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# Collier County Public Schools, Florida Report: Budgeting

August 13, 2025

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## TRANSMITTAL LETTER

August 13, 2025

The School Board of  
Collier County Public Schools  
5775 Osceola Trail  
Naples, Florida 34109

Pursuant to our approved Statement of Work dated November 21, 2024, with Collier County Public Schools ("District," "CCPS"), we hereby present the Budgeting report. Our report is organized in the following sections:

|                                |                                                                                                                                                                                                           |
|--------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Executive Summary</b>       | This section provides a high-level overview and summary of the observations noted in our review of the budgeting process.                                                                                 |
| <b>Background</b>              | This provides an overview of the function, as well as relevant background information.                                                                                                                    |
| <b>Objectives and Approach</b> | The objectives are expanded upon in this section, as well as a summation of the various phases of our approach.                                                                                           |
| <b>Observations Matrix</b>     | This section includes a description of the observations noted during our review and recommended actions, as well as Management's response, including the responsible party and estimated completion date. |

In connection with the performance of these activities, we have not performed any management functions, made management decisions, or otherwise performed in a capacity equivalent to that of an employee of the District.

We would like to thank the staff and all those involved in assisting our firm with this review.

Respectfully Submitted,

*RSM US LLP*  
**RSM US LLP**

## EXECUTIVE SUMMARY

### Background

The Collier County Public Schools' ("CCPS," "District") Budget Department ("Budget Department," "Budget," "Department") is responsible for managing all budgeting activities for the 55 schools and 32 departments within its purview. For fiscal year 2024-2025, CCPS' total budget was approximately \$1.6 billion, with over 50% of funds allocated to the General Fund, which is used for school and departmental expenses.

The Department's primary responsibility is to collaborate with end-user schools and departments to develop, review, approve, and manage budgets, including the aggregate, annual budgets and the specific project budgets within them. The Budget Department must collaborate with personnel from each department and school to determine the amount of funds necessary to achieve operational objectives, while exercising strong financial control. In addition to school-based and departmental budgets, the Budget Department also works with Facilities Management to develop the Capital Improvement Plan ("CIP") budget. The CIP is used to fund long-term infrastructure and capital projects, such as major physical improvements and large equipment purchases.

The Budget Department plays a critical role in the financial planning and resource allocation process, verifying that funding is managed efficiently to support the District's goals. In addition to developing the annual budget plans, the Budget Department provides guidance to end-users on budget management, expenditure planning, monitoring procedures, and fiscal best practices. Beyond the development of the budget, the Department also monitors financial performance throughout the year, may review and approve budget amendments when needed, and provides the Board with budget summaries and updates to promote transparency and accountability. The Budget Department employs ten (10) FTEs and is directed by the Senior Director of Budgeting, who reports directly to the Chief Financial Officer ("CFO").

### Overall Summary / Highlights

Audits provide insight into an organization's culture, policies, and procedures and aids the School Board and Management in oversight by verifying internal controls are operating effectively, and adequately mitigating risk, and are in compliance with relevant laws, regulations, and policies.

The observations detailed in the following pages represent instances where exceptions were noted, and do not detail instances where testing resulted in no reportable observations. For each observation, we discuss the relevant risks, which include financial, operational, and/or compliance, as well as public perception or brand risks.

### Objectives and Approach

The primary objective of this review was to assess the District's budgeting processes, including the development, monitoring, reporting, and modification of the District budget. The review focused on the internal controls in place to promote proper budget management and compliance with relevant policies and procedures.

Our fieldwork testing was conducted utilizing sampling and other audit techniques. Testing was developed utilizing information obtained through interviews, walkthroughs, and review of source documentation. Our procedures included, but were not limited to, the following:

- Evaluated the process for making budget modifications and amendments, including the criteria used to justify changes;
- Reviewed the process for generating and distributing budget status reports, including the frequency and content of those reports;
- Evaluated the process for obtaining, reviewing, and verifying data used in budget preparations for accuracy and completeness;
- Reviewed the segregation of duties among individuals involved in budget preparation, approval, execution, and reporting;
- Evaluated the overall effectiveness of internal controls over the budgeting process; and
- Verified reporting compliance stated in Florida Statute Section 1011.

Our review period was July 1, 2023 through December 31, 2024. Fieldwork was performed January 2025 through May 2025.

