

August 26, 2004

Honorable Clifford R. Andersen, III
Presiding Judge, Santa Barbara County Superior Court
P.O. Box 21107
Santa Barbara, CA 93121-1107

Re: Response to the 2003-04 Grand Jury Report, "The Learning Curve: Business Practices in the Santa Barbara School Districts".

Dear Judge Anderson:

On August 24, 2004, the Board of Education of the Santa Barbara School Districts (SBSD) adopted the following in response to the Findings and Recommendations contained in the 2003-2004 Grand Jury Report titled "The Learning Curve: Business Practices in the Santa Barbara School Districts". (The findings and recommendations listed below are verbatim from the report.)

Finding 1

Fiscal accountability status requires that there be an internal auditor on staff to objectively assess the Districts' finances. SBSB leadership has failed to provide an internal auditor, despite repeated requests from the County Office of Education to do so.

Recommendation 1a

SBSD should immediately hire a qualified, full-time internal auditor.

Recommendation 1b

The County Office of Education should rescind Fiscal Accountability status if an internal auditor is not put in place.

Response to Finding 1 and Recommendations

The districts' independent auditors have recommended that the district hire an internal auditor (the district has not received "repeated requests" from the Santa Barbara County Office of Education in this regard). On April 6, 2004, the district requested that the Santa Barbara County Education Office study the districts' Fiscal Accountability status and make a recommendation regarding this status. The SBCEO report has been completed and is attached. Subsequent to the receipt of the report, Interim Superintendent Sarvis requested that a task force

comprised of members of the SBCEO staff and the districts' administration staff be formed to meet on the functional areas of the study and perform due diligence in determining the advantages and disadvantages of maintaining fiscal accountability status. The independent audit firm of Vavrinek, Trine, Day & Co. performed an internal control audit of the accounts payable, accounts receivable, payroll and cash reconciliation process in June and are preparing an updated Fiscal Accountability Study opinion to be presented to the SBCEO and the Board.

The Board of Education will review the SBCEO report and receive information regarding the task force's findings on Fiscal Accountability status at an upcoming regular board meeting. If the consensus is to maintain Fiscal Accountability status, then an internal auditor position will be filled.

Finding 2

The combination of Fiscal Accountability status, dual district structure and no board resolution to administratively unify is unique in the state and creates vulnerability to mismanagement.

Recommendation 2

The Board should consider alternate scenarios: unification, separation or administrative unification under Education Code 35110, preferably with the advice of an expert. These scenarios should be compared to one another objectively and with an eye towards simplification and long-range planning.

Response to Finding 2 and Recommendations

For a number of months, staff and the board have discussed the possible passage of a single district resolution per Education Code 35110 which would in effect combine the districts. At the June 22 and 29, 2004 board meetings, the board discussed next steps and additional information that is needed in order to make a decision. The board also directed staff to seek expert assistance with the analysis. A proposal will be presented to the board in the near future for an outside, independent review of the districts' unique structure and recommendations in this regard.

Finding 3

The SBSD superintendent and board are considering adopting a resolution to create a single district with common administration under Education Code 35110. The proposal will have long-term consequences to the High School and Elementary School Districts, as well as surrounding "feeder" districts.

Recommendation 3

The Jury recommends the board continue to actively encourage public dialogue on this issue and its potential consequences. The board should hold a public meeting inviting each "feeder district's" board and PTA to attend.

Honorable Clifford R. Andersen, III

-3-

August 26, 2004

Response to Finding 3 and Recommendations

At public board meetings in recent months, the board and staff have expressed the intention to schedule public hearings and meetings with representatives of the feeder districts in the near future after additional information is collected and the independent review is completed. Additionally, the Superintendent or a designated representative from the County Office of Education will be invited to participate in this discussion.

Finding 4

Management of bond funds has, in the past, been assigned to already overworked employees. The assignment of a manager for bond funds would incur no cost since bond funds are specifically for this prudent level of supervision.

Recommendation 4

The board should adopt a standard policy, in coordination with the SBSB Bond Oversight Committee, to utilize a professional to manage bond monies and schedules for expenditures. This position would automatically occur whenever there are bond monies to manage.

Response to Finding 4 and Recommendations

Since joining the district in October 2003, Assistant Superintendent Mary Stark has taken responsibility for the management of bond funds. She is directly supervising a newly hired, full-time bond accountant and works closely with an independent consultant who was hired to computerize the accounting of the bond funds. All records are up to date and have been presented to the Bond Oversight Committee on a monthly basis in recent months. Significant improvements have been made in this area. The board will also adopt a board policy making an accountant position an automatic occurrence whenever the need to manage bond monies arises rather than waiting until work has accumulated.

Finding 5

Recently, the SBSB board has initiated new processes in union negotiations to comply with legal requirements including public reporting of the district's and the union's initial proposals.

Recommendation 5

The board should continue its new practices relating to union negotiations and bring the negotiating proposal to public light, especially as they affect the districts' budget.

Response to Finding 5 and Recommendations

The board will continue the practices that were put into place over the course of the past year in regards to union negotiations.

Finding 6

Many SBSB policies are not current.

Recommendation 6

The board should update its policies and hold training workshops on policy and affected operations. The board should renew its membership in the California School Boards Association. Such membership comes with access to valuable policy language and training workshops.

Response to Finding 6 and Recommendations

Several years ago, staff began the process of updating and revising all of the board policies with the assistance of a consultant, a retired district administrator. Sections 4000, 5000, and 6000 were completed. However, due to budget cuts, reductions in staff at the district office (including the consultant's time) and elimination of CSBA membership, the project was put on hold. The board recently approved reinstating membership in CSBA. The consultant who assisted the district with the 4000-6000 series revisions will be hired to assist with the revisions and updates needed in the remaining sections of the board policy manual.

The Santa Barbara School Districts Board of Education wishes to acknowledge the hard work and time devoted by Grand Jury members to this report. The Santa Barbara School Districts had identified many of the areas of concern and taken actions to address them prior to the publication of the Grand Jury's report. While the report recommends what would be ideal, resource constraints do not always make the ideal possible. Nevertheless, the board and staff welcome the opportunity for our business practices to be examined by "outside eyes" and to be provided with suggestions for more effective operations.

Sincerely,

Nancy Harter, President
Board of Education
Santa Barbara School Districts