance has published guidelines for the independent auditors to follow.

INEFFECTIVE CONTROL BY THE  
DISTRICT BOARD OF EDUCATION

The Fremont Unified School District Board of Education does not effectively control district financial activities. The board's lack of control is evidenced by the following.

Inadequate Board Minutes

The Fremont Unified School District Board of Education has assigned to the district superintendent the responsibility for preparing minutes of the board's actions, but has allowed the superintendent to prepare minutes that are inadequate and incomplete.

The minutes we reviewed do not contain or make reference to a detailed budget for specific programs or expenditures authorized by the board and did not include authorization for the expenditure of any district funds other than the General Fund. For three of the last four fiscal years, 1971-72, 1972-73 and 1974-75, the minutes indicate the board approved an expenditure budget for a total dollar amount only. Minutes for the fourth year, 1973-74, do not indicate any dollar amounts, even a total, related to the budget adopted by the board.

Frequently, the minutes indicate the board authorized disbursement of warrants "as submitted". However, no reference is made to the specific warrants the board reviewed and approved.

Because board minutes are official legal documents, they should include a complete record of each board action. In the absence of adequate and complete board minutes, it cannot be determined whether the district's finances are actually being administered in accordance with directives of the governing board.

#### Incomplete Budget Deliberations

The preliminary budgets submitted to the board by the superintendent for study did not include key elements of the General Fund budget or budgets for the district's other funds.

The General Fund budgets submitted for study and board minutes related to adopting the final budget omit reference to the following:

- Beginning unappropriated fund balance
- Estimated income
- Appropriations for contingencies
- Ending unappropriated fund balance.

However, the budget submitted to the county and state included budgeted amounts for each of these items.



Each year more income was received than estimated in the budgets submitted to the county and state. The underestimates of the district's income were as follows:

	<u>Actual Amount of Income in Excess of That Budgeted</u>	<u>Percent by Which Income Was Underbudgeted</u>
1971-72 fiscal year	\$2,341,866.27	9.0%
1972-73 fiscal year	\$1,441,751.46	5.0%
1973-74 fiscal year	\$1,476,915.59	4.5%

Because it received more income than budgeted, the district ended each year with larger unappropriated fund balances than estimated in the budgets submitted to the county and state. These balances carried forward to each succeeding year as beginning unappropriated fund balances which were used to establish appropriations for contingencies, apparently without board approval. Budget deficits were eliminated at the end of fiscal years ended June 30, 1972, 1973 and 1974 by transfers from appropriations for contingencies. The transfers were not approved by the board.

Board approval is required to establish an appropriation for contingencies. Otherwise, these funds would remain in the budget as ending unappropriated fund balance.

Funds budgeted as an appropriation for contingencies may be expended with the approval of the board. Approval is generally in the form of a budget transfer. Funds categorized in the budget as unappropriated fund balance may not be expended without republicizing the budget in a newspaper and then receiving board approval.

Budget Appropriations Submitted to  
the County Exceed Budget  
Appropriations Adopted by Board

Each year the transmittal sheets attached to the budgets sent to the county and state include a signature of the board member who is clerk/secretary, and a statement that the attached budgets were the final budgets adopted by the board. However, as shown in Appendix A, the budgets submitted to the county and state have consistently authorized expenditures in excess of those authorized in the budget adopted by the board as shown in its minutes.

The primary differences were appropriations for contingencies and repayments to the state school building loan fund which are automatically withheld from the state apportionments. These appropriations, which were not included in the budgets approved by the board, appeared on the budgets submitted to the county and state as follows:

	<u>Appropriations For Contingencies</u>	<u>State School Building Loan Fund</u>
1971-72 fiscal year	\$2,173,316	\$ 480,000
1972-73 fiscal year	\$1,639,295	\$ 549,999
1973-74 fiscal year	\$1,437,248	\$1,218,000
1974-75 fiscal year	\$ 50,305	\$1,420,000

In addition to the above budget differences, expenditures authorized by the General Fund budget sent to the county and state for fiscal year 1974-75 exceeded the expenditures authorized by the final budget adopted by the board, as shown in its minutes, by \$320,000.

The member of the board who was clerk/secretary when the 1974-75 budget was transmitted to the county and state has advised the audit staff that her signature on the transmittal sheet attached to the 1974-75 budget sent to the county and state had been falsified.

Budget Transfers Falsified

According to the findings of the hearing officer in the case of the district's former finance director, the following transfers of funds among budget appropriations were made by the district at the end of the fiscal years without the knowledge, permission or consent of the board:

	<u>Total Funds Transferred</u>	<u>Transferred from Underexpended Budgetary Accounts</u>	<u>Transferred from Appropriation for Contingency</u>
June 30, 1972	\$2,092,900	\$ 349,800	\$1,743,100
June 30, 1973	\$1,783,985	\$1,073,231	\$ 710,754
June 30, 1974	\$2,571,048	\$ 679,235	\$1,891,813

Due to inadequate board minutes, faulty memories, changes in board membership, and inherent difficulties in detecting forged or falsified board approvals, it was not feasible to determine whether previous year-end transfers were approved by the board. Large year-end transfers were made at least as far back as 1968.

By the end of each fiscal year many of the appropriations in the budget had been overexpended. The overexpenditures were eliminated by budget transfers from underexpended appropriations. The primary source of funds was the appropriation for contingencies.

Incomplete, Inaccurate and  
Infrequent Financial Statements

The Fremont Unified School District Board of Education does not require the district superintendent to provide complete and accurate financial statements on a regular basis.

The financial statements presented to the board include only the district General Fund. These statements did not include a balance sheet, and did not disclose the district's encumbrances or unencumbered fund balances. The district's accounting records are so incomplete and inaccurate that complete statements could not be prepared from them.