***We would like to thank all District team members who assisted us throughout this review.***

### Summary of Observation Ratings (See page 3 for risk rating definitions)

|                                   | High | Moderate | Low |
|-----------------------------------|------|----------|-----|
| Budgeting Observations            | -    | 2        | -   |
| Process Improvement Opportunities |      | 1        |     |

## EXECUTIVE SUMMARY (CONTINUED)

### Observations Summary

Below is a summary of the observations that were identified during this review. Detailed observations are included in the observation matrix section of this report. In addition, improvement opportunities have been provided following the detailed observations.

| Summary of Observations                |          |
|----------------------------------------|----------|
| Observations                           | Rating   |
| 1. Budget Justifications and Approvals | Moderate |
| 2. Standard Operating Procedures       | Moderate |
| Process Improvements                   |          |
| 1. Budget Prioritization               |          |

Provided below are the observation risk rating definitions for the detailed observations.

| Observation Risk Rating Definitions |                                                                                                                                                                                                                                                                                                   |
|-------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Rating                              | Explanation                                                                                                                                                                                                                                                                                       |
| Low                                 | Observation presents a low risk (i.e., impact on financial statements, internal control environment, brand, or business operations) to the organization for the topic reviewed and/or is of low importance to business success/achievement of goals.                                              |
| Moderate                            | Observation presents a moderate risk (i.e., impact on financial statements, internal control environment, brand, or business operations) to the organization for the topic reviewed and/or is of moderate importance to business success/achievement of goals. Action should be in the near term. |
| High                                | Observation presents a high risk (i.e., impact on financial statements, internal control environment, brand, or business operations) to the organization for the topic reviewed and/or is of high importance to business success/achievement of goals. Action should be taken immediately.        |

## BACKGROUND

### Overview

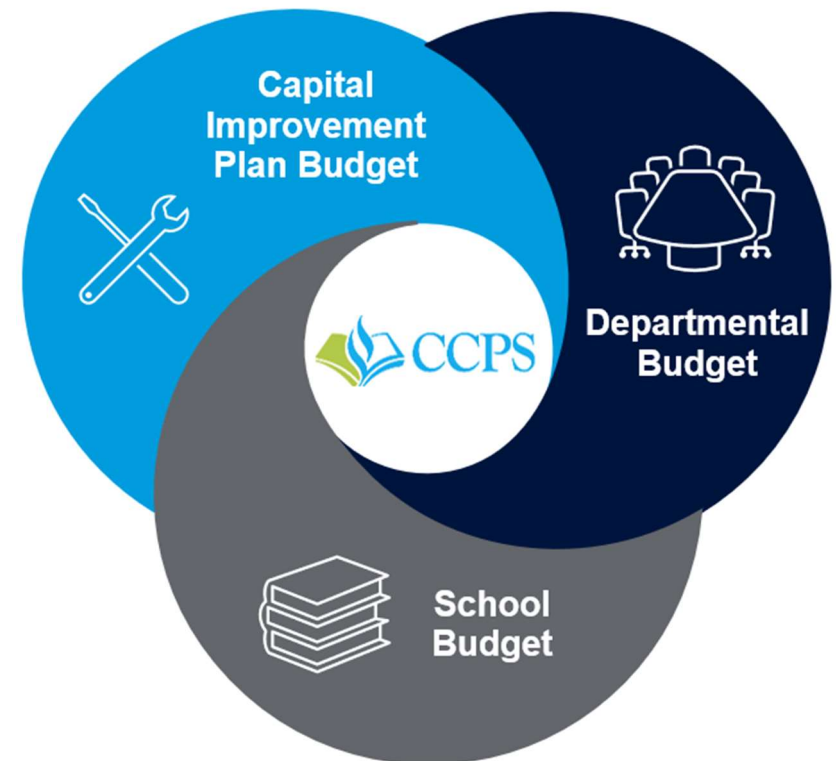
To serve over 47,000 students across 55 schools and 6,900 employees across 32 departments, the Budget Department is responsible for creating, facilitating, managing, and monitoring the District's budget, which, according to the fiscal year 2024-2025 final budget, totaled \$1,659,048,158. Annual budget creation, significant budget amendments, and budget requests are submitted and handled through the Budget Department. According to the District's website, the Budget Department's mission is:

