



Inglewood Unified School District

The State Superintendent of Public Instruction Needs to Better Communicate His Approach for Reforming the District

Report 2015-101



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November 5, 2015

2015-101

The Governor of California
President pro Tempore of the Senate
Speaker of the Assembly
State Capitol
Sacramento, California 95814

Dear Governor and Legislative Leaders:

As requested by the Joint Legislative Audit Committee, the California State Auditor presents this audit report concerning the State Superintendent of Public Instruction's (state superintendent) oversight of the Inglewood Unified School District (district).

This report concludes that the district's finances and operations have not significantly improved under the state superintendent's control. In July 2012 the district's five-member school board requested emergency funding from the State, citing the possibility that it would be financially insolvent by January 2013. When the governor signed Senate Bill 533 (SB 533) (Chapter 325, Statutes of 2012), the State provided the district with access to emergency funding and also required that the state superintendent assume control of the district—until such time that both he and his state administrator conclude that the district can sustain the improvements made to its finances and operations.

Despite projecting a balanced budget for fiscal year 2015–16, the district has demonstrated a sustained history of deficit spending, where expenditures exceed revenue. Furthermore, the district is still forecasting declining enrollment that can negatively affect district revenues, which are based on the average daily attendance of its enrolled students. The district cannot continue indefinitely with its pattern of deficit spending, and the state superintendent and his recently appointed third state administrator will have to make difficult financial decisions should the district's student population, and its related revenue, continue to decline.

The state superintendent also expects the district to make significant improvement in various operational areas, including community relations, personnel management, pupil achievement, financial management, and facilities management. However, after three years, the district is still far from meeting the state superintendent's expectations. The Fiscal Crisis Management and Assistance Team (FCMAT) annually measures the district's progress towards achieving these expectations and has consistently concluded that the district has yet to fully implement and comply with various state standards. Achieving and sustaining higher scores from FCMAT is an important milestone towards ultimately restoring local control over the district. However, the state superintendent and his state administrator lack a publicly available action plan that prioritizes FCMAT's nearly 700 recommendations for improvement. With continually low scores from FCMAT and a continued pattern of deficit spending, those living in the district and other stakeholders may lose confidence in a state-administered approach to recovery.

Respectfully submitted,



ELAINE M. HOWLE, CPA
State Auditor

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Contents

Summary	1
Introduction	7
Audit Results	
The Inglewood Unified School District’s Expenditures Have Continued to Exceed Its Revenue, While Long-Term Financial Stability Depends on Higher Enrollment or Lower Costs	15
Although the Prospect for Returning the District to Local Control in the Near Term Is Limited, the State Superintendent Could Do More to Improve the Public’s Understanding of the Work Remaining	19
The State Superintendent Did Not Document the Appointment and Evaluation of His State Administrators	22
The District Has Developed a Plan for Improving Student Achievement, but More Time Is Needed to Evaluate Progress	26
The Departure of the Second State Administrator and His Cabinet Members May Delay the District’s Progress Toward Improvement	29
The Second State Administrator’s Working Relationship With the Advisory Board Appeared to Be Improving, and the District Sought Public Input on Certain Decisions	32
The State Superintendent Did Not Evaluate the County Office of Education’s Efforts to Help the District Before the State’s Loan and Takeover	36
Recommendations	37
Appendix	
Criteria That Must Be Met Before Power Can Be Restored to the Inglewood Unified School District’s Board	39
Responses to the Audit	
California Department of Education	41
California State Auditor’s Comment on the Response From the California Department of Education	45
Inglewood Unified School District	47

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Summary

Results in Brief

The Inglewood Unified School District (district) began the process of placing itself under state control when its five-member school board (governing board) requested emergency funding from the State in July 2012. Citing the possibility that it would be fiscally insolvent by January 2013, the district's governing board adopted a resolution requesting financial assistance, and in September 2012, the governor signed Senate Bill 533 (SB 533) (Chapter 325, Statutes of 2012) that authorized up to \$55 million in emergency funding. This action also required the State Superintendent of Public Instruction (state superintendent) to assume control of the district—through his appointed state administrator—until such time that both he and his state administrator conclude that the district can sustain the improvements made in its finances and operations to warrant its return to local control.¹ Since assuming control just over three years ago, the state superintendent has appointed three individuals to serve as state administrator, not including an interim administrator, and the district has yet to demonstrate significant improvements to its finances or operations. Although various recovery plans exist, there is no clearly stated and publicly available action plan prioritizing where the district needs to improve and how such improvement will be achieved. Without such publicly available information, the public can grow frustrated with a state-administered approach to recovery.

There is limited evidence to indicate whether the district's finances have improved while under state control, and declining enrollment within the district remains a significant long-term financial problem. Despite projecting a balanced budget for fiscal year 2015–16, the district has demonstrated a sustained history of deficit spending, where its expenditures exceeded revenue. Such deficit spending at the district increased under the state superintendent's control, which was a cumulative \$18.6 million between fiscal years 2012–13 and 2014–15. In contrast, deficit spending was \$14.9 million over the four-year period ending in fiscal year 2011–12, which was prior to the State's takeover of the district. Although we saw evidence that the second and longest serving state administrator attempted to curtail spending, such as by reducing the number of district employees, these efforts have yet to translate into lower overall spending from the district's general fund. Further, the district is

¹ Since the State took control of the district, the state superintendent has appointed two administrators, one interim administrator and one trustee. All had the same powers, and for the purposes of our report, we refer to the state superintendent's appointee to lead the district as the *state administrator*.

Audit Highlights . . .

Our audit of the State Superintendent of Public Instruction's (state superintendent) oversight of the Inglewood Unified School District (district) revealed the following:

- » *The district has yet to demonstrate significant improvements to its finances.*
 - *Expenditures have consistently exceeded revenue even after the state superintendent assumed control in September 2012.*
 - *Declining enrollment within the district remains a significant long-term financial problem.*
- » *The district's operations have shown limited progress toward meeting the state superintendent's expectations for recovery.*
 - *The Fiscal Crisis and Management Assistance Team's (FCMAT) annual assessment has consistently concluded that the district has yet to fully implement and comply with various state standards.*
 - *The district lacks a clearly stated and publicly available action plan that prioritizes FCMAT's findings and nearly 700 recommendations.*
- » *The departure of the district's second and longest serving state administrator may further delay the district's progress toward improvement.*
- » *The state superintendent should have analyzed the county office of education's fiscal oversight of the district before the State's takeover as required by state law.*

still forecasting declining enrollment, which can negatively affect district revenues, which are based on the average daily attendance of its enrolled students. For example, the district projects that average daily attendance for fiscal year 2017–18 will decline by 1,000, or 10.5 percent less than the current fiscal year.

Along with the district's unsettled fiscal condition, the district's operations have shown limited progress toward meeting the state superintendent's expectations for recovery. Such progress is measured annually by the Fiscal Crisis Management Assistance Team (FCMAT), an organization established in state law to provide school districts and other educational entities with fiscal and managerial oversight and assistance. FCMAT provides the district with scores indicating the degree to which specific state and industry standards have been implemented. The state superintendent generally requires a score of 6 for each evaluated standard, which is a score that means only portions of a given standard have been implemented and full, sustainable implementation is not yet complete. At the end of FCMAT's latest review in July 2015, the district continued to receive scores that ranged between 1 and 4, indicating that substantial progress is still needed before meeting the state superintendent's expectations.

Although other districts have taken eight years to exit state control, the lack of a clearly articulated action plan to address the low FCMAT scores, and thus ultimately satisfy the state superintendent's expectations, is troubling and may cause some in the community to question whether there is a specific plan to improve the district after three years under the state superintendent's direction. The state superintendent has ultimate authority over the district and decides when sufficient improvements have been made. However, the state superintendent and his staff did not require his second and longest serving state administrator to develop an action plan—as required in his appointment agreement—to respond to FCMAT's numerous findings and recommendations. The second state administrator indicated that he and his staff were more focused on instituting new procedures and other tasks while the California Department of Education's (Education) director of the School Fiscal Services Division—the state superintendent's representative—indicated that he was fully aware of FCMAT's findings and was in communication with the district about the report. Regardless, without publicly available information on what steps are being taken, those living in the district and other stakeholders can grow frustrated with continually low FCMAT scores that remain far from the state superintendent's expectations.

The state superintendent has great discretion on who he appoints as a state administrator. Our review noted that the state superintendent appointed qualified individuals to lead the district and took steps to advertise the state administrator position, attracting numerous candidates having prior experience as a superintendent at other school districts. However, our ability to fully evaluate the appointment process was limited since the California Education Code (education code) does not require the state superintendent to document the basis for his appointment decisions. Although we could review examples of notes from interviews with various candidates at different points in time, these documents did not allow us to understand why those selected to serve as state administrator were deemed the best suited or most qualified to improve the district's financial and academic performance.

The education code and SB 533 require the state superintendent to consult with the Los Angeles County Superintendent of Schools (county superintendent) on the appointment of a state administrator. According to the county superintendent, the state superintendent called him regarding all three state administrator appointments. The county superintendent told us that he expressed some reservations about the appointment of the first state administrator, and that he did not know the two individuals who ultimately became the district's second and third administrators. Although the state superintendent spoke with the county superintendent about the three state administrators he appointed, it is unclear whether his efforts fully satisfied the Legislature's intent, because neither the education code nor SB 533 defines what the county superintendent's consultative role should entail.

We also found it difficult to evaluate the state superintendent's oversight and guidance of his second and longest serving state administrator (who served for 26 months). For example, to our knowledge, the state superintendent did not require the second state administrator to develop annual performance objectives and he did not evaluate the second state administrator's performance. However, both were requirements outlined in the appointment agreement. Ultimately, the state superintendent can terminate the appointment of his state administrator without stating a reason, and he did so in September 2015.

Finally, our review found that the second state administrator and his staff made some notable efforts to improve the district. For example, the district's former chief business official implemented a position control system, which allows the district to better budget, track, and monitor the number of full-time equivalent positions in the district. The district also has increased its efforts to dock the pay

of employees who have taken leave without having the necessary balances. Finally, the Los Angeles County Office of Education has developed greater confidence in the district's financial reporting since it approved the district's last three budgets. However, with the appointment of a new state administrator in October 2015, the district will have new leadership that will need to continue to improve upon the district's prior efforts.

Recommendations

Legislature

To ensure a transparent and accountable process, any future state emergency funding for a school district appropriated by the Legislature should specifically require the state superintendent to document the selection and appointment process of a state administrator, including the rationales for progressing certain candidates once screened or reasons that particular individuals were ultimately selected to serve as state administrator. Additionally, it should define the county superintendent's role in the appointment process for a state administrator.

Education

To assist the district with establishing priorities and to ensure that the public is aware of those priorities, the state superintendent should direct his state administrator to develop an action plan to address FCMAT's findings and recommendations. Such an action plan should describe for the public why certain findings were prioritized and what steps the state administrator plans to take to improve the district's FCMAT scores.

To provide the public an opportunity to fully understand the requirements for and the progress made toward restoring local control to the district's governing board, the state superintendent should direct his state administrator to do the following:

- Establish a web page on the district's website listing the specific exit criteria, indicating which criteria have been satisfied, and what the state administrator's and state superintendent's expectations and plans are for satisfying remaining exit requirements. One way the state superintendent could do this would be to provide regularly updated information in a format that is similar to the information we present in the Appendix of this audit report.

- Establish regular advisory board agenda items to answer the public's questions concerning the efforts made toward achieving the exit criteria.

Agency Comments

Education indicated it would work with the district's current state administrator to implement our report's recommendations.