A comparison of the district's May 31, 1974 financial statements presented to the board to the financial statements prepared by the county superintendent of schools for the same date disclosed substantial differences. None of the expenditure accounts agreed. The county statement reported that expenditures exceeded several budget appropriations. The district's financial statements presented to the board showed no appropriations overexpended. We found no records to support the May 31, 1974 financial statements presented to the board, and were unable to determine the basis for the statements.

Financial statements were presented to the board only four times during the 1973-74 fiscal year. The dates of the statements were September 30, 1974, December 31, 1973, January 31, 1974 and May 31, 1974.

The board should have complete and accurate financial statements each month. Complete and accurate financial statements would reveal expenditures in excess of the authorized budget.

Auditor's Reports Not Reviewed

The board has not required that the reports of the independent auditors be submitted to its members for review.

In recent years the board has not selected an independent auditor to conduct an annual audit. In the absence of action by the board, the audit has been contracted for by the county superintendent as provided by the Education Code. The independent auditors submitted the annual audit reports to the county superintendent. The county superintendent provided copies of the report to the former district finance director. The reports were not presented to the board for review and the board did not request them.

The audit reports should have disclosed serious weaknesses in the district's internal control systems and falsified budget transfers. However, see pages 41 and 42 for further discussions of the deficiencies in the independent audits.

INEFFECTIVE CONTROL OF DISTRICT EXPENDITURES  
BY THE COUNTY SUPERINTENDENT OF SCHOOLS

The Education Code requires the county superintendents of schools to control school districts' funds to assure that budgetary limitations for each major classification of expenditures are not exceeded. The Alameda County superintendent of schools did not limit expenditures of the Fremont Unified School District to those authorized by the board, or require original signatures on budget transfers supposedly authorized by the school board.

Expenditures Not Limited

The Alameda County superintendent of schools allowed the Fremont Unified School District to overexpend major categories of budget appropriations for each of the fiscal years, 1971-72 through 1973-74, without receiving advance authorization from the school board as required by the Education Code. The overexpenditures for each fiscal year were retroactively authorized after the end of the fiscal year by transferring funds among budget items. However, the hearing officer of the Personnel Commission in the case of the district's former finance director found that these transfers were made without the knowledge, permission or consent of the board.

In addition, in the 1973-74 fiscal year the county superintendent allowed district expenditures to exceed total budget appropriations for all categories by \$406,392. Of this amount, \$48,149 resulted from a list of unpaid district commitments submitted to the county after the end of the year.

The 1973-74 budget deficit was relieved by a board resolution on August 7, 1974 (following the end of the fiscal year) to increase the district's estimated income and expenditure budget by \$500,000. The board minutes state that the budget was increased because of the receipt of additional federal funds. We could find no justification for this board action other than to relieve the deficit.

Although a violation of the Education Code, it is a common practice of county superintendents of schools to allow school districts to overexpend major budget categories and for school boards to retroactively authorize budget transfers after year-end.

Original Signatures Not  
Required on Budget Transfers

The Alameda County superintendent of schools did not require original signatures on budget documents requiring board approval.

The district's tentative publication and final adopted budgets and budget transfers were submitted to the county superintendent each year with an attached transmittal sheet bearing the signature of the board member who served as the clerk/secretary of the board. The transmittal sheet was not referenced to the attachments. Additionally, the county superintendent accepted photocopies of these documents and did not require original signatures on them. There was less than adequate assurance that the documents submitted to the county superintendent were those reviewed and authorized by the board. It has been determined by the hearing officer of the Personnel Commission that some of these documents were, in fact, not authorized by the board.

The Alameda County superintendent of schools encouraged the use of retroactive year-end budget transfers and the use of transmittal sheets. At the end of each fiscal year, the Alameda County superintendent of schools sent the district an adjusting entry showing the necessary transfers between budget appropriations to balance over and underexpended appropriations, and a transmittal sheet requiring the signatures of four board members to authorize the county superintendent to make retroactive budget transfers among appropriations.

INADEQUATE AUDITS AND REPORTS  
BY INDEPENDENT AUDITORS

The independent auditors did not perform an adequate review in accordance with requirements of the American Institute of Certified Public Accountants (AICPA) and guidelines of the State Department of Finance.

Objectives of all independent audits of governmental organizations include assuring that public funds are being spent in compliance with law and directives of the legislative body and that the financial statements are fairly presented. In attaining these objectives, standards of the AICPA require that the independent auditor evaluate the effectiveness of internal controls to assess the extent it can be relied upon to ensure accurate information, to ensure compliance with laws and regulations, and to provide for efficient and effective operations. In addition, these standards require the auditor to obtain sufficient, competent and relevant evidence to afford a basis for his judgment.



The working papers of the independent auditors for the 1973-74 fiscal year did not contain sufficient evidence that an adequate review of internal controls had been made. We did not review the working papers of the independent auditors for prior years.

The independent auditors' 1972-73 audit reports make no reference to deficiencies in internal control. The 1973-74 audit report, dated after the Alameda County District Attorney's investigation began, disclosed certain deficiencies in internal control as they relate to purchasing, warehousing and equipment. However, the independent auditors did not discover or report other serious absences of internal control and violations of laws and regulations described in previous sections of this report.

In addition to auditing standards of the AICPA, the State Department of Finance publishes guidelines for the audit of school districts. These guidelines suggest that the independent auditor compare budget transfers to the official board minutes, and that the audit report be presented directly to the school board.

The independent auditors did not discover or report that board minutes did not contain records of approval of 1973-74 budget transfers of \$2,571,048; 1972-73 budget transfers totaling \$1,783,985; or 1971-72 budget transfers for \$2,092,900. The hearing officer for the Personnel Commission in the case of the former finance director later found that board approval of these transfers had been falsified.