*"To plan, manage, and oversee the District's annual budget preparation and ensure compliance with state budget adoption and reporting requirements. Once the District's annual budget is adopted, the Budget Department continuously monitors transactions to confirm that the budget is efficiently allocated and properly recorded. The equitable distribution of financial resources to support student learning is a primary focus."*

The Budget Department is primarily responsible for determining the school, department, and capital budget(s), and must follow strict budget adoption and reporting requirements defined by the Florida Department of Education ("FLDOE"), Florida state statutes, and local policy. After collaborating with individual schools and departments to develop a draft budget, the Budget Department develops the tentative financial plan, which must be presented at a public hearing before the end of July of each fiscal year according to District Policy 6220. By September, after property tax ("millage") rates are certified under the Truth in Millage ("TRIM") Act, the final budget is adopted by the School Board and submitted to FLDOE. After the final budget hearing is held in September, the initial estimates are uploaded into TERMS, the District's Enterprise Resource Planning ("ERP") system. Throughout the year, the District prepares monthly and quarterly financial reports to monitor expenditures and revenues. By September 11<sup>th</sup> of each year, the District must submit an Annual Financial Report ("AFR") to FLDOE, detailing revenues, expenditures, and fund balances. The District must also maintain a Five-Year Capital Improvement Plan ("CIP"), outlining projected facility needs and expenditures. These requirements promote transparency, fiscal accountability, and compliance with state funding laws. Amendments to the budget are submitted as needed. The School Board has the final approval on amendments and ultimately on the budget.

### Budgeting Process and Methodology

Florida school districts follow a standardized accounting framework set forth by the state, which categorizes revenues and expenditures into distinct fund categories according to Florida Statue 1010.01 as well as Florida Administrative Code Rule 6A-1.001 Each fund is designated for a specific purpose, such as general operations, capital projects, debt service, or special programs, and is subject to unique restrictions, regulations, and reporting requirements. A detailed listing of the primary budgets created and managed can be found on pages 10 and 11.



## BACKGROUND (CONTINUED)

### Roles and Responsibilities

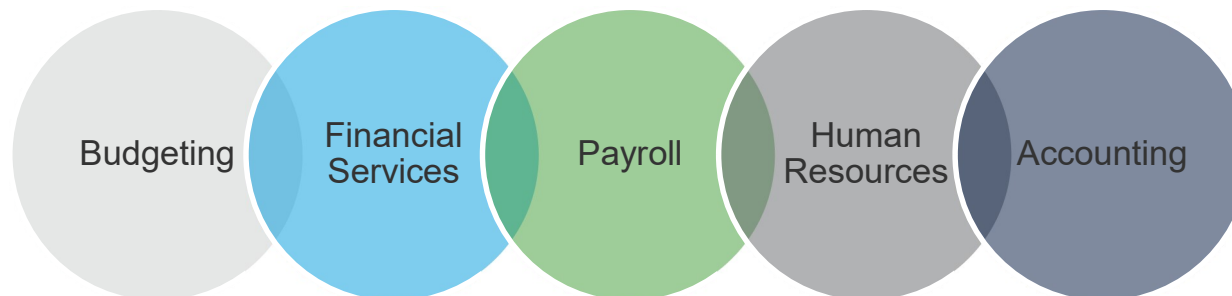
At the District, the budgeting process is a collaborative effort among multiple departments and schools to confirm the effective allocation, monitoring, and reporting of financial resources. The Budgeting team plays a critical role in overseeing financial planning, compliance, and resource distribution to support the District's operational and educational goals.

Several key departments contribute to the administration and oversight of the budget, each with distinct responsibilities:

- **Budget Department:** Responsible for developing the annual budget, monitoring high-level, aggregate budget-to-actual expenditures, and preparing financial reports. This department works closely with school and department leaders to verify that funds are allocated appropriately and align with District priorities. The Budget Department also provides financial analysis and forecasting to support decision-making.
- **Financial Services:** Establishes accurate tracking and categorization of expenditures, maintaining compliance with state and federal financial reporting requirements. This team conducts financial reconciliations and supports internal and external audits. The information distributed and managed by Financial Services directly impacts the Budget Department's responsibilities.
- **Payroll:** Works in coordination with Human Resources and Budgeting to process employee salaries, benefits, and incentives. This department verifies that payroll transactions align with budgeted compensation figures and assists in financial planning for personnel costs.
- **Human Resources ("HR") / Compensation:** Manages employee compensation structures, including salary schedules, benefits, and any incentive programs. HR collaborates with Payroll and Budgeting to verify employment records, years of service, and collective bargaining agreements affecting salary allocations. Considering that salaries, benefits, and substitutes comprises \$506,090,874, or 30.5% of the \$1,659,048,158 total budget, HR's activities directly impact the annual budget preparation, review, and approval process.
- **Accounting Department:** This department oversees the recording of revenues and processing of payments for non-salary expenditures. This team reviews that all financial transactions adhere to established accounting principles and District policies.
- **Spending Reductions Work Group:** This working group is comprised of school principals and personnel from various departments, including Transportation, Food Service, Teaching and Learning, Human Resources, and Student and Staff Projections, Allocations, and Reporting. These individuals meet bi-monthly and are tasked with identifying ways in which the District can reduce spending and realize cost savings.