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Introduction

Background

The Inglewood Unified School District (district), founded in 1953, serves approximately 11,000 students in the city of Inglewood and the Ladera Heights community in Los Angeles County. As shown in Figure 1 on the following page, the district operates 10 elementary schools, two middle schools, two transitional K-8 schools, three high schools, and a continuation high school. Before September 2012 the district was governed by a five-member school board (governing board), with members elected by the community to a four-year term. In the past, the governing board directly appointed a superintendent, who was responsible for the general administration of all of the district's instructional and business operations. However, after years of declining revenues and deficit spending, state law required the State Superintendent of Public Instruction (state superintendent) to take control of the district in September 2012 as a condition of providing emergency funding.

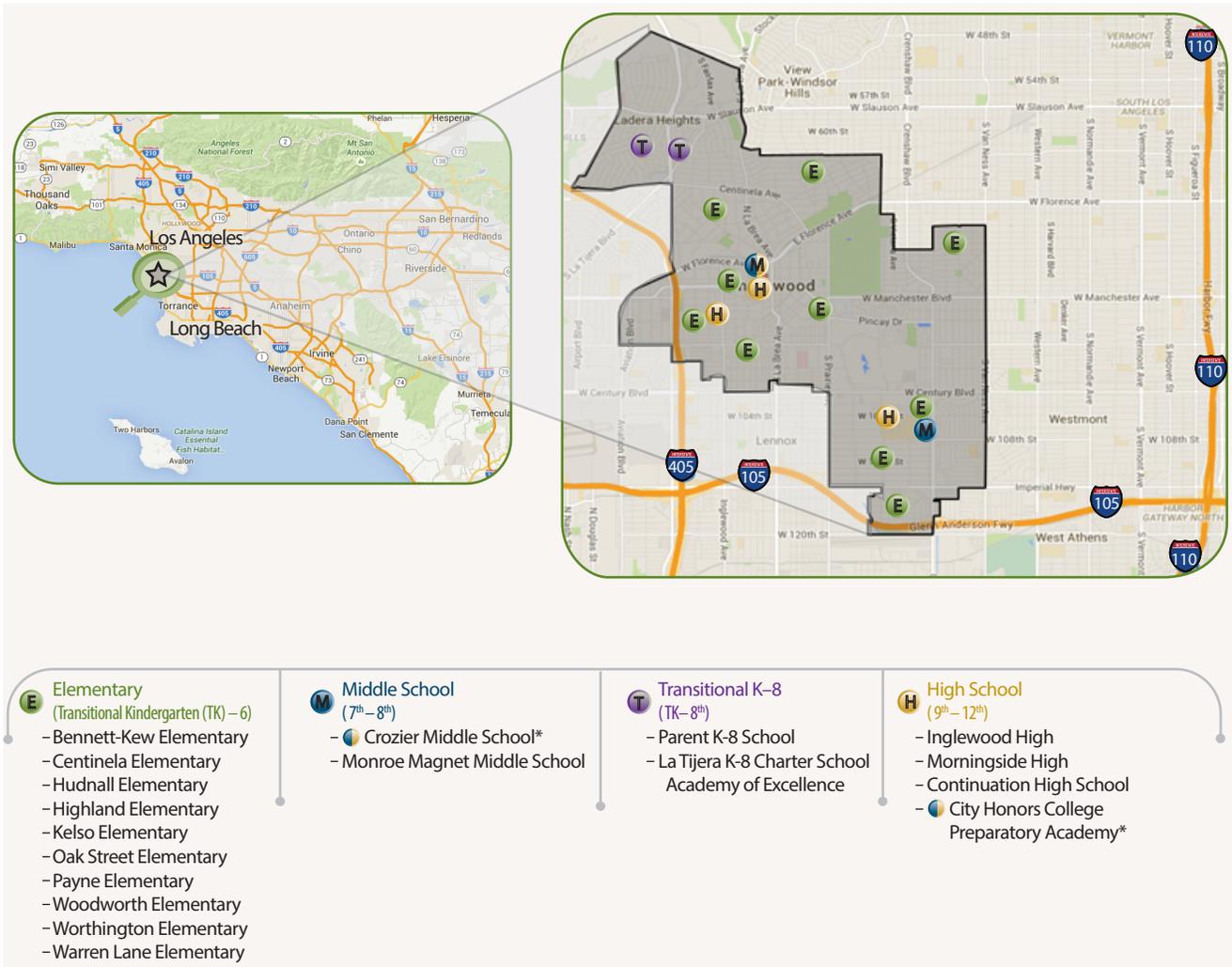
The District's Finances Were Deteriorating Before State Intervention

The district's finances suffered during the recent fiscal crisis from the State's decision to delay educational funding to local education agencies and school districts statewide. Between fiscal years 2009–10 and 2013–14, the State delayed millions in funding to the district, making it more difficult for the district to have the cash necessary to pay its bills. Aside from the district's cash-flow challenges, the total revenue to its general fund had been declining, from \$121.6 million in fiscal year 2010–11 down to \$108.2 million the following year. The district also saw its financial reserves decline, dropping from about \$7.9 million (or 6.1 percent of district spending) in fiscal year 2008–09 to just about \$600,000 (or 0.5 percent of district spending) in fiscal year 2009–10. State regulations recommend that school districts similar in size to the district reserve an amount equal to 3 percent or more of total spending. Figure 2 on page 9 shows the extent to which the district financial reserves have declined through fiscal year 2011–12, the last fiscal year before the State took over.

Declining enrollment has also played a role in the district's financial strain. State funding for local education depends largely on the average daily attendance of students, and attendance in the district has been decreasing since before the State's fiscal crisis. Between fiscal years 2005–06 and 2015–16, the district's average daily attendance is projected to have decreased by approximately 27 percent—from about 15,000 students to about 11,000 for the current fiscal year. According to the district's former chief business official (business official), fewer school-age children are now

residing in the district than in previous years—due to declining birth rates—and an increasing number of students are enrolled in charter schools operating within the district’s boundaries.

Figure 1
Locations of Inglewood Unified School District Schools

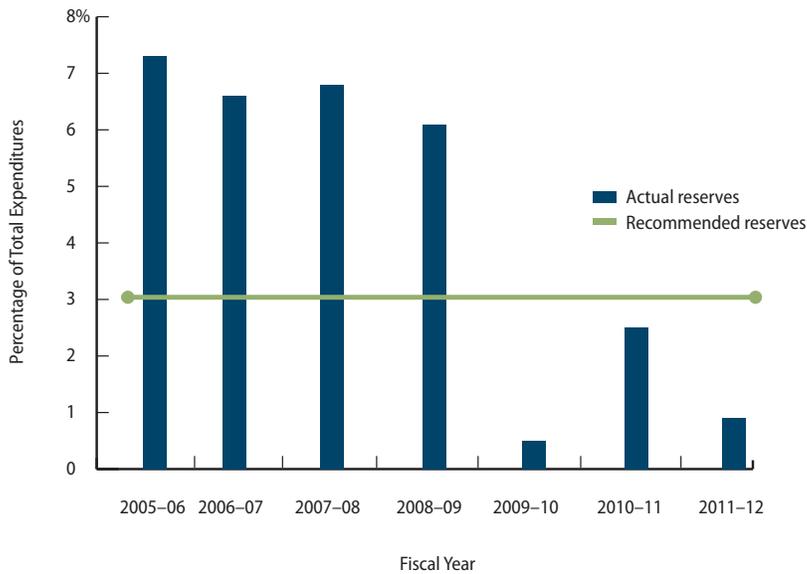


Source: California State Auditor’s analysis of the website www.locator.decisioninsite.com/?StudyID=187502.

Note: Inglewood Unified School District boundaries consist of the city of Inglewood and the unincorporated community of Ladera Heights.

* City Honors College Preparatory Academy is located at the site of Crozier Middle School.

Figure 2
Actual and Recommended Reserves in the District’s General Fund
as a Percentage of Total Expenditures
Fiscal Years 2005–06 Through 2011–12



Source: Supplementary information contained within Inglewood Unified School District’s audited financial statements for fiscal years 2007–08 through 2011–12.

The district’s worsening financial condition prompted the Los Angeles County Office of Education (county office of education) to intervene in December 2010. The county office of education is a state-funded public agency, led by the Los Angeles County Superintendent of Schools (county superintendent), that promotes the academic and financial stability of the 80 public school districts in Los Angeles County. The county office of education provides fiscal oversight to the district by reviewing and commenting on the district’s budgets and interim financial reports as the California Education Code (education code) requires. The county office of education is also responsible for advising the state superintendent if any districts are in financial distress and if they need state assistance.

Following the county office of education’s decision in August 2010 not to approve the district’s budget for fiscal year 2010–11, and following a determination from the Fiscal Crisis Management Assistance Team (FCMAT) in November 2010 that the district was in need of intervention and was facing fiscal insolvency, the county office of education assigned a fiscal advisor to the district beginning in December 2010.² The fiscal advisor’s role was to monitor, assist,

² State law created FCMAT to help local education entities with fiscal and managerial oversight and assistance.

and intervene in the financial operation of the district. The fiscal advisor was also to provide guidance and advice to foster long-term financial stability, take a leading role in the development and administration of the district's budget, and assist the district in creating a fiscal recovery plan. The fiscal advisor had the authority to overrule the governing board's actions if those actions threatened the district's finances.

Despite the county office of education's involvement, the district's financial condition did not improve, and in May 2011 the county office of education authorized the district to temporarily borrow from its other funding sources in order to meet its financial requirements for May and June 2011. Additionally, in March 2012 the district secured a \$17.4 million short-term loan to maintain its operations. In June 2012 the district attempted to obtain a second loan for \$13 million, which the county office of education denied because it believed that the district would be unable to repay the loan. Against the backdrop of the district's deficit spending, reduced state funding, and inability to meet its financial obligations, both FCMAT and the county office of education recommended that the district apply for a state loan. Finally, in July 2012 the district's governing board approved a resolution requesting an emergency loan from the State, citing that the district would run out of cash by January 2013.

The State Took Control of the District as a Condition of Providing an Emergency Loan

In September 2012 the governor signed Senate Bill 533 (SB 533) (Chapter 325, Statutes of 2012), which appropriated funds for an emergency loan of up to \$55 million from the State's General Fund for the district. Once the governor signed the bill, state law required the state superintendent to assume all legal rights, duties, and powers of the district's governing board.³ State law also required the state superintendent to appoint, in consultation with the county superintendent, a state administrator to act on his behalf in carrying out certain requirements. Additionally, the Legislature expressed its intent that the state administrator work with district staff and the advisory board (the former governing board) to improve student achievement and to manage fiscal expenditures in a manner consistent with projected revenues.

³ When the state superintendent assumes control of a school district for financial reasons per Section 41326 of the education code, the district's superintendent is terminated, and the school board becomes an *advisory board* reporting to the state administrator. Members of the *advisory board* have no rights, duties, or powers, and they are not entitled to any compensation from the district.

State law establishes the criteria for the district's return to local governance and defines the responsibilities of the state superintendent and the state administrator in achieving that return. As detailed in the Appendix, state law requires the state administrator to submit specific plans and reports pertaining to the district's financial condition and recovery efforts to the state superintendent for approval before a return to local control. For example, state law requires that both the state administrator and state superintendent conclude that the district's future compliance with the recovery plans is *probable* before the state superintendent can return the district to local control by restoring the powers of the governing board. When this occurs, the state superintendent appoints a trustee with powers to overrule any action by the governing board that threatens the district's financial condition. After the state superintendent ends the trustee's period of service, until the state loan is repaid the county superintendent has the power to stop any action of the district's school board that may affect the financial condition of the school district. The district's repayment plan for the \$29.1 million state loan spans 20 years, with annual payments of \$1.8 million due November 1, 2014, through November 2033.⁴

State and Local Organizations Oversee the District's Improvement Efforts

The California Department of Education's (Education) director of the School Fiscal Services Division (fiscal director) serves as the state superintendent's day-to-day representative and assists with providing direction and supervision to the state administrator. As part of his duties, the fiscal director monitors the district's financial reports and at times participates in meetings with the state administrator to monitor the district's fiscal solvency and the status of its reform efforts. According to the fiscal director, he and his staff maintain frequent communication with the state administrator and district staff through email, telephone, and in-person meetings.