Further, the independent auditors did not deliver their audit reports directly to the school board. The auditors delivered their reports to the county superintendent of schools who then transmitted the audit reports to the former district finance director. Members of the Fremont school board have advised us that they did not receive the audit reports.

The auditing standards of the AICPA provide that the independent auditors are not necessarily responsible for detecting fraud. However, they must be aware of the possibilities for fraud do exist.

If they accept an engagement to audit school districts, independent auditors should comply with requirements of their profession and specific guidelines of the State Department of Finance.

#### CONCLUSION

The Fremont Unified School District Board of Education, Alameda County superintendent of schools, and independent auditors, if they were adequately versed in their responsibilities and functioned in accordance with the Education Code and professional guidelines, should have each detected improper activities of the district. These activities culminated in falsified board approval of year-end budget transfers to retroactively authorize

district expenditures of \$2,571,048 in 1973-74,  
\$1,783,985 in 1972-73 and \$1,783,985 in 1971-72.

These amounts represented a large share of district  
resources available for discretionary purposes.

#### RECOMMENDATIONS

To improve its control of district financial activities,  
we recommend that the Fremont Unified School District  
Board of Education:

- Require the district superintendent to maintain  
adequate board minutes so that board actions can  
be clearly determined and the board can effectively  
control the district's financial activities
- Require that the district superintendent present  
study budgets for board deliberation for all district  
funds including amounts for:
  - Beginning unappropriated fund balance
  - Estimated income
  - Appropriations for contingencies
  - Ending unappropriated fund balance

- Authorize budget documents in a manner so that the authorization cannot be easily altered or applied to other transactions
- Require the district's superintendent to provide the board with complete and accurate monthly financial statements reconciled to the financial statements of the county superintendent of schools
- Require the district independent auditor to present his report directly to the board.

We recommend that the Alameda County superintendent of schools:

- Control district expenditures by major categories of budget appropriations as required by the Education Code
- Require original signatures of board members on budget documents when board approval is required.

We recommend that the independent auditors:

- Comply with requirements of their profession and guidelines published by the State Department of Finance including:

- Evaluating internal controls
- Vouching budget transfers to board minutes
- Delivering audit reports directly to the board.

BENEFITS

Proper implementation of these recommendations will assist the Fremont Unified School District Board of Education, Alameda County Superintendent of Schools and independent auditors in providing adequate external budgetary and financial controls.

PROCEDURES FOR ACQUISITION, USE, AND CONTROL  
OF ELECTRONIC DATA PROCESSING EQUIPMENT  
AND RELATED PROGRAMS ARE INADEQUATE

Electronic data processing at Fremont Unified School District has received insufficient direction and control from the district superintendent and his staff. As a result, the district:

- Acquired equipment without competitive bids, in violation of provisions of the Education Code
- Leases excessive equipment
- Uses data processing systems which are inadequate for both district needs and for the equipment being used
- Provides inadequate security for the system
- Sold computing equipment time to a private firm in apparent violation of the Education Code.

The electronic data processing installation at Fremont Unified School District has evolved from an IBM 1401 installed in 1967, which was replaced by an IBM 360-25 in 1972, to the IBM 370-125 which was installed in October 1974. From fiscal year 1969-70 to 1974-75, data processing costs increased from \$132,000 to approximately \$300,000 per year.

EDP services at Fremont Unified School District are utilized to varying degrees in the areas of:

- Business Applications - including payroll; accounts payable; purchase, inventory and supply; and budget reporting
- Student Applications - including class scheduling; grade reporting; attendance accounting; and class roster preparation
- Research and Development - including student testing, ethnic studies, etc.
- Miscellaneous and Outside Services - including sale of computer time to other school districts and public entities; Fremont Unified School District student programming instruction; and, in one case, the sale of computing time to a private firm.

LACK OF COMPETITIVE BIDDING

The district did not solicit competitive bids when it acquired either its IBM 360-25 in 1972 or its IBM 370-125 in 1974.

Section 15951 of the Education Code requires competitive bidding on service contracts over \$5,000 and for supply and equipment contracts over \$8,000, unless a school district places the order through another public corporation or agency.

The orders to the International Business Machines Company for the 360-25 and for the 370-125 exceeded the dollar limitation of Section 15951, and neither acquisition was processed through another public corporation or agency. Thus, both acquisitions appear to be in violation of existing law.

#### EXCESSIVE EQUIPMENT OBTAINED

The district's present computing configuration is an IBM 370-125 which, with peripheral equipment, requires an annual expenditure of approximately \$170,000 for lease of the hardware and certain programs to operate the computer owned by IBM. The system is operated by the district 12 hours a day, 5 days a week. From November 1974 through February 1975, the machine averaged 210 billable hours of use per month. Under the lease agreement, the district pays ten percent of the basic hourly rate for all billable hours over 176 hours per month. In this type of arrangement the district benefits from greater utilization of the equipment and it is therefore desirable to retain only that equipment which is the minimum necessary to perform the district's work and to operate it continuously on a multi-shift basis. Most computers in state installations operate on a 7-day, 3-shift basis, or 720 hours for a 30-day month.

The existing computer replaced a smaller IBM 360-25 which was operated an average of 260 hours per month in its last four full months of operations. The smaller configuration cost \$30,000 per year less than the present machine, and could have been provided by a third-party leasing



company at savings approaching \$100,000 per year. There have been no major workload increases since the 370-125 was installed.

Most of the district's computer programs were written for the IBM 1401 and are run on the present equipment, the 370-125, in emulation mode so that the 370-125 acts as if it is an IBM 1401 computer. Emulation significantly reduces system efficiency and negates the advantages which would otherwise be realized from the more sophisticated existing equipment. The district lacks sufficient staff to rewrite existing programs to better utilize the computer. If staff were available, emphasis should be given to redesigning, rather than rewriting, the program for the entire business application and student application systems.