The Budgeting team also works closely with school and department leaders to provide financial guidance and training, confirming that budget managers understand their responsibilities in financial stewardship. Additionally, the Budget team must regularly engage with external stakeholders, such as auditors and oversight committees, to maintain transparency and accountability in financial management.

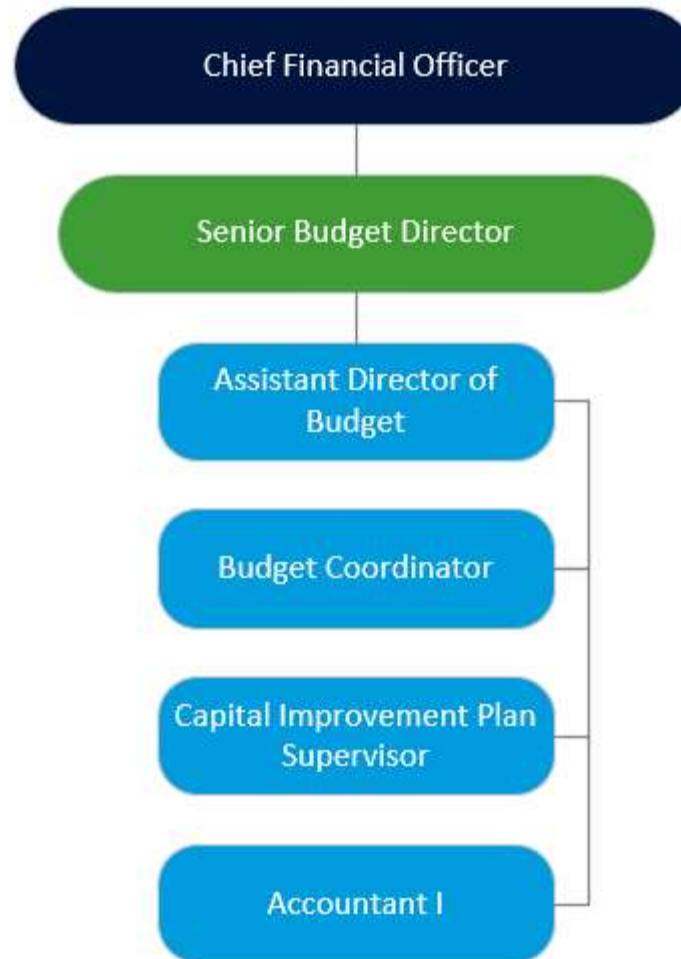
Together, these departments validate that the District's financial resources are used efficiently, in compliance with regulations, and in a way that supports the educational mission and operational needs of the schools.



## BACKGROUND (CONTINUED)

### Organizational Structure

The District's budget is overseen primarily by the Senior Budget Director, with specific budget procedures disseminated to four (4) individual staff members, all under the direction of the Chief Financial Officer. The organizational structure for the budget team is shown below:



## BACKGROUND (CONTINUED)

### Systems and Software

The District's budgeting function is supported by a combination of legacy systems and newer digital platforms designed to enhance budget planning, transparency, and oversight. The primary tools currently in use are ClearGov, TERMS, the Microsoft Office Suite, and the School Capital Improvement Plan (CIP) platform. Each system plays a distinct role in supporting operational, departmental, and capital budgeting processes.

#### TERMS

TERMS is the District's enterprise resource planning system ("ERP") and, as it relates to this review, is primarily used for processing approved budget submissions and amendments, maintaining cost center and project-level access controls, and serving as the system of record and operational center for all financial activity throughout the year.