State legislation authorized the establishment of FCMAT to provide local education entities with fiscal and managerial oversight and assistance. Before the state superintendent assumed control of the district, FCMAT provided the district with financial management assistance at the county office of education's request. For example, in April 2011 FCMAT reviewed the district's cash balances to determine the district's fiscal solvency. Previously, in November 2010, FCMAT assisted the district with developing multiyear financial projections. FCMAT reported that it played a

⁴ The district has used only \$29.1 million of the \$55 million a state loan authorized by SB 533.

significant role in determining the size of the state loan. Then, once the state superintendent took control, state law required FCMAT to conduct a comprehensive assessment of the district in five major operational areas: community relations and governance, personnel management, pupil achievement, financial management, and facilities management. Each operational area is governed by standards that, according to FCMAT, are updated to ensure continued alignment with industry best practices and with applicable state and federal law. Subsequent to the comprehensive assessment, FCMAT's role is to consult with the state superintendent as he determines the amount of improvement the district needs to make; then FCMAT completes improvement plans that focus on the agreed-upon improvements. Further, state law requires FCMAT to file written status reports annually with the Legislature, the state superintendent, and others indicating the progress the district is making. When evaluating the district, FCMAT provides scores for each standard it evaluates using a scale of 0 to 10, as described in the text box.

Fiscal Crisis and Management Assistance Team Scaled Rating Rubric

0—Not Implemented: There is no significant evidence that the standard is implemented.

1 through 7—Partially Implemented: A partially implemented standard has been met to a limited degree.

8 through 10—Fully Implemented: A fully implemented standard is complete and sustainable.

Source: Fiscal Crisis and Management Assistance Team's Inglewood Unified School District Comprehensive and Progress reports, issued July 2013, July 2014, and July 2015.

Before the state superintendent returns the district to local control, Education's fiscal director stated that the district is expected to attain an average minimum score of 6 out of 10 in each operational area, which is a score that means only portions of the standards in that area have been implemented and full, sustainable implementation is not yet complete. The state superintendent further requires that no individual standard's score be less than 4.⁵

Scope and Methodology

The Joint Legislative Audit Committee (audit committee) directed the California State Auditor to conduct an audit of the state superintendent's implementation of SB 533 as it relates to the State's control of the district. We list the objectives that the audit committee approved and the methods we used to address them in Table 1.

⁵ According to Education's fiscal director, the scoring minimums were originally a requirement for Compton Unified School District, and these minimums have been used as the standard since that time.

Table 1
Audit Objectives and the Methods Used to Address Them

AUDIT OBJECTIVE	METHOD
1 Review and evaluate the laws, rules, and regulations significant to the audit objectives.	Reviewed the relevant laws, regulations, and other background materials applicable to Inglewood Unified School District (district).
<p>2 Assess the State Superintendent of Public Instruction's (state superintendent) role in appointing and overseeing the district's state administrators and trustee, including the following:</p> <p>a. Identify how the superintendent selected all the state administrators/trustee appointed to date.</p> <p>b. Identify the degree of direction and supervision the state superintendent has provided to the state administrators/trustee.</p>	<p>• Interviewed staff at the California Department of Education (Education) to determine the selection process for state administrators/trustee.</p> <p>• Obtained and reviewed available documentation regarding the selection process for all three state administrators. There was no formal selection process of the district's interim state administrator who served roughly six months.</p> <p>For the longest serving state administrator (second state administrator; July 2013 – September 2015), we performed the following:</p> <p>• Interviewed the state superintendent's director of the School Fiscal Services Division and the second state administrator to understand the guidance provided and how such guidance was delivered.</p> <p>• Reviewed the appointment contract between the state superintendent and the second state administrator to identify performance expectations, and what district-specific performance goals, if any, existed for its fiscal and academic recovery.</p> <p>• Reviewed the district's management and recovery plan and multiyear financial recovery plan, evaluating whether the state superintendent or his staff approved these plans.</p>
<p>3 Assess the extent to which the district's state administrators/trustee implemented applicable state law related to Senate Bill 533 (SB 533) (Chapter 325, Statutes of 2012), including the intent of Section 41325 and the requirements of Section 41326 of the California Education Code (education code) regarding administrator and trustee responsibilities, including the following:</p> <p>a. Determine the extent to which the district's state administrators/trustee implemented substantial changes to the district's fiscal policies.</p> <p>b. Assess whether the district's state administrators/trustee revised the educational program to reflect realistic income projections to improve educational quality and student success.</p> <p>c. Determine whether the state superintendent, his administrators, or the trustee engaged with teachers, school employees, and parents; describe the nature of the engagement; and identify the subsequent outcomes that occurred.</p>	<p>Identified the duties of the state administrator as outlined in SB 533 and in applicable sections of the education code.</p> <p>• Interviewed key district staff to understand their perspectives on the district's finances and the actions they have taken.</p> <p>• Reviewed various financial reports to understand the revenues and expenses from the district's general fund. Evaluated the extent to which the district has spent more than it has earned between fiscal years 2008–09 and 2014–15.</p> <p>• Reviewed the district's 2014 and 2015 local control accountability plans (LCAPs) to determine what the district's planned action steps are for increasing academic performance and the budgeted funding associated with those actions.</p> <p>• Interviewed key district personnel to obtain their perspectives on changes made to this district's academic programs.</p> <p>• Reviewed the district's draft communications plan.</p> <p>• Interviewed district staff to determine steps taken to engage with school employees and parents.</p> <p>• Looked for examples where the public had opportunities to comment on the district's decisions or planning documents, and identified the outcomes of those discussions, when possible.</p>

continued on next page ...

AUDIT OBJECTIVE	METHOD
4 Determine whether the state superintendent properly prepared, obtained, and submitted to the Legislature and other appropriate parties all applicable documents required by applicable state laws regarding the Los Angeles County Office of Education's (county office of education) fiscal oversight of the district that include options for resolving the district's fiscal problems.	<ul style="list-style-type: none"> • Interviewed key Education staff to determine why the state superintendent did not conduct a review of the county office of education. • Reviewed the county office of education's oversight of the district's finances prior to state control.
5 To the extent possible, perform the following: <ul style="list-style-type: none"> a. Determine the time frame in which the state superintendent plans to restore the fiscal solvency of the district and assess whether the steps the state superintendent is taking to return the district to fiscal solvency are reasonable. b. Identify the steps being taken to ensure student achievement. c. Assess whether the state administrators'/ trustee's actions—past, current, and planned for the future—are sufficient to provide the district's students a quality education. 	<ul style="list-style-type: none"> • Reviewed the district's multiyear financial recovery plan, financial reports, and budget for fiscal year 2015–16. • Determined the extent to which the district has spent more than it earned, both before and after the state superintendent assumed control of the district. • When possible, attempted to identify specific actions taken by the second state administrator to reduce the district's costs. <p>Reviewed LCAPs to identify goals, plans, and actions designed to improve student achievement.</p> <ul style="list-style-type: none"> • Reviewed LCAPs to identify actions designed to improve student achievement. • Reviewed the three Fiscal Crisis and Management Assistance Team's reviews of the district to identify improvement areas for the district, including pupil achievement.
6 To the extent possible, identify any relevant additional steps the State, district, or county office of education need to take to ensure compliance with SB 533.	<ul style="list-style-type: none"> • Identified actions as expressed in SB 533 and relevant state law necessary to exit state receivership, and analyzed the district's compliance with and progress toward meeting the requirements. • Determined the district's progress toward implementing the advisory board training required by SB 533. • Interviewed key Education staff and the state administrator to determine what conditions are being used to determine that the district is ready to exit control.
7 Review and assess any other issues that are significant to the implementation of SB 533.	Evaluated the extent of the consultative role of the Los Angeles County Superintendent of Schools during the appointment process for a state administrator.

Sources: California State Auditor's analysis of the Joint Legislative Audit Committee's audit request 2015-101 and information and documentation identified in the table column titled *Method*.

Audit Results

The Inglewood Unified School District's Expenditures Have Continued to Exceed Its Revenue, While Long-Term Financial Stability Depends on Higher Enrollment or Lower Costs

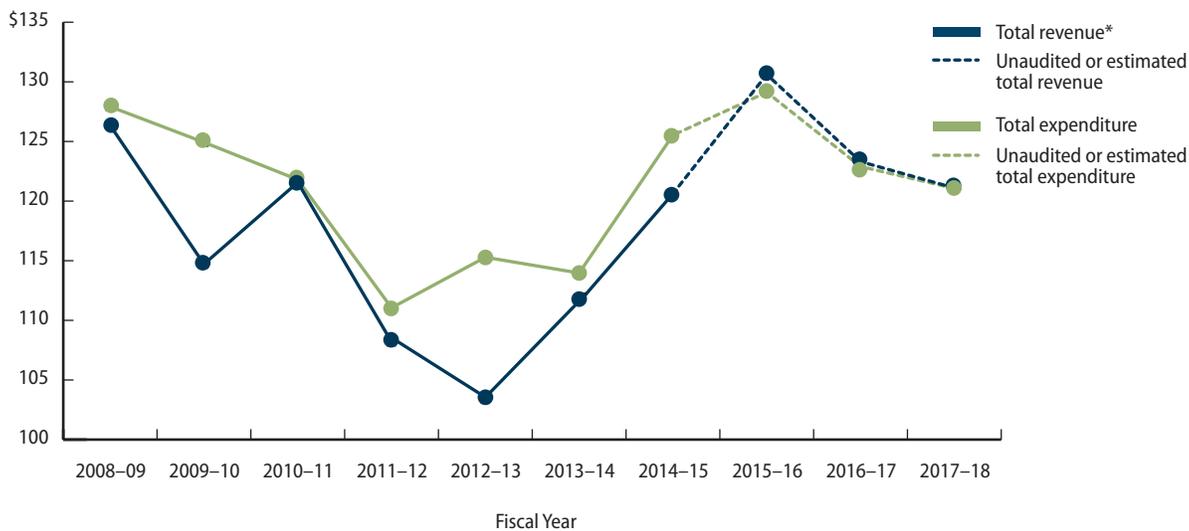
The Inglewood Unified School District's (district) expenditures have consistently exceeded revenue even after the State Superintendent of Public Instruction (state superintendent) was required to assume control in September 2012. Despite increased revenues resulting from the State's new local control funding formula (funding formula), the district has continued to engage in deficit spending. In fiscal year 2014–15, the district's expenditures exceeded revenue by \$4.9 million. Although the district is forecasting greater spending reductions for fiscal year 2015–16 and beyond, declining enrollment may severely impact the district's fiscal health in future years.

Student enrollment, and more particularly student attendance, is important because school districts are funded based on the number of students who attend. When revenues are threatened because fewer and fewer students attend, a district must decide upon a strategy for how best to respond. At one extreme, it can cut costs—such as through employee layoffs, school closures, and other cost-cutting measures—in order to reduce its overall size given the smaller student population. At the other extreme, it can increase spending from its financial reserves to improve educational programs with the hopes of attracting more students, along with the resulting revenue. However, with the district's general fund having roughly \$3.8 million in reserves at the end of fiscal year 2014–15, or about \$22,000 more than the minimum reserve amount recommended in state regulations, its ability to increase spending is unlikely without repurposing other assigned funding or using more of the emergency funds authorized by Senate Bill 533 (SB 533) (Chapter 325, Statutes of 2012). Of the \$55 million in loan funds authorized by SB 533, the district has only accessed \$29.1 million. The district's new state administrator—recently appointed in October 2015—will need to articulate his vision for stabilizing the district's finances.