The present equipment configuration, as listed in Appendix B, is excessive. Of the four disc drives, two are used for temporary work areas. The tape drives are extremely slow for effective operation of the optical reader which, itself, appears to be unjustified. The central processing unit contains five times the primary storage in the machine it replaced which was doing essentially the same workload. A justification offered to support the procurement of the present system was a requirement for on-line processing at Ohlone Junior College. In discussions with academic and administrative personnel at Ohlone, we found that any on-line requirement is many years away and the present batch mode processing will fill their needs for the foreseeable future. In summary, the excessive hardware configuration presently installed cannot be justified as being necessary to the needs of Ohlone Junior College or the Fremont school district.

An adequate replacement system could be obtained at significant savings. For example, the IBM 370-125 central processing unit, presently costing the district approximately \$72,300 annually, could be replaced with an IBM 360-30 (128K) from a leasing company for \$15,600 per year, including IBM maintenance. This equipment is approximately twice the power of the IBM 360-25 the district had in 1974 and could use the existing programs currently used by the district. Comparable savings are available on the district's other EDP equipment needs.

The district's present EDP equipment supplier, the International Business Machines Company, stated on April 30, 1975 that present policy concerning cancellation charges for equipment under lease to Fremont Unified School District would be one of "non-enforcement"; that is, no cancellation charges would be imposed.

#### INADEQUATE PROGRAMS FOR DISTRICT NEEDS

The computer programs in use by Fremont Unified School District are basically card-oriented systems without adequate controls to assure reliability of the data produced. The systems were written for the hardware limitations inherent with the 1401 and do not take advantage of the features of the current equipment leased by the district.

The computer center staff at the district includes only two programmer/analysts, which is insufficient to develop and implement a complete package of pupil and business applications programs.

There are many program packages for pupil and business applications which are available to the district either at a very nominal cost or at no cost, depending upon the selection made. The State Department of Education, Office of Electronic Data Processing Information Systems, can be of assistance in the review and selection process. These programs operate on a variety of computing hardware, including IBM 360-30 as well as equipment of other manufacturers. The district could modify these programs to their own particular needs by using present staff, and thus avoid the considerable cost of completely developing their own systems. The majority of these packages would also operate on an equipment configuration smaller than that presently possessed by Fremont Unified School District.

INADEQUATE SECURITY AND SYSTEM ACCOUNTING

Physical security at the district's computer center is inadequate. The physical structure does not prevent unauthorized people from entering the computer operation and data storage areas. Program security, in the form of access codes to prevent unauthorized use of equipment or data files, is not in use.

No system accounting package is in use to accumulate, distribute and report machine charges to the various users of the district's computing services.

SALE OF DISTRICT COMPUTING  
EQUIPMENT TIME TO A PRIVATE FIRM

In fiscal year 1974-75, \$550 of services were billed to a private computer firm for use of the district's equipment. The console logs from October 30, 1974 through March 12, 1975 showed a total of five hours 17 minutes of machine time had been expended on this work. Console logs for the period prior to October 30, 1974 were not available for our audit, although it is common practice for such logs to be retained for long periods of time.

At our request, the Legislative Counsel reviewed this subject and, on June 3, 1975 (Opinion No. 11800), stated that "school districts may not sell computer services to a private firm".

The price received by the district appears reasonable. The adverse opinion by the Legislative Counsel was issued after Fremont had stopped such activity.

CONCLUSION

Direction and control exercised over computing activities at Fremont Unififed School District is inadequate.

RECOMMENDATIONS

We recommend that the district superintendent direct the staff to:

- Evaluate existing software packages for pupil and business applications. Select those which, with minimum modifications, will provide Fremont Unified School District with an adequate system which includes edits, controls, budgetary reports, state and federal reporting requirements.
- Determine the minimum hardware requirements necessary to run the packages selected. Most of the packages will operate on the IBM 360-30 or larger system.
- Place hardware requirements out to bid to all interested bidders including both manufacturers and third-party leasing firms such as DPF Inc., Leasco, Greyhound, Boothe, etc.).
- If the bidding results in substantial savings and the proposed business and pupil systems receive the approval of district administrative and academic management personnel take the necessary steps to effect the orderly replacement of existing equipment and implementation of the new systems.
- Procure an accounting package to effectively collect and report machine usage.
- Plan computing workload around the concept of utilizing a minimum hardware configuration around the clock on at least six days per week.

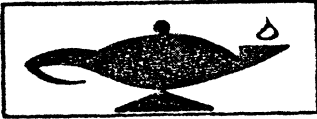
- Provide physical security at the computing center so that people entering the key-punch and programming area cannot also enter the computer room. Provide access codes on district programs and data files to prevent unauthorized use.
- Close sales of computer time to private firms.
- Place computer procurements, falling within the definition of Section 15951 of the Education Code, out for competitive bid.

#### BENEFITS

Implementation of these recommendations will provide the district with adequate data processing for business applications, student applications, research, and instructional needs while achieving an overall reduction in the cost of computing.

#### SAVINGS

Cost savings of approximately \$100,000 per year will accrue to the district in the replacement of excessive equipment with an adequate configuration from a third-party leasing firm.



## FREMONT UNIFIED SCHOOL DISTRICT

40775 FREMONT BOULEVARD ■ FREMONT, CALIFORNIA ■ 94538

PHONE 657-2350

AREA CODE 415

October 10, 1975

Mr. Glenn H. Merritt, C.P.A.  
Acting Auditor General  
925 "L" Street, Suite 750  
Sacramento, California 95814

Dear Mr. Merritt:

The Board of Trustees of the Fremont Unified School District appreciates the opportunity to react to your report "Improvements Needed in Budgetary and Financial Controls and Operations of Fremont Unified School District, October 1975."