#### School Capital Improvement Plan Platform

Capital budgeting is facilitated through the District's CIP platform, which supports both short- and long-term capital planning. The platform allows departments to prioritize projects, identify emergency contingencies, and forecast capital needs over 5- and 20-year planning horizons. Final CIP plans are compiled and reviewed by senior leadership and ultimately published in the annual CIP book, Capital Improvement Plan.



#### Microsoft Office Suite and Budget Software Transition

Historically, the District relied on Microsoft Excel to manage budget development and review. The Budget Department created complex templates to guide user inputs, restrict editing, and perform automated calculations; however, the process remained highly manual. Budget submissions were routed via email, lacked edit tracking, and offered no audit trail, introducing risks related to efficiency, data integrity, version control, and accountability.

Recognizing these limitations, the District proactively procured a third-party budget platform in the 2024-2025 school year for approximately \$46,000 to modernize the process and improve functionality. During our review, we observed both the legacy Excel-based process and the initial use of the new system. While the new platform offers key improvements, including document uploads, edit tracking, and automated workflows, we also noted areas where critical functionality is still lacking. These gaps have been communicated to the vendor, but as of the date of this review, remain unresolved:

- To upload financial data in the online system, the District must submit an email request to the vendor describing the need. The vendor will complete the upload within three (3) to five (5) days. Without access to upload the data themselves and view real-time updates and changes, Management may face challenges in meeting reporting requirements and may be unable to process changes with the agility needed to manage the \$1.6B budget. Additionally, if the vendor experiences turnover or unexpected absences, District operations may be impacted.
- The system allows for written budget justifications, but it is not currently configured as a required field. Management must rely on the Excel spreadsheets to document budget rationale and upload them as an attachment, essentially duplicating efforts between both systems.
- Because the system cannot currently utilize formula-based budget calculations, all school-based budgets are still created utilizing Excel spreadsheets.
- The system does not currently track percentage increases or decreases between each project or departmental budget, limiting the type of insights that can be garnered without significant data manipulation.
- The system is currently configured to filter reports by fund number (not project number or cost number), which may hinder Management's ability to interact with the data and identify trends.

Although the District's shift toward a dedicated budget platform aligns with best practices and is a step we would have otherwise recommended, it remains unclear whether the selected system fully meets the District's operational and risk management needs. As this is the first cycle using the new platform, we recommend continued monitoring and vendor engagement to determine if the system is a sustainable long-term solution.

## BACKGROUND (CONTINUED)

### Budget Types

#### Operating Budget

The operating budget is categorized into two (2) components, departmental and school budgets. The process for both is detailed below:

##### ❖ School Budgets

- The school-based budgets are largely based on algorithmic formulas calculated by dollars per Full-Time Equivalent (“FTE”) student. Schools are provided with three (3) years of historical budget information and are given an excel spreadsheet. School Principals or other designated administrators must submit specific project information and budget estimates in the spreadsheet to the Budget Department. While the algorithm, as dictated by Florida Statue 1011.62 and Board Policy, determines the total minimum budget for instructional material, library costs, and media costs, other allocations in the budget are based on the individual school’s specific needs and non-discretionary funding. The schools collaborate with the Assistant Budget Director to confirm that requested budgets are reasonable and based on current needs. Once the budget is approved, it is uploaded into the TERMS system and activated.
- Charter school allocations are also primarily driven by student FTE counts, and are funded through the Florida Education Finance Program (“FEFP”). Additionally, charter schools are entitled to a portion of millage and tax revenues as required by Florida Statute 1013.62. Charter school budget processes were outside the scope of this review.

##### ❖ Departmental Budgets

- The process for departmental budgets begins in March with a kickoff email communicated from the Budget Department to each department lead. While each department is provided with three (3) years of historical budget information, each department is tasked with justifying all requested funds so as not to merely roll forward costs without a detailed review. In total, 55 departments submit budgets, which include 30 different divisions within the Teaching and Learning (“T&L”) budget. Budget submissions, which have been facilitated through Excel spreadsheets until the implementation of ClearGov in fiscal year 2025, are reviewed during individual meetings between the Budget Department and each department lead. Once the meeting is held, the budget proposals are sent to the Chief Financial Officer and then the Deputy Superintendent for review and approval.