Figure 3 on the following page provides an overview of the total actual and projected revenues and expenditures from the district's general fund over a 10-year period. The dramatic increase in revenues shown in Figure 3 beginning in fiscal year 2013–14 is a result of the State's change in how it determines funding amounts for school districts. In July 2013 the State altered how it distributes funding by establishing a new funding formula, which replaced the previous system of public school financing known as *revenue limit funding* as well as the numerous other categorical programs that provide school revenues. Under the new funding formula, the State provides districts

with a base grant allocation tied to student attendance by grade level, as well as additional *supplemental* and *concentration* funding (known as *supplemental and concentration add-ons*) based on the percentage of *targeted students* within the district. Targeted students are those who are eligible to receive a free or reduced-price meal at school, English language learners, or youth in foster care. According to the district, about 90 percent of its students are targeted students, which it projects will result in about \$20.4 million in additional supplemental and concentration add-ons in fiscal year 2015–16.

Figure 3
Revenue and Expenditures for Inglewood Unified School District
Fiscal Years 2008–09 Through 2017–18
(In Millions)



Sources: Inglewood Unified School District's audited financial statements for fiscal years 2008–09 through 2012–13, unaudited financial reports for fiscal years 2013–14 through 2014–15, and the adopted budget for fiscal year 2015–16.

* Starting in fiscal year 2013–14, the State's method for allocating funding to school districts changed.

The State's new funding formula has provided additional financial resources to the district, which were not available prior to state control. Expenditures from the district's general fund have also increased from \$115.3 million to \$125.5 million between fiscal years 2012–13 and 2014–15 based on reports submitted to the Los Angeles County Office of Education (county office of education).⁶ A significant portion of the higher spending

⁶ The district's last set of audited financial statements are for fiscal year 2012–13 and were audited by the California State Controller's Office. As a result, we had to rely on unaudited revenue and spending data for fiscal years 2013–14 and 2014–15 based on reports the district submitted to the county office of education.

pertains to the salary and benefits of district employees and additional spending on books and supplies, among other operating expenses.

According to its budget for fiscal year 2015–16, the district projected that it will spend less from its general fund than the revenue it takes in, thus ending the pattern of deficit spending and diminishing reserves, and marking the beginning of fiscal sustainability. The district submitted its budget for fiscal year 2015–16 to the county office of education; in that budget, the district expected revenues of \$130.6 million and budgeted expenditures of \$129.1 million. In September 2015 the county office of education formally approved the district’s budget, but it noted that the district’s labor contract negotiations for the year had not been settled, and potential cost increases for salaries and benefits had not been considered in the budget. The county office of education also cautioned that the increasing cost of operating the district’s special education program had been a major cause of its deficit spending in the past, and that the unrestricted portion of the district’s general fund will likely need to contribute increasing amounts in the future as revenues to the district stagnate.

It remains to be seen whether the district’s finances at the end of fiscal year 2015–16 will mirror its projected balanced budget. The public may understandably be skeptical of the district’s recent proclamation of a balanced budget given that it has demonstrated a sustained pattern of deficit spending both before and after the state superintendent assumed control of the district in September 2012. During the four-year period before state control—fiscal years 2008–09 through 2011–12—the district’s deficit spending reached a cumulative \$14.9 million. During the last three years under the state superintendent’s control—fiscal years 2012–13 through 2014–15—deficit spending was a cumulative \$18.6 million. Our audit did see some evidence that the second state administrator attempted to curtail spending; however, such efforts have not yet translated into lower overall spending from the district’s general fund or the elimination of deficit spending. For example, in accordance with its 2014 fiscal recovery plan, the district proposed cost savings of nearly \$6 million, primarily by reducing the number of personnel in the district office as well as the number of teachers and school support staff. However, following the district’s fiscal recovery plan in April 2014, the district’s overall spending during fiscal year 2014–15 increased, including costs for employee salaries and benefits. More recently, in a May 2015 advisory board meeting, the second state administrator approved a resolution to begin the layoff process of 47 full-time certificated employees and five hourly positions. Actual savings from these layoffs will not be realized until more time has passed.

During the four-year period before state control, the district’s deficit spending reached a cumulative \$14.9 million. During the last three years under the state superintendent’s control, deficit spending was a cumulative \$18.6 million.

Decreasing birth rates in the area and competition from local charter schools are primarily responsible for the district's declining enrollment.

Furthermore, the district still faces a long-term problem with declining enrollment. The funding formula, much like the prior funding method, allocates funding to districts based on student attendance. Although the funding formula affords greater revenue to the district because of its high number of targeted students, continually declining enrollment could eventually require the district to pursue school closures, additional layoffs, or other cost-cutting steps. The district's former chief business official (former business official) projected that, based on his assumptions for future funding formula disbursements, the increasing revenues from the funding formula will plateau between fiscal years 2015–16 and 2016–17 due to declining enrollment, and will likely decrease thereafter. The district's fiscal year 2015–16 adopted budget reflects the following declining average daily attendance for its students: 9,451 for fiscal year 2015–16, 8,942 for fiscal year 2016–17, and 8,541 for fiscal year 2017–18.

Both the California Department of Education (Education) and district officials indicated that two factors—decreasing birth rates in the area and competition from local charter schools—are primarily responsible for the district's declining enrollment. However, solving the district's enrollment problem is not a requirement for ending the State's control of the district. According to Education's director of the School Fiscal Services Division (fiscal director), the state superintendent's project monitor who works with the state administrator, the state superintendent will return the district to local control even if declining enrollment continues. The fiscal director explained that declining enrollment exists in many other fiscally healthy districts and that districts must react to declining enrollment by either reducing their spending or attracting more students by offering a competitive and quality educational program.

According to the fiscal director, Education has recommended certain educational programs to the district that are designed to improve academic performance and parent engagement that may help increase enrollment. The fiscal director also stated that the state superintendent has supported the district's decisions to reduce class sizes, provide additional professional development to teachers, and offer summer school. The district's former business official also indicated that the district must make improvements to the instructional and educational programs and services in order to slow or reverse the declining enrollment. However, he added that improving the condition of facilities is necessary as well. He indicated that although minor facility improvements will definitely take place, major construction would be unlikely to begin until after the end of the 2015–16 school year. In preparation for upcoming projects, the district is currently recruiting for a facilities officer position and has been meeting with consultants, facilities experts from Education, and representatives from Los Angeles World Airports—an organization

that agreed to fund more than \$44 million in sound-insulation projects in the district—to begin developing plans for improving existing facilities and building new ones. The district plans to develop a facilities project prioritization plan during the 2015–16 school year. Whether these efforts are continued or new plans are developed under the newly appointed third state administrator remains to be seen.⁷

Although the Prospect for Returning the District to Local Control in the Near Term Is Limited, the State Superintendent Could Do More to Improve the Public’s Understanding of the Work Remaining

The prospect for returning the district to local governance in the near term appears limited. As we discuss in the Appendix, the district has not met all of the conditions necessary to end state control. In fact, as of September 2015, the district had fulfilled just three of the seven required conditions established in state law for terminating state control, and the state superintendent could improve the public’s understanding of not just these conditions, but his and his administrator’s approach for ultimately satisfying them. One of the requirements for returning the district to local control is that the district shows sufficient improvement in five key operational areas; the Fiscal Crisis and Management Assistance Team (FCMAT) is responsible for evaluating the district’s progress in these areas and for recommending improvements. FCMAT was created by state law to help local educational entities with fiscal and managerial oversight and assistance. State law allows the state superintendent to return power to the governing board for any of the five operational areas if he is satisfied with the district’s performance. However, based on the data FCMAT has provided, the district has shown limited progress in achieving the scores necessary for the gradual transition of control back to the governing board. After three years of being under the state superintendent’s control, and given the limited progress the district has made in improving its scores in the key areas FCMAT reviews, the district could benefit from having a clearly articulated action plan that prioritizes FCMAT’s findings and recommendations and communicates its efforts to the public.

As of September 2015 the district had fulfilled just three of the seven required conditions established in state law for terminating state control.

⁷ In September 2015 the state superintendent terminated the appointment of the second state administrator and appointed to the position a new individual who will assume the day-to-day control of the district in October 2015.

The Return of the District to Local Control Depends on Comprehensive and Sustained Improvement, and the District Is Currently Far From Meeting the Established Standards

When a school district requires emergency funding from the State, state law requires FCMAT to conduct a comprehensive assessment of the district and to perform annual follow-up reviews of its performance in five operational areas: financial management, pupil achievement, personnel management, facilities management, and community relations and governance.⁸ FCMAT has published three evaluations of the district to date, most recently in July 2015. The California Education Code (education code) requires the state superintendent, in consultation with the Los Angeles County Superintendent of Schools (county superintendent) and FCMAT, to determine the amount of improvement needed before the district's five-member school board (governing board) regains power. Although the specific amount of improvement required for the district has not been documented, Education's fiscal director indicated that the district is expected to attain an average score of 6 on the scaled rating rubric in each operational area, with no individual sub-score lower than a 4 for any specific standard within an operational area.

However, so far the district has performed poorly in FCMAT's reviews—as shown in Table 2—demonstrating minimal progress toward achieving the scores necessary to return the district to local control. For example, the district earned a score of 2.87 in the area of pupil achievement in 2015—only 0.84 more than the 2014 score and far from the expected score of 6. Additionally, despite a projected balanced budget for fiscal year 2015–16, the district earned a score of 1.95 in financial management in 2015, only a slight increase from 2014's score of 1.33. According to FCMAT, it assessed the district based on 43 financial management standards, and it found that the district had not fully implemented any of them: specifically, the district had only partially implemented 33 standards, and it had not implemented the remaining 10 at all. At its current rate, it may take the district several years to achieve the required scores in that area. However, the district has been under state control for just over three years, and according to FCMAT, a recovery process of this magnitude is a challenging and multiyear effort. Other school districts under state control have also taken a number of years to return to local control. For example, Compton Unified, West Fresno Elementary, and Vallejo City Unified school districts each took roughly eight years to transition from having a state administrator to having a local governing board with the authority to make decisions.

FCMAT found that the district had not fully implemented any of the 43 financial management standards it assessed.

⁸ Section 41327.1 of the education code requires FCMAT to, every six months, file written status reports with the state superintendent and other entities regarding a district's progress towards improvement. However, Senate Bill 533 (SB 533) (Chapter 325, Statutes of 2012)—the bill that authorized the emergency state loan to the district—required these reports on an annual basis.

Table 2
Fiscal Crisis and Management Assistance Team’s Evaluation of
Inglewood Unified School District’s Performance

OPERATIONAL AREA	REPORT YEAR			NUMBER OF STANDARDS
	2013	2014	2015	
Community Relations and Governance	1.05	0.45	1.4	20
Personnel Management	1.46	1.36	2.82	28
Pupil Achievement	3.23	2.03	2.87	31
Financial Management	1.19	1.33	1.95	43
Facilities Management	2.24	2.59	3.81	33

Sources: Fiscal Crisis and Management Assistance Team’s *Comprehensive Review Report* (July 2013), *Follow-up Review Report* (July 2014), and *Progress Report* (July 2015).