1. In 1970, Governor Regan established a Task Force Committee composed of consultants from private industry and headed by individuals in the State Department of Finance, to make a management audit of selected school districts in the State of California. Fremont Unified School District was one of the 35 districts selected. No written reports were filed with school districts regarding this audit; however, the auditors did give school districts involved a verbal report of the results pertaining to their own specific district. A copy of the report from Superintendent William J. Bolt to the Board of Education, dated February 10, 1971, is attached. I would call your attention to paragraph 2.f., "District Management. Highly efficient. Recommend constant scrutiny of policy and implimentation."

We contacted Mr. Hamric of the State Department of Finance, to see if written copies of the report on Fremont Unified School District were available. On October 9, Mr. Hamric informed us no formal written report had been filed on any of the school districts. The material collected had been combined in a total package and presented without identifying the school districts. He stated the working papers had been kept for a period of three-years and then had been destroyed.

October 10, 1975

2. In 1972, the Board of Trustees contracted with the California Taxpayers Association to provide a study of the management of the school district. The study entitled "Reconnaissance Survey Fremont Unified School District, Fremont, California," was issued in November of 1972. A copy of that study is attached. We would like to call your attention to some statements on page 2.

"We have analyzed our district's expenditure patterns--in part to better understand your spending priorities--and compared you with districts of similar size and wealth. The analysis is attached as an appendix to this report. This report, then, is a result of a systematic, structured, in-depth reconnaissance.

"OUR BASIC FINDING IS THAT THE BUSINESS MANAGEMENT AND SUPPORT SERVICE FUNCTIONS OF YOUR DISTRICT ARE PERFORMED RELATIVELY WELL. WE CONCLUDE THAT A MAJOR MANAGEMENT STUDY WILL BE A WASTE OF TIME FOR YOUR STAFF AND OURS, AND AN UNWARRANTED EXPENDITURE OF SCARCE DISTRICT FINANCIAL RESOURCES. This is not to say that there are not some specific areas that might be usefully studied, we present these in the body of this report as items for further review by district staff and your Board." (Emphasis in original)

From the foregoing, you can see that two prestigious groups had, within a two-year period, informed the Board their management functions were in good order.

3. On October 9, 1974, then Board President Harry Sheppard was given information alledging possible serious financial mismanagement in the District. He immediately contacted the Alameda County District Attorney and asked if the District Attorney would conduct an investigation of the allegations. That night there was a regularly scheduled School Board Meeting and the matter was discussed by the Board in an executive session. The Board unanimously concurred in Mr. Sheppard's decision to bring in the District Attorney and asked that an investigation be begun immediately and concluded as soon as possible. A special school board meeting was called for December 4, 1974 to review the progress of the



investigation. After spending several hours reviewing the findings to that time with the District Attorney and discussing the investigation with the district finance director's attorney, the Board reconvened to open session and terminate ". . . the employment of the Director of Finance for cause stated: Pursuant to Section 13740 and 13743 of the State Education Code, and such termination to take effect December 5, 1974."

4. Thereafter the Board inquired of recognized national accounting firms as to the feasibility, cost, and scope of an audit. The Board also inquired of the State Department of Finance regarding the possibility of their conducting an audit of the district. In February 1975, the Board employed the firm of Price Waterhouse and Company to do a Management Audit of the District's financial operations. At the same meeting the Board received information that the State Department of Finance would be unable to honor the district's request for an audit. The Board then designated Mrs. Gloria Carr as the Board's representative to correspond with and contact the appropriate state agencies to get the information regarding qualifying for a State audit.
5. On April 18, 1975, Price Waterhouse submitted their "Report on Review of Financial and Business Service Operations," of the Fremont Unified School District. This report contained 65 specific recommendations.
6. On July 1, 1975, the Board appointed a new district superintendent and with the Board's approval he requested that the Management Assistance Team from the State Department of Education visit the school district. The superintendent was informed by Dr. Meryl Powell, Director of the Management Assistance teams that he would prefer to give the new superintendent six or seven months in office before visiting the District. The district expects this team some time after the first of January, 1976.
7. On September 1, 1975, upon recommendation of the superintendent, a business manager was appointed and all business functions were consolidated under his immediate supervision.

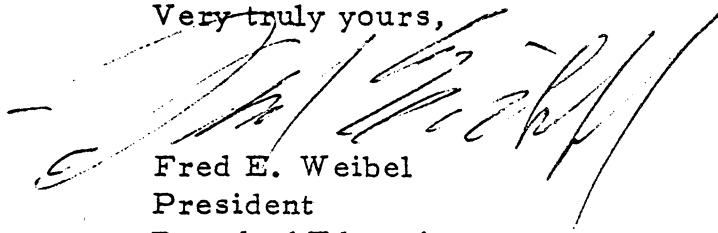
Mr. Glenn H. Merritt

Page 4

October 10, 1975

8. On October 3, 1975, the superintendent presented to the Board a report on what had been done regarding the 65 recommendations made as a result of the Price Waterhouse study. A copy of that report is attached.
9. The Board of Trustees has given the new superintendent and the new business manager a mandate to correct the deficiencies in the business operations pointed out by the Price Waterhouse report and by the Auditor General's report and to manage the Fremont Unified School District in the most efficient and businesslike manner possible under the Education Code of the State of California.

