

# FCMAT

FISCAL CRISIS & MANAGEMENT  
ASSISTANCE TEAM

# Hacienda La Pueente Unified School District

August 14, 2025

© Fiscal Crisis & Management  
Assistance Team



# Agenda

- About the Fiscal Crisis and Management Assistance Team (FCMAT)
- FCMAT's Fiscal Health Risk Analysis (FHRA) Tool
- Indicators of Risk or Potential Insolvency
- Hacienda La Puente Unified School District FHRA Results
- Next Steps

# About FCMAT

- The Fiscal Crisis and Management Assistance Team (FCMAT) was created by the California Legislature\* to help California's transitional kindergarten through grade 14 (TK-14) local educational agencies (LEAs) avoid fiscal insolvency.
- FCMAT is an external, independent state agency.
- FCMAT provides management assistance, fiscal crisis intervention and other services to LEAs.

\*FCMAT was established under Assembly Bill (AB) 1200 (Chapter 1213, Statutes of 1991).

# Fiscal Health Risk Analysis



# FCMAT FHRA Tool

- FCMAT developed the Fiscal Health Risk Analysis (FHRA) tool to assess an LEA's risk of financial insolvency in the current and following two fiscal years.
- Each section of this analysis is critical; neglecting these areas will eventually lead to a decline in an LEA's fiscal health.
- The analysis evaluates essential functions and processes to determine the level of fiscal risk at the time of assessment.
- Identifying issues early is the key to maintaining fiscal health.

# Indicators of Risk or Potential Insolvency

The FHRA evaluates the following 20 key areas that FCMAT has identified as the most common contributors to fiscal insolvency:

- Inattention to annual independent audit.
- Inadequate budget development and adoption.
- Insufficient budget monitoring and updates.
- Inadequate cash management.
- Unmonitored charter schools.
- Mismanaged collective bargaining agreements.
- Increasing or uncontrolled contributions and transfers.
- Continuing deficit spending (unrestricted general fund).
- Mismanaged employee benefits.

• Refer to [FCMAT Indicators of Risk and Potential Insolvency](#) for details.

# Indicators of Risk or Potential Insolvency (cont.)

- Inattention to enrollment and attendance.
- Inattention to facilities.
- Inadequate fund balance and reserve for economic uncertainty.
- Mismanaged general fund (current year).
- Nonintegrated information systems and data management.
- Ineffective internal controls and fraud prevention.
- Weakness in leadership and stability.
- Inadequate multiyear projections.
- Inattention to non-voter-approved debt and risk management.
- Lack of position control.
- Unmonitored special education.

# FHRA Overview

- The tool consists of 138 “yes” or “no” questions across 20 key areas that FCMAT has identified as the most common contributors to fiscal insolvency.
- Each question and area is weighted based on its risk level and categorized as high, moderate or low.
- Total risk score categories:
  - **High risk:** 40% or more.
  - **Moderate\* risk:** 25-39%.
  - **Low\* risk:** 24% or lower.

\*The existence of a material weakness supersedes all other scoring and will elevate the LEA's overall risk level to high.

# Hacienda La Puente Unified School District (HLPUSD) FHRA

- **Review Type:** District-requested.
- **Financial Reporting Period for Analysis:** 2024-25 Second Interim Report.
- **On-Site Visit:** Conducted June 3-5, 2025.
- **Analysis Results:**
  - Calculated Risk Rating: **36.9% (Moderate)**.
  - Assigned Risk Rating: **High (material weaknesses)**.
- **Report Focus:**
  - Highlights systems and processes that require improvement (deficit model).
  - No comments on areas that are functioning well.

# HLPUSD FHRA (cont.)

FCMAT identified the following areas as posing the greatest risk to the district's fiscal solvency:

- 2. Budget Development and Adoption.
- 6. Collective Bargaining Agreements.
- 8. Deficit Spending (Unrestricted General Fund).
- 10. Enrollment and Attendance.
- 15. Internal Controls and Fraud Prevention.
- 19. Position Control.

# HLPUSD FHRA (cont.)

## 2. Budget Development and Adoption

- Does the district develop and use written budget assumptions and multiyear projections that are reasonable, are aligned with the county superintendent of schools' instructions, and have been clearly articulated?
- Does the district use position control data for budget development?
- Does the district budget and expend restricted funds before unrestricted funds?