The State Lacks a Clearly Stated and Publicly Available Action Plan Prioritizing Where the District Needs to Improve and How Such Improvement Will Be Achieved

Although Education’s fiscal director stated that he is kept informed of significant district actions or changes in the district’s finances, the public lacks information that explains how the state superintendent and his state administrator are prioritizing the district’s problems and what specific strategies and actions they are engaging in to ultimately improve the district. Lacking such transparency, the public can feel disconnected from the State’s actions and may find it difficult to develop confidence in an approach that is not widely understood and communicated.

In accordance with state law, the state superintendent has decided to use FCMAT’s comprehensive review report from July 2013 as the district’s management review and recovery plan. As we discuss in the Appendix, the administrator’s determination that the district’s ability to comply with the plan is probable is among several requirements that must be satisfied before the state superintendent fully restores power to the district’s governing board. The FCMAT comprehensive report has more than 400 pages and contains nearly 700 recommendations for improvement based on the district’s compliance with FCMAT’s various standards. Although the voluminous detail and recommendations contained in the comprehensive report may be useful for district staff in identifying which areas of the district’s operations require improvement, it does not help the public understand which of the numerous recommendations are the most important and should be prioritized, especially because some recommendations leave the specific action steps to be taken up to the state administrator and his team.

The state superintendent did not require the second state administrator to develop an action plan to improve the district based on FCMAT's assessments.

FCMAT's report suggests that such prioritization is outside of FCMAT's scope. In its first report, FCMAT stated, "The state administrator and the district will need to select priority areas on which to focus their efforts during the first and each succeeding year of recovery." In addition, FCMAT's recommendations were not always framed as specific action steps for the district to take, which would have enhanced the public's understanding. In one example, FCMAT's recommendation was clear but it lacked specific details and methods when it recommended that "parent involvement initiatives should be reviewed and revised." In other instances, FCMAT's recommendations seemed both specific and actionable, yet they were so technical that the public would have difficulty understanding them. In one such recommendation, FCMAT stated that "the inclusion of carryover assumptions or estimates during the budget development should be prohibited without prior approval from the state administrator."

Our review noted that the state superintendent did not require the second state administrator to develop an action plan to improve the district based on FCMAT's assessments even though the appointment agreement clearly required the development of such an action plan. If the FCMAT action plan had been prepared, it would have allowed the second state administrator to more clearly articulate priority areas for improvement and the action steps he proposed to take. The second state administrator told us that Education never asked for such a plan and neither he nor his staff developed one because they were focused on instituting new procedures, filling vacant positions, and addressing instances of fraud within the district. When we spoke with Education's fiscal director, he was aware that the district was unable to complete an action plan because resources were being used to address other problems. Further, he told us that he was fully aware of FCMAT's findings and recommendations, and he and district staff were in communication regarding specific aspects of the FCMAT report. Regardless, without publicly available information about where reform is most needed and the action steps to be taken, the public can grow frustrated with FCMAT scores that remain far below the state superintendent's expectations.

The State Superintendent Did Not Document the Appointment and Evaluation of His State Administrators

When the Legislature provided emergency funding to the district in 2012, it required the state superintendent to take control of the district's operations and assume the power of the district's governing board. During state control, the state superintendent is the ultimate decision maker for the district, and the Legislature asked that our audit evaluate his role in appointing and overseeing

the state administrator. Our audit found that although the state superintendent appointed qualified individuals to lead the district, a lack of documentation—though not required by the education code and SB 533—prevented us from fully evaluating and understanding why a particular candidate was selected. In addition, the state superintendent did not require his second and longest serving state administrator to develop annual performance objectives, nor did he evaluate the second state administrator’s performance, though each action was required under his appointment agreement.

The State Superintendent Hired Individuals Who Were Qualified to Serve as the District’s State Administrator, but the Selection Process Was Not Well Documented

State law requires the state superintendent to appoint, in consultation with the county superintendent, a state administrator to act on his behalf. For this district, the state superintendent relied on Education’s executive management to screen and initially interview candidates for the job. We reviewed available documents from the selection process for the first, second, and third state administrators and noted that Education’s management took reasonable steps to ensure that they identified qualified candidates for the state superintendent’s consideration.⁹ For example, Education created a position announcement with a job description and conducted outreach to educational organizations such as the Association of California School Administrators and the California Association of African-American Superintendents and Administrators. Advertising for the state administrator position was an important step toward providing Education with a large pool of qualified applicants from which to select individuals for interviews, and it helped make the overall appointment process more competitive.

In addition, according to Education’s fiscal director, an interview panel composed of Education executives, including the chief deputy superintendent, reviewed the résumés to identify those applicants that met the minimum qualifications, ensuring that the candidates had experience in management and finance, as state law requires, as well as those with backgrounds in education. We reviewed the qualifications of the candidates that were ultimately appointed to fill the position, as well as certain interviewees when their résumés were available, and determined that the state superintendent successfully recruited candidates that met the specified qualifications.

Although the state superintendent appointed qualified individuals to lead the district, a lack of documentation prevented us from fully evaluating and understanding why a particular candidate was selected.

⁹ There was no formal selection process of the district’s interim state administrator, who served roughly six months.

However, in all three appointment processes, neither Education's management nor the state superintendent documented their rationales for progressing certain candidates once screened or why particular individuals were ultimately selected to serve as state administrator. Although the education code and SB 533 did not require such documentation, its absence prevented us from fully evaluating how the state superintendent selected the three state administrators and why he thought these individuals were best suited to improve the district's financial and academic performance. Specifically, although the interview panel asked questions that appear reasonable and appropriate, only one of the interview panelists' notes were available for review for each appointment, and they contained insufficient detail to clarify why particular candidates were more competitively qualified for the position than others. We expected the state superintendent and his managers at Education to have used a scoring system or other method to document why certain candidates were deemed the most qualified to lead the district. However, according to Education's fiscal director, the panel did not use a rubric to rank the candidates who moved forward, but instead came to an agreement based on interview notes, résumé screening, and calls to the candidates' references.

The education code and SB 533 require the state superintendent to consult with the county superintendent on the appointment of a state administrator. We asked the county superintendent about his level of involvement with the appointment processes, and he told us that the state superintendent called him regarding the appointment of each candidate. The county superintendent indicated that he expressed some reservations about the individual that the state superintendent selected to be the first state administrator and that he did not know the two individuals who would eventually become the second and third administrators, and thus he could not speak to their selection. The county superintendent stated that the decision of who is to be state administrator is ultimately up to the state superintendent and that his consultations were through informal phone conversations.

Although the state superintendent spoke with the county superintendent about each of the three state administrators he appointed, it is unclear whether this consultation satisfied the Legislature's intent.

Although the state superintendent spoke with the county superintendent about each of the three state administrators he appointed, it is unclear whether this consultation satisfied the Legislature's intent. This lack of clarity stems from the fact that the Legislature did not define in state law what the county superintendent's consultation should entail.

The State Superintendent Did Not Evaluate the Performance of the Second State Administrator as Required in the State Administrator's Appointment Agreement

The state administrator's employment contract clearly stated his duties, responsibilities, and reporting requirements. It also stipulated that Education's fiscal director would provide additional direction and supervision on behalf of the state superintendent. The second and longest serving state administrator's appointment agreement with the state superintendent also specified that the state administrator would develop performance objectives each year based on his assessment of the district. These performance objectives were to be measurable and specific and mutually agreed upon by both the state superintendent and the state administrator. Further, on or before June 15 of each year, the state superintendent was to evaluate the state administrator's performance based on these mutually agreed-upon performance objectives.

Our review found that the state administrator did not establish performance objectives with the concurrence of the state superintendent and the state superintendent did not evaluate his performance as required under the appointment agreement. Education's fiscal director confirmed that no such evaluations had taken place, explaining that Education did not want the state administrator to develop performance objectives when he first started in September 2013 so he could focus on the upcoming school year and on the fiscal recovery plan. Education's fiscal director explained that no performance objectives were developed in 2014 because of the constant communication between the state administrator and Education officials regarding issues that needed to be resolved in the district. This approach, according to the fiscal director, allowed Education to provide timely feedback to the state administrator as events occurred, as opposed to a once-a-year approach.

When we interviewed the second state administrator he commented that Education provided him with significant flexibility in running the day-to-day operations and appeared content to let his leadership team manage the district. Generally speaking, according to the state administrator, Education was not enforcing many aspects of his appointment contract, including conducting annual performance evaluations and requiring the district to develop an action plan in response to FCMAT's assessments. The second state administrator indicated that he had planned to develop an action plan for the 2015 FCMAT report and appoint members of his leadership team to prioritize and respond to the findings and recommendations. However, this did not occur, and it remains to be seen whether the third state administrator will do so.

The state administrator did not establish performance objectives with the concurrence of the state superintendent, and the state superintendent did not evaluate his performance as required under the appointment agreement.

With his recent appointment of a third state administrator, the state superintendent will have had four individuals leading the district's recovery efforts since he assumed control in September 2012.

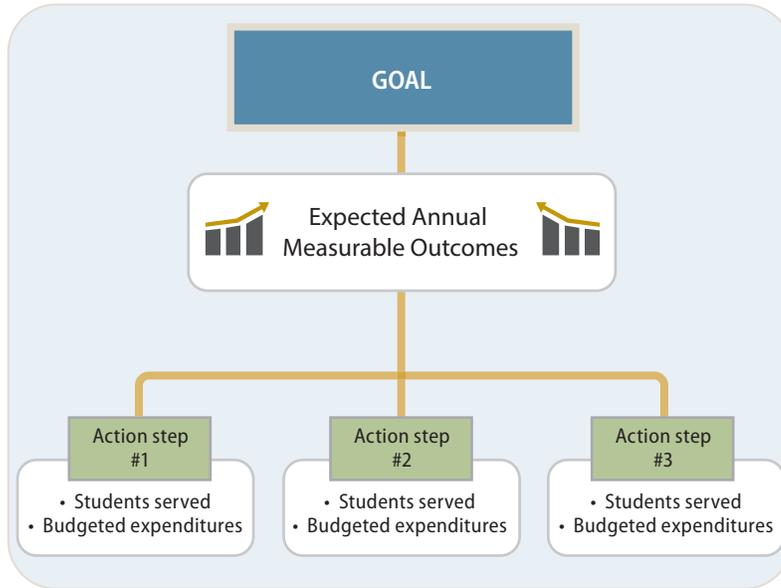
Our audit found little evidence to indicate what specific expectations the state superintendent had of the state administrator, thus limiting our ability to evaluate his supervision and to determine which of his expectations, if any, were not being satisfied. In September 2015 the state superintendent formally terminated the second state administrator's appointment for reasons that were not disclosed. State law and the appointment contract give the state superintendent authority to terminate the state administrator at the state superintendent's discretion. With his recent appointment of a third state administrator, the state superintendent will have had four individuals in just over three years leading the district's recovery efforts since he assumed control in September 2012. In FCMAT's July 2015 report, before the state superintendent's September 2015 announcement of the selection of a third state administrator, FCMAT commented that the district had hired executive administrators who brought extensive expertise and that the district needs to maintain leadership that has the ability and capacity to set priorities, implement systemic reform, and ensure accountability. FCMAT stressed the importance of strong leadership within the district and gave credit to the district's executive management team for the progress achieved since its prior report.

The District Has Developed a Plan for Improving Student Achievement, but More Time Is Needed to Evaluate Progress

As part of the new funding formula, state law requires that each local education agency, including school districts, adopt and annually update a local control accountability plan (LCAP). The district's LCAP is intended to serve as its comprehensive planning tool, which includes a description of its annual goals for students and a description of the specific actions to be taken to achieve those goals. State law includes requirements for the LCAP, and it requires the State Board of Education to provide guidance on the structure and content of the LCAP, as summarized in Figure 4.