Very truly yours,



Fred E. Weibel  
President  
Board of Education

FEW/WSF:ebr

Enclosures (3)

(Mrs.) Gloria B. Carr  
4141 Deep Creek Rd. #121  
Fremont, CA 94536

October 12, 1975

Glen H. Merritt  
Certified Public Accountant  
Acting Auditor General  
825 "L" Street, Suite 750  
Sacramento, CA 95814

Dear Mr. Merritt:

As a member of the Board of Trustees of the Fremont Unified School District I wish to take this opportunity to thank the members of your staff who worked so diligently inspecting the financial records of our district. Their report which pointed out areas of weakness in our operations and recommends corrective action will help us to design policies to better safeguard public school funds in Fremont.

I would also like to thank you for the opportunity to add our comments to the report before it becomes a public record. While I am in general agreement with the points made in our collective letter to you dated October 10, 1975, there are some additional individual comments I would like to add.

Throughout the report and especially on pages 32 through 38 the auditors frequently pointed out that the Board of Trustees as a whole failed to question certain practices in this district. While that is true, it is also misleading in that it ends to imply that there was KNOWING failure to fulfill responsibilities and that no member of the board ever objected to practices which your office now points to as "inefficient, lacking in controls," etc. This simply is not so.

While I accept the responsibility for my failure to properly oversee the financial operation in this district, I believe the following facts tend to explain my position, and, in some cases, that of other board members in this matter.

1. While we are ultimately responsible for overseeing the district we cannot be expected to know all the laws regarding education in the State of California. For this reason we must, in large part, depend on our employees and other agencies, such as the Alameda County Counsel's office, for information regarding what must be done to comply with the law. This is especially true when a board member first assumes office. If those upon whom we depend fail us we must rely on the Alameda County Superintendent of Schools and the state itself to notify us when something seems amiss. This was not done in this case. I cite as an example the audit report of 1973-'74 which was contracted for by the Alameda County Superintendent of Schools.

It is true that trustees should have required the independent auditor to report directly to the board. That is, if we had known an annual audit was being done. We did not. Since the law allows the Alameda County Superintendent of Schools to contract for an audit if we fail to take appropriate action to do so by a certain date and does not require him to notify us of his decision to do so, the audit was done without our knowledge or consent.

Additionally, I am unaware of what means were used to pay for this inspection of financial records. As far as I know the district never received a bill from the county office for this service, nor do I recall ever personally approving payment for same. It may be that the county office automatically deducted payment for same. It may be that the county office automatically deducted the money from our budget but it may be equally true that payment was approved by the district finance office without our knowledge. Considering practices in the district at the time it is hard to say what actually occurred.

None-the-less, it is also true that when the Alameda County Schools Offices received the 1973-'74 audit report pointing out various discrepancies in our books and operations they did not contact the board of trustees to ask what was being done to correct the practices noted, nor did they request or even suggest a more in-depth study was needed.

In addition, the same report was filed with the State Board of Education on or before the date required by law and again nothing was heard by the board regarding the discrepancies noted in the audit report. It is my understanding that these reports are required for just such reasons.

Thus, two outside agencies which should have alerted the board when problems in our district were discovered, failed to do so. I believe this one instance points out deficiency in state law and current practices for state law and current practices for state and county agencies which could contribute to similar problems in other school districts in the future.

2. As an individual board member I personally questioned many of the reports by the finance director and practices by the district administration. For example:

- a. Before the Price Waterhouse study was even commissioned I suggested reorganization of the district's support functions under a business manager or associate superintendent for business. (See enclosure 1) This was later adopted by the board when the Price Waterhouse study also recommended it;
- b. Many times, before and after election to the school board I was actively involved in pushing for an independent, objective and in-depth evaluation of the total organization, operation and programs of our district (see enclosure 2) including requests for an audit in accordance with requirements of the AICPA. These requests were not taken seriously by other trustees. Nor was I ever informed that an annual audit of any type was being done or that the law required it. Other board members, apparently lulled into complacency by the 1970 State Finance Office audit and the California Taxpayers Association Reconnaissance Survey (see our collective letter), believed I was being totally unreasonable.

Findings were pointed to that the district "was a model school district" and that our "Business Management and Support Service

Functions were performed reasonably well" and the board leaned heavily on these reports. As a result, efforts on my part to secure other additional studies were dismissed as being entirely unnecessary, wasteful and the product of an extremely dissentive trustee.

In this instance outside agencies thus not only failed in their responsibilities but also contributed to the failure of individual board members to fulfill their responsibilities.

Therefore, while I agree that controls by the school board and the Alameda County Superintendent of schools were inadequate and ineffective and that the independent auditor also failed in his responsibility, I must also point to the failure of the State Board of Education finance office to fulfill THEIR responsibility.

3. The laws concerning approval, distribution and payment of warrants are also of great concern to me. As an example I point to the following:

- a. Under current state law school boards have no way of knowing what warrants are paid between the last trustee meeting in June and July 1st of the following school year since the county finance office is not required to notify us as to the final warrant number paid during the school year and warrants begin again with #1 on July 1st;
- b. The law does not require transmittal of board minutes or written certification by a board member to accompany these requests for payment to the county schools offices to insure that these were indeed approved by the school board.

Thus, the finance office in our district was able to expend millions of dollars of public funds without the knowledge or consent of the governing board.

Weakness of state law in this area also contributed to my inability to properly oversee disbursement of public funds in our district.

While I could continue enumerating areas of concern to me I believe the above comments and the report of your auditors effectively points out the need for revision of laws relating to school finance in California.

In conclusion, I would like to reiterate that many of the recommendations of both your auditors and the Price Waterhouse auditors have already been implemented in this school district. A report on these was forwarded to you by our present superintendent upon board request.

Corrective actions were undertaken by the board as soon as we became aware of the need for them. Soon after the employment of the interim director of finance (in the early part of this year) and throughout the process of selecting a new superintendent and a business manager several undesirable practices were corrected. The board has continued this course of action, to date.

en H. Merritt  
ge 4  
October 12, 1975

You have my assurance that I will continue to suggest changes as they occur  
to me and to support implementation of recommendations made by your office, Price  
Waterhouse and other responsible individuals both from within and from outside  
the district structure.