# HLPUSD FHRA (cont.)

## 2. Budget Development and Adoption (cont.)

- Has the district refrained from including carryover funds in its adopted budget?
- Other than objects in the 5700s and 7300s, does the district avoid using negative expense or contra expenditure accounts in its budget?
- Does the district adhere to a budget calendar that includes statutory due dates, major budget development tasks and deadlines, and the staff members and departments responsible for completing them?

# HLPUSD FHRA (cont.)

## 6. Collective Bargaining Agreements

- Does the district accurately quantify the effects of collective bargaining agreements and include complete disclosure documents that show the impact on its budget and multiyear projections?
- In the current and prior two fiscal years, has the total cost of the district's bargaining agreement settlements, including step-and-column increases, been at or under the funded cost-of-living adjustment (COLA)?
- Did the district comply with public disclosure requirements under Government Codes 3540.2 and 3547.5, and Education Code 42142?

# HLPUSD FHRA (cont.)

## 8. Deficit Spending (Unrestricted General Fund)

- Is the district avoiding deficit spending in the current fiscal year?
- Is the district projected to avoid deficit spending in both of the two subsequent fiscal years?
- If the district has deficit spending in the current or two subsequent fiscal years, has the board approved and implemented a plan to reduce and/or eliminate deficit spending to ensure fiscal solvency?
- Has the district decreased deficit spending over the past two fiscal years and is there evidence of this in its unaudited actuals reports?

# HLPUSD FHRA (cont.)

## 10. Enrollment and Attendance

- Has the district's enrollment been increasing or remained stable for the current and two prior years?
- Does the district monitor and analyze enrollment and average daily attendance (ADA) data at least monthly through the second attendance reporting period (P-2)?
- Do all applicable schools and departments review and verify their respective California Longitudinal Pupil Achievement Data System (CALPADS) data and correct it as needed before the report submission deadlines?

# HLPUSD FHRA (cont.)

## 10. Enrollment and Attendance (cont.)

- Does the district follow established board policy to limit outgoing interdistrict transfers and ensure that only students who meet the required qualifications are approved?

# HLPUSD FHRA (cont.)

## 15. Internal Controls and Fraud Prevention

- Are the district's financial system's access and authorization controls reviewed and updated upon employment actions (e.g., resignations, terminations, promotions, or demotions) and at least annually?
- Does the district ensure that duties in the following areas are segregated, and that they are supervised and monitored?:
  - Accounts payable (AP).
  - Payroll.

# HLPUSD FHRA (cont.)

## 15. Internal Controls and Fraud Prevention (cont.)

- Does the district have processes and procedures to discourage and detect fraud?
- Does the district have a process for collecting reports of possible fraud (such as an anonymous fraud reporting hotline) and for following up on such reports?
- Does the district have an internal audit process?

# HLPUSD FHRA (cont.)

## 19. Position Control

- Does the district account for all positions and costs (including substitutes, overtime, stipends, and employer-paid benefits) in position control?
- Does the district reconcile budget, payroll and position control regularly, at least at budget adoption and interim financial reporting periods?
- Does the governing board approve all new positions and extra assignments (e.g., stipends) before positions are posted?
- Do managers and staff responsible for the district's human resources, payroll and budget functions meet at least monthly to discuss issues and improve processes?

# Next Steps

The district should:

- Continue efforts to reduce the operating deficit.
- Use the FHRA to prioritize and improve systems and processes.

# Response to Fiscal Distress

**Comparison of characteristics between LEAs that make a successful turnaround and those that require severe measures.**

LEAs That Make a Successful Turnaround	LEAs Requiring Severe Measures
<ul style="list-style-type: none"><li>• Recognize they have a problem.</li><li>• Do not mask the problem.</li><li>• Take advantage of financial expertise that is available.</li><li>• Work collaboratively with oversight agencies.</li><li>• Are part of the solution.</li></ul>	<ul style="list-style-type: none"><li>• Deny they have a problem.</li><li>• Resist scrutiny from outsiders.</li><li>• Do not seek external assistance.</li><li>• Are combative with oversight agencies</li></ul>

# Questions?

Thank you!