The district's current LCAP includes specific goals, action items, performance metrics, and information on budgeted spending. Our review of the LCAP found that the district's planned action steps and measurable outcomes were reasonably specific. For example, one of the district's expected measurable outcomes was to reduce the number of teachers who were misassigned based on their teaching credentials. The district noted that during the 2013–14 school year, the district had 25 teachers who were misassigned, particularly in the area of special education. The district's goal is to reduce teacher mis-assignments by 10 percent during the 2015–16 school year and to have no mis-assignments by the end of the 2016–17 school year. Another of the district's action items is to create an analyst position, at a cost of \$80,000 annually, to conduct periodic

Figure 4
 Local Control and Accountability Plan Content Structure for Each Goal
 Established by Inglewood Unified School District



Sources: California Education Code, Section 52060 et seq. and Inglewood Unified School District's 2015 Local Control Accountability Plan.

audits of teacher and administrator credentials and assignments and to help the district better place and hire teachers as needed. In another example, the district's LCAP noted that only 46.5 percent of its long-term English language learning students attained English proficiency as measured by the California English Language Development Test. The district's goal is to increase this amount to 50 percent attaining English proficiency during the 2015–16 school year, with additional gains of 2 percent annually over the next two years. To achieve this goal and among other planned action steps, the district plans to offer extended-day intervention programs for struggling English language learners at a cost of \$680,000 for instructional materials and teachers.

In addition to focusing on student achievement, the district is also focused on enhancing parental involvement. One of the State's educational priorities for school districts is that efforts be made to seek parental input on decision making and to promote parent participation in school programs. The district noted in its LCAP that 50 percent of parents have been attending conferences and school events according to parent sign-in sheets. To better engage families and the community in support of student success, the district established a goal in its LCAP of increasing parental

The district's annual budget for its general fund for fiscal year 2015–16 includes nearly \$131 million in anticipated revenue against planned spending of roughly \$129 million.

involvement in school activities to 54 percent by 2016, with additional gains of 2 percent each year thereafter. To achieve this outcome, the district's LCAP noted that it planned to spend \$15,000 on parent education workshops to help develop a positive school environment; \$190,000 on seven community liaison positions to provide support and outreach to families of targeted students; \$20,000 on computer skills training to targeted parents to help them better communicate with schools and support student learning; \$130,000 on additional communication and outreach to targeted families regarding student progress, school events, job fairs, and student attendance; and \$50,000 to provide oral and written translations in Spanish to attract Spanish-speaking parents.

Overall, the district's LCAP describes action items amounting to more than \$100 million in budgeted spending for fiscal year 2015–16; the LCAP thus provides the community with an opportunity to better understand the district's goals, action items, and expected outcomes for a significant portion of the district's annual budget. Specifically, the district's annual budget for its general fund for fiscal year 2015–16 includes nearly \$131 million in anticipated revenue against planned spending of roughly \$129 million. In September 2015 the county office of education approved the district's LCAP and its annual budget for fiscal year 2015–16 and did not instruct the district to make further changes to either document.

Nevertheless, many of the performance metrics outlined in the district's LCAP cannot be evaluated yet because more time is required to collect and analyze the data. The district's LCAP is designed to list performance outcomes for three successive years, beginning with the 2015–16 school year. Therefore, the public must wait at least until that school year is complete before it can assess the district's progress. For example, one of the measurable outcomes within the district's LCAP is to increase its students' success at mastering the Common Core State Standards. During the 2014–15 school year, California's students for the first time took the California Assessment of Student Performance and Progress (state assessment), an online assessment designed to evaluate student performance against the State's educational standards. According to results released by Education, 26 percent of the district's students met or exceeded state standards in English language arts and 14 percent met or exceeded state standards in math. According to its LCAP, the district's expected measurable outcome is to increase the number of students meeting state standards by 5 percent each year, and the district will conduct interim assessments to measure improvement. However, whether the action items listed in its LCAP (such as professional development training for teachers and summer programs

for students) will yield these gains will not be known until the results from the next state assessment are available, which may not be until the fall of 2016.

The Departure of the Second State Administrator and His Cabinet Members May Delay the District’s Progress Toward Improvement

The district’s recovery may be further delayed by the second state administrator’s recent departure. FCMAT, which is responsible for monitoring the district’s progress under state control, has repeatedly commented on the inconsistent leadership of the district and its adverse impact on the district’s ability to create and implement long-term plans for recovery. As shown in the text box, since October 2012, four individuals have led the district, including the current individual, who was appointed to state administrator effective October 2015. However, the departure of the district’s second and longest serving state administrator may further delay some of the progress he and members of his cabinet made.

In its July 2015 report, FCMAT commented on the quality and efforts of the second state administrator’s senior staff: “The [state administrator’s] hiring of three new executive administrators has brought extensive expertise to the district, and their work has focused on the district’s recovery. The efforts of the entire executive cabinet are reflective of the improvement in average scores in all sections of this report.” During his tenure, the second state administrator and his staff made efforts to improve the district in business services, human resources, and special education. For example, the district’s former business official instituted a position control system that established standards for tracking, adding, and deleting employment positions within the organization. This system allows the district to better budget, track, and monitor the number of full-time equivalent positions in the district as well as associated expenditures. FCMAT noted improvement in this area in its 2015 progress report: “FCMAT verified that a position control system was implemented, representing a major accomplishment for the district.” In addition, the county education office staff appeared to express greater confidence in the district’s financial reporting and fiscal projections. For example, in fiscal year 2010–11—before state control of the district—the county office of education did not approve its budget, ultimately imposing a budget on the district. In contrast, during the second state administrator’s tenure, the county office of education approved each of the district’s budgets for fiscal

Individuals Who Have Served or Are Serving in the Capacity of State Administrator and Their Term in Office

State Administrator, Kent Taylor
October 2012–December 2012 (2 months)

Interim State Administrator, LaTanya Kirk-Carter
December 2012–June 2013 (6 months)

State Administrator, Dr. Donald Brann
July 2013–September 2015 (26 months)

State Administrator, Vincent Matthews
October 2015—Present

Sources: Documents provided by the California Department of Education.

In fiscal year 2013–14, the district docked about \$185,000 from employees' pay for taking more leave than they had available; however, in fiscal year 2014–15, the year the HR director was hired, this amount increased to about \$578,000.

years 2013–14 through 2015–16. Similarly, the district's executive director of human resources (HR director) has made improvements in employee recruitment and hiring. Among other things, she has updated job descriptions, developed written procedures on the selection process, and implemented an automated system for tracking job applicants. These efforts are helping to provide the district with a structured hiring process.

The district's former business official and the HR director also coordinated efforts to hold district employees more accountable. For example, according to the HR director, before her arrival at the district, some district employees were taking more leave than they had available and were not being penalized for doing so. She and the district's former business official worked together to develop procedures and training that resulted in docking employee pay when this occurred. In fiscal year 2013–14, the year before her arrival, the district docked about \$185,000 from employees' pay; however, in fiscal year 2014–15, the year the HR director was hired, this amount increased to about \$578,000. The district's former business official and the HR director also worked together to terminate some employees who, in their view, lacked the skills to adequately perform their job functions.

In addition to these efforts, the district's former business official indicated that collective bargaining efforts could be affected because of the upcoming departure of the second state administrator as well as the former business official's own departure, which took place in September 2015. The HR director told us that she and the former business official had been actively working with union representatives, but the former business official's departure could make it challenging for the district to get accurate financial data, which is needed to negotiate effectively. This is a critical challenge because personnel expenses are a large component of the district's expenses, and having agreements with its unions provides the district with greater certainty over its long-term finances. The district's two major collective bargaining agreements, with teachers and with classified (nonteaching) staff, expired in 2013 and 2014, respectively. According to the HR director, other projects are on hold that also require joint efforts from the business services and human resources departments. These planned projects include implementing a system that will corroborate payroll and time sheet information in fiscal year 2015–16 and developing a strategic plan for the district; the district has already budgeted \$150,000 in fiscal year 2015–16 to hire consultants to assist in the strategic planning process.

The second state administrator's staff also made some improvements in the district's special education programs. According to the second state administrator's chief of staff (chief),

who oversees the district's special education programs and services, students with disabilities were underserved when she arrived at the district in November 2014. Education's director of special education stated that the current district administration has been more responsive to recommendations and has demonstrated a greater vested interest in improving special education programs than previous administrations of the district, who frequently did not provide special education staff with the necessary resources. He specifically mentioned that the chief, who was the special education director for the region before being hired by the district, has played a major role in implementing positive changes in the district's programs, including improving the district's special education department structure and providing much needed training to staff.

We confirmed that the district's chief also helped fill previously vacant positions and added a new administrator position focused on special education compliance. This new special education administrator has developed a compliance improvement plan that includes specific activities, responsible parties, and dates. Some evidence already shows that improvement is taking place within the district's special education program. For example, although it fell just short of Education's target of 75.25 percent in fiscal year 2013–14, the graduation rate for special education students increased from 52 percent in fiscal year 2011–12 to 73 percent in fiscal year 2013–14. Similarly, the dropout rate for special education students in the district was significantly reduced, decreasing from 25 percent in fiscal year 2011–12 to 4 percent in fiscal year 2013–14, more than meeting the state target rate of less than 15.72 percent. Despite these efforts, the district's special education programs and services still need improvement. A fiscal year 2013–14 review by Education of the district's special education program found significant areas of noncompliance, including a failure to review and update students' special education plans in a timely manner and a failure to adequately document justification for certain student-specific decisions related to special education, among other issues.

The district's special education department director and chief resigned in August 2015 and October 2015, respectively. It will be up to the third state administrator, who was appointed in October 2015, to continue or expand on the initiatives and progress recently seen at the district.

The dropout rate for special education students in the district significantly decreased from 25 percent in fiscal year 2011–12 to 4 percent in fiscal year 2013–14, more than meeting the state dropout target rate of less than 15.72 percent.

The Second State Administrator’s Working Relationship With the Advisory Board Appeared to Be Improving, and the District Sought Public Input on Certain Decisions

Before May 2015 the district’s advisory board and the second state administrator appeared to have a strained working relationship, as noted in earlier FCMAT reviews. Inconsistent meeting times during fiscal year 2014–15 and sporadic attendance by board members did not help matters. With the election of a new advisory board and more consistent meeting times, we noted some improvement in board member attendance and the quality of interaction among the second state administrator, board members, and the public. We observed two board meetings during our visit to the district and saw productive exchanges between the second state administrator and the board members regarding the district’s finances, among other subjects. Finally, the second state administrator provided the public with opportunities to comment on important decisions, such as the charter status of a high school and the strategies contained in the district’s LCAP.

The Working Relationship Between the Former Advisory Board and the Second State Administrator Was Strained, While Early Meeting Times May Have Limited the Board’s Involvement

Although the advisory board has no power, it serves as the community’s representative in public meetings that the state administrator attends. Consistent attendance by advisory board members and productive exchanges between board members and the state administrator are necessary to promote public transparency and confidence about the district’s reform efforts. The district’s advisory board is composed of five members who are generally elected by the community but who can also be appointed by the state administrator if needed. Based on reviews FCMAT performed and on comments from the second state administrator, it appears that the former advisory board (serving before May 2015, when a new board was elected) had a poor working relationship with the district administration. However, that relationship may have been somewhat strained by early meeting times that limited board member participation.

The relationship between district administration and the former advisory board may have been strained by early meeting times that limited advisory board member participation.