Thank you again for your cooperation and for the cooperation and perseverance  
of members of your staff.

Sincerely,



(Mrs.) Gloria B. Carr  
Vice-President, Board of Trustees  
Fremont Unified School District

enclosures

cc: Dr. Wayne S. Ferguson, Supt.  
Fremont Unified School Dist.



# SUPERINTENDENT OF SCHOOLS

COUNTY OF ALAMEDA

224 WEST WINTON AVENUE • HAYWARD, CALIFORNIA 94544 • (415) 881-6201

ROCK LA FLECHE  
SUPERINTENDENT

ROBERT C. CONEY  
DEPUTY SUPERINTENDENT

HARRY HARVEY  
ASSISTANT SUPERINTENDENT  
BUSINESS SERVICES

ROGER J. SCHULTE  
ASSISTANT SUPERINTENDENT  
INSTRUCTIONAL SERVICES

October 9, 1975

Mr. Glen H. Merritt, C.P.A.  
Chief Deputy Auditor General  
Office of the Auditor General  
925 L Street, Suite 750  
Sacramento, CA 95814

Dear Mr. Merritt:

Reference is made to your visit to our office on Monday, October 6, 1975, regarding the report of the Office of the Auditor General - Subject: Improvements Needed in Budgetary and Financial Controls and Operations of the Fremont Unified School District. In our meeting that day you asked for comments regarding County Superintendent of Schools' operations.

Reference is made to pages 39, 40, and 41, in which control by the County Superintendent of Schools on budgetary limitations for major classification of expenditures was commented on. While the Education Code requires the County Superintendent of Schools to control school districts' funds to assure that budgetary limitations for each major classification of expenditures are not exceeded, the County Superintendent of Schools does not have any control over purchases of a school district, nor over the Board of Education's agreements with various vendors, including consultants. Many of the invoices are not submitted until the end of the fiscal year. Payments are made in the month of July chargeable to prior school year. School districts are required to file with the County Superintendent of Schools a statement of liabilities in the month of July for the preceding fiscal year. The various expenditures are charged against budget appropriations and posted as of June 30 to reflect requirements of State Law. It is impossible for a County Superintendent of Schools to limit the expenditures or withhold payment because such knowledge is not available to him until approximately July 21.

It is noted in Education Code Section 20952 that:

"At the close of any school year the county superintendent of schools may, with the consent of the governing board of a school district previously given, make such transfers between the undistributed reserve and any expenditure classification or classifications or balance any expenditure classifications of the budget of the district for such school year as are necessary to permit the payment of obligations of the district incurred during such school year."

Fremont Unified School District filed with the County Superintendent of Schools such a transfer document in compliance with the aforementioned Education Code Section, and the County Superintendent of Schools had noted that such funds were available from the school district's undistributed reserve. Otherwise, payment would not have been made. We feel that there was no violation of Education Code Section 20952 as asserted on page 40 of your report.

Alameda County Superintendent of Schools requires that an original signature be placed on budget documents even though it has been determined by our County Counsel that a facsimile stamp is sufficient. It is noted that the County Superintendent of Schools has informed all school districts that original signatures shall be submitted on all budget documents. The report, as submitted by your office, does point to the fact that the County Superintendent of Schools did receive from Fremont Unified School District a budget document that was a xerox copy. However, the school district stated that the original was on file in its office and would be forthcoming to the County Superintendent of Schools office in the next day or so. Despite numerous requests for that document from the Business Services office, it was never received. The school district was informed of this fact.

I hope that these comments will assist in completing your report. It was very nice meeting with you. If we can be of further assistance, please don't hesitate to contact us.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Harry Harvey".

Harry Harvey  
Assistant Superintendent  
Business Services

HH:et



CHARLES E. BRAY, CPA  
THOMAS F. BURKE, JR., CPA

**BRAY & BURKE**  
CERTIFIED PUBLIC ACCOUNTANTS  
CITY CENTER BUILDING, SUITE 509  
22300 FOOTHILL BOULEVARD  
HAYWARD, CALIFORNIA 94541  
  
(415) 886-6411 & 357-3200

LIVERMORE OFFICE  
2109 - 4TH STREET  
LIVERMORE, CALIFORNIA  
  
447-8956

October 10, 1975

TO: Office Of The Auditor General

RE: Comments Included In The Report From The Office Of Auditor General  
For Fremont Unified School District

The report submitted by the Office of the Auditor General stated it is a review of the financial and business service operations of the Fremont Unified School District and is not an examination or audit of the records of the District. There was no opinion expressed on the financial statements.

We conducted an audit on the District in accordance with requirements of the American Institute of Certified Public Accountants and guidelines of the State Department of Finance on applicable audit procedures and the contents of the audit reports.

Our completed audit report, as submitted, presents fairly the financial position of the District with the exceptions noted therein as to property and equipment records, inventories and inadequate internal control on purchasing and warehousing.

A letter was mailed to the President of the Board of Education of Fremont Unified School District, dated December 16, 1974. We had called the Assistant Superintendent of Business Services of Alameda County to inform him we were having problems with the audit. The problem areas we discussed and included in the letter were the purchasing and warehousing procedures. We stated that a special audit was warranted as to purchasing, warehousing, authorization and functions of related administrators of the District.

The Alameda County Superintendent of Schools maintains a complete double entry accounting system for each school district in the County. This includes a complete system for Fremont Unified School District. Monthly budget reports and monthly cash reports showing beginning balances, receipts, disbursements, and ending balances of all funds are sent to the District office. Also, an annual financial statement is prepared, by the County, and forwarded to the State. The cash is controlled by the County auditor and is held in the County Treasury. The cash in the County Treasury is audited by independent certified public accountants (Grand Jury audit).