In its second review of the district, completed in July 2014, FCMAT stated that there appeared to be little interaction, or working relationship, between the then advisory board and the second state administrator. FCMAT also indicated in its July 2015 report that the former advisory board members provided little or no input to the second state administrator on matters of importance to the community and the district’s students. According to the second state administrator, the former advisory board members

were not supportive of the district's reform efforts. Although the members rarely attended advisory meetings according to the state administrator, when they did they would often stray from discussing items in the agenda provided by the district, bringing their own agenda to the meetings. He also told us that the former advisory board members consistently questioned whether the district needed a state loan, a loan that the district and its former governing board had originally requested. The district's former business official stated that in response to former advisory board members' request for information regarding the district's past financial status, he prepared a presentation explaining that the district was having financial difficulty.

Our review of board meeting minutes during fiscal year 2014–15 found sporadic attendance by advisory board members. During the first half of the year, two of the five board positions were vacant following member resignations from the previous fiscal year, thus leaving three serving advisory board members. Board member attendance for the 12 meetings between July 2014 and January 2015 averaged just one member, and there was no instance when all three members were in attendance. Six of these 12 meetings were held at 3 p.m. or earlier, making it more difficult for advisory board members to attend if they had other commitments, such as other employment. The district's bylaws for board meetings state that regular board meetings shall be held at 5:30 p.m., which is generally after normal working hours. FCMAT also noted the potential negative effects of the district's inconsistent meeting times, stating that this might be confusing to the public and might foster a lack of openness and planning, as well as giving the perception that the public was being purposely excluded.

Following the second state administrator's appointments for the vacant advisory board positions, attendance improved for five of the seven meetings between late January 2015 and mid-April 2015, when four of the five board members attended; these meetings were generally at 5:30 p.m., with one at 4 p.m. For the two meetings held during this period that started at 3 p.m., no members attended one meeting, while only one member attended the other. Further, at least one of the two meetings with low board member attendance appeared to have important agenda items, such as the discontinuation of certain adult services, the notice to reassign or release certain teachers, and other matters pertaining to special education. With a newly elected board in May 2015, more consistent attendance occurred for the six remaining meetings of the fiscal year. In five of the six meetings, which were held at 5:30 p.m., four or five advisory board members attended. The one remaining meeting with fewer than four board members was held at 5:30 p.m. and was a special meeting to discuss potential layoffs for district personnel. Three board members attended that meeting.

Board member attendance for the 12 meetings between July 2014 and January 2015 averaged just one member, and there was no instance when all three members were in attendance.

The Second State Administrator and the New Advisory Board Appear to Have a Better Working Relationship

During the first two months of the new advisory board's tenure, we noted that the members appeared much more willing to work with the district's administrative team, and their attendance improved. For example, district emails show that individual board members requested one-on-one meetings with the second state administrator as well as his cabinet members. According to the second state administrator, these discussions provided specific information regarding the district's recovery process and addressed board members' questions and concerns. In addition, we attended two advisory board meetings and saw productive exchanges between the second state administrator and the board members regarding the district's finances, among other subjects.

The district has also taken some preliminary steps toward training advisory board members. State law requires the district to provide certain training to the board members before they can resume control of the district. At a minimum, the law requires that each board member participate in the Masters in Governance training provided by the California School Boards Association (CSBA), a five-part course covering aspects of board governance such as school finance and community relations and advocacy. The district's intent is to provide training on acceptable procedures and the operation of a functioning school board to build capacity before the district resumes local control. To this end, the district created a training plan in March 2015, which includes board workshops conducted by CSBA and suggestions for online webinars and archived broadcasts. Further, the district has conducted two workshops covering basic leadership and governance responsibilities, one in June 2015 and one in August 2015, and CSBA has offered to waive the registration fees for any advisory board member who participates in the Masters in Governance training before the state superintendent restores local control to the district. According to the district, advisory board members began to take the Masters in Governance courses in September 2015.

The district has created a training plan for advisory board members and has conducted two workshops on leadership and governance.

The Second State Administrator Has Made Attempts to Obtain Feedback From District Employees and Include the Community in Certain Decisions

A significant challenge the second state administrator and his staff faced was the lack of trust by some of the city's residents. According to FCMAT's July 2014 report, some members of the community do not believe that the State's takeover of the district was necessary, and this belief has remained a major problem in establishing trust and positive community relations. The lack of

trust was likely exacerbated by the district's poor communications. Its former communications consultant stated that when she began in January 2014 there was no communications plan and no internal notification procedures, and the district's website—the fastest method of communication with the public—had just a small number of subscribers receiving updates on district news. Further, FCMAT noted in its 2014 report that the district had made major decisions without obtaining input from those who could be affected, stating that the district has been more focused on informing the community after decisions were made rather than before.

The district has since taken some measures to improve communications with the community and to provide it with opportunities for greater input. For example, the second state administrator conducted several listening tours at the district's school sites between March 2014 and June 2014 to provide opportunities to obtain feedback from faculty and staff members. Additionally, the second state administrator had worked to encourage greater public attendance by holding more advisory board meetings at a consistent time, as previously discussed. We also found that the district gave members of the public opportunities to provide input on decisions affecting the district's finances and student achievement. Specifically, we saw evidence of public input when reviewing the district's decisions concerning City Honors College Preparatory Academy (City Honors) and the development of the district's 2014 and 2015 LCAPs.

According to the district's former business official, the decisions to convert City Honors into a regular high school and relocate it to a different and newer facility were necessitated by the district's declining enrollment. However, before the second state administrator decided to convert City Honors from a charter school to a regular public high school within the district, the advisory committee of City Honors—consisting of the interim principal, chair of the parent advisory council, and the administrator in charge—formally recommended to the second state administrator that such action was appropriate. Further, the second state administrator allowed members of the public to comment at a June 2014 advisory board regarding this impending decision. The district also conducted online surveys to gather input from stakeholders regarding its 2014 and 2015 LCAPs and provided the public with opportunities to comment on the LCAPs during advisory board meetings as required by state law. We believe these efforts demonstrate that the second state administrator provided the public with opportunities to express their views in advance of some critical decisions affecting the district.

The district has taken some measures to improve communications with the community and to provide it with opportunities for greater input.

To better communicate with the public, the district has been working on a draft communications plan that contains a section devoted to “fostering transparency and two-way communication.” This draft plan outlines strategies such as having the state administrator conduct listening tours at district school sites with district faculty and staff. The communications plan also discusses the possibility of the district recording and uploading a regular informational podcast to its website that would summarize and inform staff and the community of major initiatives and celebrate current successes. While district staff indicated that parts of this plan are already operational, we noted the district has yet to complete certain parts. According to the communications plan, the district will circulate the plan to affected stakeholders such as school police and principals and then present the plan during an advisory board meeting. The former communications consultant told us that the district is waiting for FCMAT’s feedback on the communications plan. With the appointment of the third state administrator in October 2015, the extent to which this plan will be continued—or another developed in its place—is uncertain.

The State Superintendent Did Not Evaluate the County Office of Education’s Efforts to Help the District Before the State’s Loan and Takeover

According to Education’s fiscal director, the state superintendent did not conduct a review of the county office of education, as required by law, because of a lack of staff resources.

The state superintendent did not conduct a review of the county office of education as state law requires. Specifically, state law requires that in consultation with FMCAT, the state superintendent when assuming control review the county office of education’s fiscal oversight of the district. Further, state law requires that within three months of assuming control, the state superintendent report his findings to the Legislature and provide a copy of that report to the California Department of Finance. However, according to Education’s fiscal director, the state superintendent did not conduct the required review because of a lack of staff resources. Education’s fiscal director indicated that a proper review would have included all of the county office of education’s actions in regard to oversight of the district for three fiscal years, and the state superintendent did not have the staff hours to do this.

The fiscal director further stated that the state superintendent did not have any problems with the county office of education’s oversight, and he referred to the fact that only one district out of the 80 that the county office of education monitors required state intervention during the recent fiscal crisis. Education’s fiscal director also commented that the county office of education has limited authority to change the district’s financial outlook because it cannot implement spending reductions pertaining to salaries, which make up a significant portion of the district’s expenditures.

The fiscal director is correct regarding both the prominence of employee salaries in the district's budget and the limited powers of the county office of education. According to the district's budget for the 2015–16 school year, employee salaries and benefits will account for \$92.4 million of the \$129.1 million in planned spending from the district's general fund (or roughly 72 percent of all spending). Before the State assumed control of the district in September 2012, the district's general fund budget for the 2011–12 school year showed similar amounts, with the district budgeting \$77.8 million out of \$107.3 million (or roughly 73 percent) for employee salaries and benefits. When a county office of education responds to a school district that is demonstrating difficulty in meeting its financial obligations, the education code provides it with certain powers. For example, the county office of education can develop and impose a budget on that district, it can overrule any decision made by that district's governing board if it is inconsistent with that district's ability to meet its financial obligations, and it can appoint a financial advisor to work with that district. However, the education code does not allow the county office of education to repeal or do away with any provision of a collective bargaining agreement that was previously entered into by that district. In this case, the district had collective bargaining agreements with both its teachers and classified (nonteacher) employees. Nevertheless, despite the fiscal director's views and absent a change in state law repealing the requirement, the state superintendent should have analyzed the county office of education's fiscal oversight of the district upon the State's takeover and reported his findings to the Legislature.

Recommendations

Legislature

To ensure a transparent and accountable process, any future state emergency funding for a school district appropriated by the Legislature should specifically require the state superintendent to document the selection and appointment process of a state administrator, including the rationales for progressing certain candidates once screened or reasons that particular individuals were ultimately selected to serve as state administrator. Additionally, it should define the county superintendent's role in the appointment process for a state administrator.

Education

To assist the district with establishing priorities, and to ensure that the public is aware of those priorities, the state superintendent should direct his state administrator to develop annual performance

objectives and an action plan to address FCMAT's findings and recommendations. Such an action plan should describe for the public why certain findings were prioritized and what steps the state administrator plans to take to improve the district's FCMAT scores.

To provide the public an opportunity to fully understand the requirements for and the progress made toward restoring local control to the district's governing board, the state superintendent should direct his state administrator to do the following:

- Establish a web page on the district's website listing the specific exit criteria, indicating which criteria have been satisfied, and what the state administrator's and state superintendent's expectations and plans are for satisfying remaining exit requirements. One way the state superintendent could do this would be to provide regularly updated information in a format that is similar to the information we present in the Appendix of this audit report.
- Establish regular advisory board agenda items to answer the public's questions concerning the efforts made toward achieving the exit criteria.

We conducted this audit under the authority vested in the California State Auditor by Section 8543 et seq. of the California Government Code and according to generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives specified in the Scope and Methodology section of the report. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Respectfully submitted,



ELAINE M. HOWLE, CPA
State Auditor

Date: November 5, 2015

Staff: Grant Parks, Audit Principal
Tram Thao Truong
Brett D. Noble, MPA
Sara E. Noceto
Flint Timmins, MPA

Legal Counsel: Scott A. Baxter, Sr. Staff Counsel

For questions regarding the contents of this report, please contact Margarita Fernández, Chief of Public Affairs, at 916.445.0255.

Appendix

CRITERIA THAT MUST BE MET BEFORE POWER CAN BE RESTORED TO THE INGLEWOOD UNIFIED SCHOOL DISTRICT’S BOARD

Senate Bill 533 (Chapter 325, Statutes of 2012) defines the criteria that must be met before the State Superintendent of Public Instruction can restore full power to the Inglewood Unified School District’s governing board. The table below summarizes these criteria, our assessment of the progress made, and the overall status indicating which requirements have already been satisfied.

Table A
Criteria for Restoring the Power of the Inglewood Unified School District’s Governing Board

CRITERIA	AUDITOR ASSESSMENT OF PROGRESS	STATUS
The State Superintendent of Public Instruction (state superintendent) has approved all recovery plans for the Inglewood Unified School District (district), which include management review and recovery plan and multiyear financial recovery plan.	The state administrator has prepared or obtained all required recovery plans. Although we saw no evidence indicating his approval of either recovery plan, we noted that the state superintendent informed the district that certain reports prepared by the Fiscal Crisis and Management Assistance Team (FCMAT) would serve as the district’s management review and recovery plan. Further, we saw evidence that the state superintendent’s staff approved the multiyear financial recovery plan and does not intend for the district to create another unless it demonstrates difficulty in repaying the state loan or projects future budget deficits.	Completed
FCMAT has completed a minimum of two reports identifying the district’s progress in implementing the FCMAT improvement plans.	FCMAT completed its comprehensive review in July 2013 and completed two subsequent reviews in 2014 and 2015. State law allows the state superintendent to return power to the district for any of the five key operational areas if he is satisfied with the district’s performance. However, the district has obtained scores ranging from less than 1 to less than 4 in each area, below the general expectation of achieving a score of 6.	Completed*
The state administrator concludes, and so notifies the state superintendent and the county superintendent of schools, that future compliance by the district with the approved recovery plans is <i>probable</i> .	According to the second state administrator, it is too early to establish how he will determine whether the district’s future compliance with the recovery plans is probable. He stated that the California Department of Education (Education) has not provided much direction except to say that generally control is returned to the board in stages, and the most important elements are having a balanced budget, high FCMAT scores, and repaying the state loan. Since the budget is balanced for fiscal year 2015–16 and the loan is being repaid, the second state administrator indicated that the district’s future progress is most contingent on its FCMAT scores.	Not complete
The state superintendent determines that the district’s future compliance with the approved recovery plans is probable.	Education’s director of the School Fiscal Services Division (fiscal director) was unable to provide a time frame for when the district would return to local control, stating that it is on the right track with its projection of a balanced budget entering into fiscal year 2015–16. Once the district can demonstrate a sustained period of having balanced budgets, and once employee contracts are negotiated, the fiscal director stated that the state superintendent will be better positioned to conclude whether the district can comply with its recovery plan. The fiscal director also commented on the need for the district to increase its FCMAT scores to achieve an average score of 6 in each operational area.	Not complete

continued on next page ...

CRITERIA	AUDITOR ASSESSMENT OF PROGRESS	STATUS
The state administrator certifies that all necessary collective bargaining agreements have been negotiated and ratified, and that the agreements are consistent with the terms of the district's recovery plan.	The district has yet to finalize collective bargaining agreements with its employee unions.	Not complete
The state administrator certifies that members of the school board and school district personnel, as appropriate, have successfully completed the training specified in Senate Bill 533 (SB 533) (Chapter 325, Statutes of 2012).	The district is actively providing training to the advisory board. According to the district, advisory board members began to take the Masters in Governance courses in September 2015. The newly appointed third administrator will need to determine which district personnel require additional training to effectively administer their responsibilities.	Not complete
The school district has completed all reports required by the state superintendent and the state administrator.	The state administrator submits annual reports on the financial condition of the district. In practice, Education has allowed the state administrator and the district to use the standard budgeting and financial reporting required of all school districts to meet this requirement. Additionally, although the second state administrator's appointment contract required him to develop annual performance objectives and an action plan in response to the district's FCMAT scores, the state superintendent ultimately did not require these reports. Therefore, we consider this requirement to be complete.	Complete

Sources: SB 533; California Education Code, Section 41327.1; and interviews with Education and district personnel.

* We concluded that this requirement was complete because FCMAT has completed the minimum number of reports required pursuant to SB 533. As discussed in this table, the low FCMAT scores are a factor that has prevented the state superintendent from concluding that the district is currently capable of governing itself effectively. For this reason, FCMAT will likely continue to evaluate the district each year until its scores improve.



CALIFORNIA
DEPARTMENT OF
EDUCATION

TOM TORLAKSON
STATE SUPERINTENDENT OF PUBLIC INSTRUCTION

October 20, 2015

Elaine M. Howle, State Auditor*
California State Auditor
621 Capitol Mall, Suite 1200
Sacramento, CA 95814

Subject: *"Inglewood Unified School District: The State Superintendent of Public Instruction Needs to Better Communicate His Approach for Reforming the District,"* Report No. 2015-101, November 2015

The California Department of Education (Education) appreciates the opportunity to provide the following written comments and proposed corrective actions to the recommendations outlined in the California State Auditor's (CSA) Audit Report No. 2015-101, titled: *"Inglewood Unified School District: The State Superintendent of Public Instruction Needs to Better Communicate His Approach for Reforming the District."*

Recommendation No. 1:

To assist the district with establishing priorities, and to ensure that the public is aware of those priorities, the state superintendent should direct his state administrator to develop annual performance objectives and an action plan to address FCMAT's findings and recommendations. Such an action plan should describe for the public why certain findings were prioritized and what steps the state administrator plans to take to improve the district's FCMAT scores.

Education's Comments and Corrective Actions

The Inglewood Unified School District (district) implemented corrective actions in response to many of FCMAT's recommendations, while simultaneously implementing statewide changes such as computerized state-testing. However, with nearly 700 FCMAT recommendations in the latest comprehensive review, Education concurs that a state administrator plan delineating action priorities would be beneficial to the district, Education, and the public. Education will work with the state administrator to determine the form, content, and timeframe for developing an action plan.

Recommendation No. 2:

To provide the public an opportunity to fully understand the requirements for and the progress made towards restoring the power of the district's school board, the state superintendent should direct his administrator to do the following:

- Establish a web page on the district's web site listing the specific exit criteria, indicating which criteria have been satisfied, and what the state administrator and state superintendent's expectations and plans are for satisfying remaining exit requirements.

* California State Auditor's comment appears on page 45.

Elaine M. Howle, State Auditor
October 20, 2015
Page 2

One way the state superintendent could do this would be to provide regularly updated information in the format that is similar to the information we present in the Appendix of this audit report.

Education's Comments and Corrective Actions

Education will work with the state administrator to determine the content and timeframe for developing this Web site.

- Establish regular board agenda items to answer the public's questions concerning the efforts made towards achieving the exit criteria.

Education's Comments and Corrective Actions

Education concurs that the public should have opportunities to discuss the district's progress. Therefore, in addition to the time the public is afforded to comment at every regular board meeting, Education will explore options with the state administrator to periodically establish agenda items on this topic.

Overall Comments

The State Superintendent of Public Instruction is committed to ensuring that the students of the district are given the opportunities and high-quality instruction that they deserve. As the education system in California is based on local control, it is Education's intent to prepare the district for a return to local governance and to keep the community informed of this process along the way. To provide clearer context and perspective, Education has the following comments.

Education appreciates the auditors' recognition of the important work that the district has done, such as: (1) special education program improvements; (2) adopting a balanced budget for the first time in many years that has been reviewed for reasonableness, and approved by the county office of education in accordance with the state board adopted criteria and standards; and (3) improved relationships between district staff and the advisory board. Education is hopeful that the district is gaining momentum as it has shown progress, relative to the prior year, in every operational area.

In regard to the auditors' statement that the district has yet to demonstrate significant improvement in its finances, and the narrative related to cumulative deficit spending, Education provides the following information. Prior to the state superintendent assuming control of the district, FCMAT projected that the district would have a cumulative deficit of over \$72 million for the 2012-13, 2013-14, and 2014-15 school years, which was in part the basis of sizing the loan at \$55 million. However, as a result of the district's progress, the cumulative deficit over the same period was only \$18.6 million and only \$29.1 million of the state loan was drawn down.

To further provide context and perspective on the district's fiscal improvements, it is important to point out, as Figure 3 in the audit report shows, that almost \$12 million, nearly two-thirds of this three year cumulative deficit, is attributable to the 2012-13 school year—the absolute low-water year in terms of school funding during the financial crisis and the year in which the state

Elaine M. Howle, State Auditor
October 20, 2015
Page 3

superintendent assumed powers. It is also important to point out the costs that have been imposed on the district since the 2012–13 school year, which contributed to the \$18.6 million cumulative deficit. These include: (1) \$1.8 million in annual state loan payments; (2) the elimination of certain flexibility afforded to districts during the financial crisis, such as the ability for the district to reduce the school year by five to seven days; and (3) new laws which include requirements to decrease Kindergarten through Grade 3 class sizes, to increase and improve services, and to meet certain spending levels in adult education.

Education is pleased with the auditors' acknowledgment of the thorough process Education has taken to ensure the appointment of a qualified state administrator. This process included sending an announcement to every district and county superintendent in the state, soliciting local stakeholder input, having executive-level staff and the state superintendent conduct interviews, performing reference checks, and discussing the candidates with the county office of education. The auditors reported that Education did not have a document that explains why it advanced or selected one candidate over another; however, Education believes that disclosing such information is unusual and not required for high-level appointments. Education looks forward to working with the new state administrator to advance the district in this next phase of state control.

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If you have any questions regarding Education's comments or corrective actions, please contact Peter Foggiato, Director, School Fiscal Services Division, by e-mail at pfoggiato@cde.ca.gov, or by phone at 916-322-3024.

Sincerely,



Michelle Zumot
Chief Deputy Superintendent of Public Instruction

MZ:pf

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Comment

CALIFORNIA STATE AUDITOR'S COMMENT ON THE RESPONSE FROM THE CALIFORNIA DEPARTMENT OF EDUCATION

To provide clarity and perspective, we are commenting on the California Department of Education's (Education) response to our audit. The number below corresponds to the number we have placed in the margin of Education's response.

Education misses the point of our audit report's critique regarding limited documentation regarding the appointment process. The Joint Legislative Audit Committee specifically asked that we assess the State Superintendent of Public Instruction's (state superintendent) role in appointing the Inglewood Unified School District's (district) various state administrators. On page 23 of the audit report, we state that the lack of documentation—though not required—prevented us from fully evaluating and understanding why the state superintendent appointed particular individuals. Our legislative recommendation was aimed at improving the transparency and accountability over the state superintendent's appointment process when other financially distressed school districts subsequently fall under his control.

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INGLEWOOD UNIFIED SCHOOL DISTRICT

401 S. Inglewood, Avenue, Inglewood, California 90301 phone: 310/419-2700

October 19, 2015

Dr. Vincent Matthews
STATE ADMINISTRATOR

Elaine M. Howle
California State Auditor
621 Capitol Mall, Suite 1200
Sacramento, CA 95814

ADVISORY BOARD

Mrs. Margaret Bowers-Richards
President, Seat #1

Ms. Melody Ngaue-Tuuholoaki
Vice President, Seat #3

Dr. Carliss R. McGhee
Seat #2

Mrs. Margaret Evans
Seat #4

Dr. D'Artagnan Scorza
Seat #5

Dear Ms. Howle:

The Inglewood Unified School District appreciates the opportunity to respond to the California State Audit Report No. 2015-101.

The mission of the Inglewood Unified School District is to ensure that all our students are taught rigorous standards based curriculum supported by highly qualified staff in an exemplary educational system characterized by high student achievement, social development, safe schools and effective partnerships with all segments of the community.

ADMINISTRATION

Dr. Tiffany Rudek
Chief Academic Officer

Ms. Nora Roque
Executive Director
Human Resources Services

Mr. Joe Dominguez
Chief Deputy Superintendent

We believe the report's recommendation to the state superintendent of public instruction can help us achieve our goals and stand ready to implement them as directed by the state superintendent.

Sincerely,

A handwritten signature in black ink that reads "Vincent Matthews".

Vincent Matthews
State Administrator

cc: Peter Foggiato, Director, School Fiscal Services