The following is a quote from Page 1.1 of the Department of Finance Audit Procedures applicable to examinations of California school districts:

The records maintained by the county superintendent of schools and the internal procedures provided between the school district, the office of the county superintendent of schools and other county offices may provide controls which will permit minimal tests of district records. It is suggested that before proceeding with the detailed examination of district records the accountant familiarize himself with the records and internal control procedures of the offices of the county superintendent of schools and the county auditor. In many instances, particularly in the case of the smaller districts, it will be advantageous to conduct a large portion of the examination in the county offices rather than at the school district level.

We had a contract with the Alameda County Superintendent of Schools to perform the audit of the Fremont Unified School District. We did not have an audit contract with Fremont Unified School District. Therefore, we delivered all copies of the audit to the County Superintendent of Schools, including copies for the Fremont Board of Education to be disbursed by the County Superintendent's office.

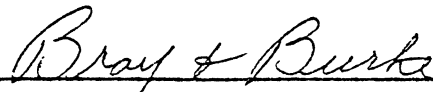
Our audit, under the County contract, is required to meet the standards set forth by the American Institute of Certified Public Accountants and the State Department of Finance.

Price Waterhouse & Co., C.P.A.'s, was retained not to audit but to prepare internal control, purchasing and warehousing procedures.

The office of the Auditor General performed an excellent review of most of the accounting areas of the Fremont Unified School District. This was a very time consuming and costly analysis and should benefit the District greatly. The many recommendations are very sound and are necessary for the improvement of the District.

In conclusion, the audit and the two reviews mentioned above are meant to serve separate and various requirements or needs of the District.

No accounting system, or audit, regardless of how costly or complete it may be, can completely eliminate the possibilities of fraud, falsified records or forgery. The additional recommended controls should greatly reduce these possibilities.

  
BRAY & BURKE, C.P.A.'s

SUMMARY OF DIFFERENCES BETWEEN BUDGETS APPROVED  
IN BOARD MINUTES AND GENERAL FUND BUDGETS SUBMITTED  
TO THE ALAMEDA COUNTY SUPERINTENDENT OF SCHOOLS

	Budget Approved As Shown in <u>Board Minutes</u>	General Fund Budget Submitted to the County	<u>Difference</u>
1971-72 Fiscal Year	<u>\$24,772,431</u>	<u>\$27,437,747</u>	<u>\$2,665,316</u>
County Budget Detail:			
Total Expenditures		<u>24,772,431</u>	
Annual Repayment of State School Loan		480,000	
Tuition Transfers		12,000	
Appropriation for Contingencies		<u>2,173,316</u>	
Total Expenditures and Other Outgo		<u>2,665,316</u>	
Total General Fund Budget		<u>\$27,437,747</u>	
1972-73 Fiscal Year	<u>\$30,041,035</u>	<u>\$32,230,329</u>	<u>\$2,189,294</u>
County Budget Detail:			
Total Expenditures		30,010,235	
Tuition Transfers		<u>30,800</u>	
		<u>30,041,035</u>	
Annual Repayment of State School Loan		549,999	
Appropriation for Contingencies		<u>1,639,295</u>	
		<u>2,189,294</u>	
Total General Fund Budget		<u>\$32,230,329</u>	
1973-74 Fiscal Year	Amount Not Indicated <sup>1/</sup>	<u>\$35,355,653</u>	Unknown <sup>1/</sup>
County Budget Detail:			
Total Expenditures		<u>32,700,405</u>	
Annual Repayment of State School Loan		1,200,000	
Tuition Transfers		18,000	
Appropriation for Contingencies		<u>1,437,248</u>	
		<u>2,655,248</u>	
Total General Fund Budget		<u>\$35,355,653</u>	
1974-75 Fiscal Year	<u>\$37,125,895<sup>2/</sup></u>	<u>\$38,916,200</u>	<u>\$1,790,305</u>
County Budget Detail:			
Total Expenditures		<u>37,445,895<sup>2/</sup></u>	
Annual Repayment of State School Loan & Tuition Transfers		1,420,000	
Appropriation for Contingencies		<u>50,305</u>	
		<u>1,470,305</u>	
Total General Fund Budget		<u>\$38,916,200</u>	

<sup>1/</sup> Board minutes of August 8, 1973 indicates the board adopted a budget but the amount is not mentioned. Board minutes of June 29, 1973 indicate board adoption of a tentative budget amounting to \$32,706,305 (including \$750,000 for the annual repayment of the state school loan).

<sup>2/</sup> Interim finance director was unable to account for the \$320,000 difference between \$37,445,895, the amount of the budget approved as shown in board minutes, and \$37,125,895, the total General Fund expenditures authorized in the budget submitted to the county.

DATA PROCESSING EQUIPMENT  
FREMONT UNIFIED SCHOOL DISTRICT

<u>Description</u>	<u>Type</u>
Collator	87
Print Train	1416
Processing Unit	3125
Printer	3203
Storage Unit	3340
Storage Unit	3340
Data Module	3348
Data Module	3348
Data Module	3348
Data Module	3348
Data Module	3348
Data Module	3348
Data Module	3348
Tape Drive	3410
Tape Drive	3411
Card Reader	3504
Card Punch	3525
Optical Reader	3881

**Office of the Auditor General**

cc: Members of the Legislature  
Office of the Governor  
Office of the Lieutenant Governor  
Secretary of State  
State Controller  
State Treasurer  
Legislative Analyst  
Director of Finance  
Assembly Office of Research  
Senate Office of Research  
Assembly Majority/Minority Consultants  
Senate Majority/Minority Consultants  
California State Department Heads  
Capitol Press Corps