#### Capital Improvement Plan (“CIP”)

In addition to the operating budget, the Budget Department facilitates the creation of the Capital Improvement Plan. Capital budgeting is the process of planning, allocating, and managing financial resources for large-scale, long-term projects, such as infrastructure development, facility upgrades, and public service improvements. This process involves prioritizing and identifying projects, estimating costs, and securing funding over multi-year periods to support project completion within fiscal restraints. Effective capital project budgeting aligns with organizational goals, addresses community needs, and enables sustainable growth by directing funds strategically towards essential capital improvements.

The District’s fiscal year 2025-2044 CIP plan, approved June 3, 2024, is a 20-year project plan that details facilities improvements, large-scale maintenance schedules, and includes budget summaries and projections. The 5-year CIP plan, which specifically focuses on projects between fiscal year 2025 and 2029, includes additional detail from the 20-year plan and serves as the foundation for the annual planning process.

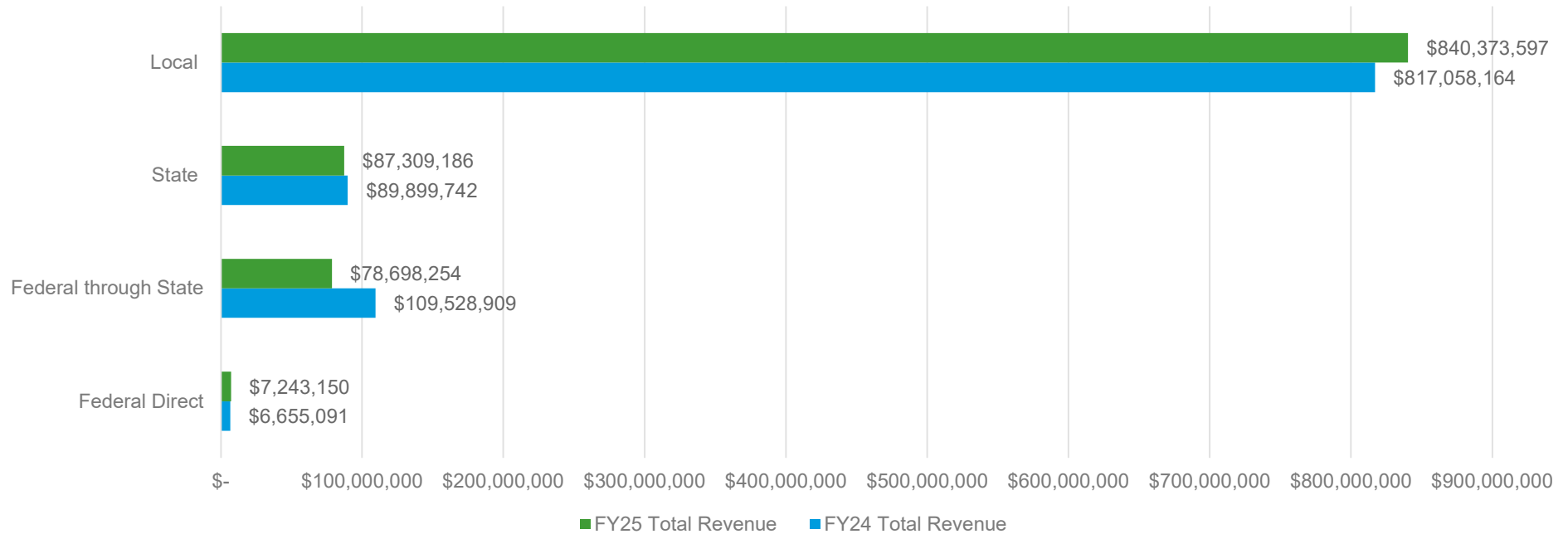
The capital projects budgeting process begins in January and is completed when the budget draft is presented to the Board in May. The Senior Director of Budget and the Supervisor of the Capital Improvement Plan meet with the various departments to discuss funding requests and justifications. After each department meeting, the dollar amounts discussed are entered into the Capital Improvement Plan software, *Schools CIP*. Once the requests are compiled into the CIP software, the summary pages are shared with the Chief Financial Officer, who then verify the plan balances.

## BACKGROUND (CONTINUED)

### Revenue Sources

Student FTE and millage proceeds are two (2) of the main factors when determining projected revenue for the District. To help determine annual budget figures, the Budget Department collaborates with the Economic Department of Resources ("EDR"), which provides property value projections used to create revenue predictions.

FY24 vs. FY25 Revenue Sources



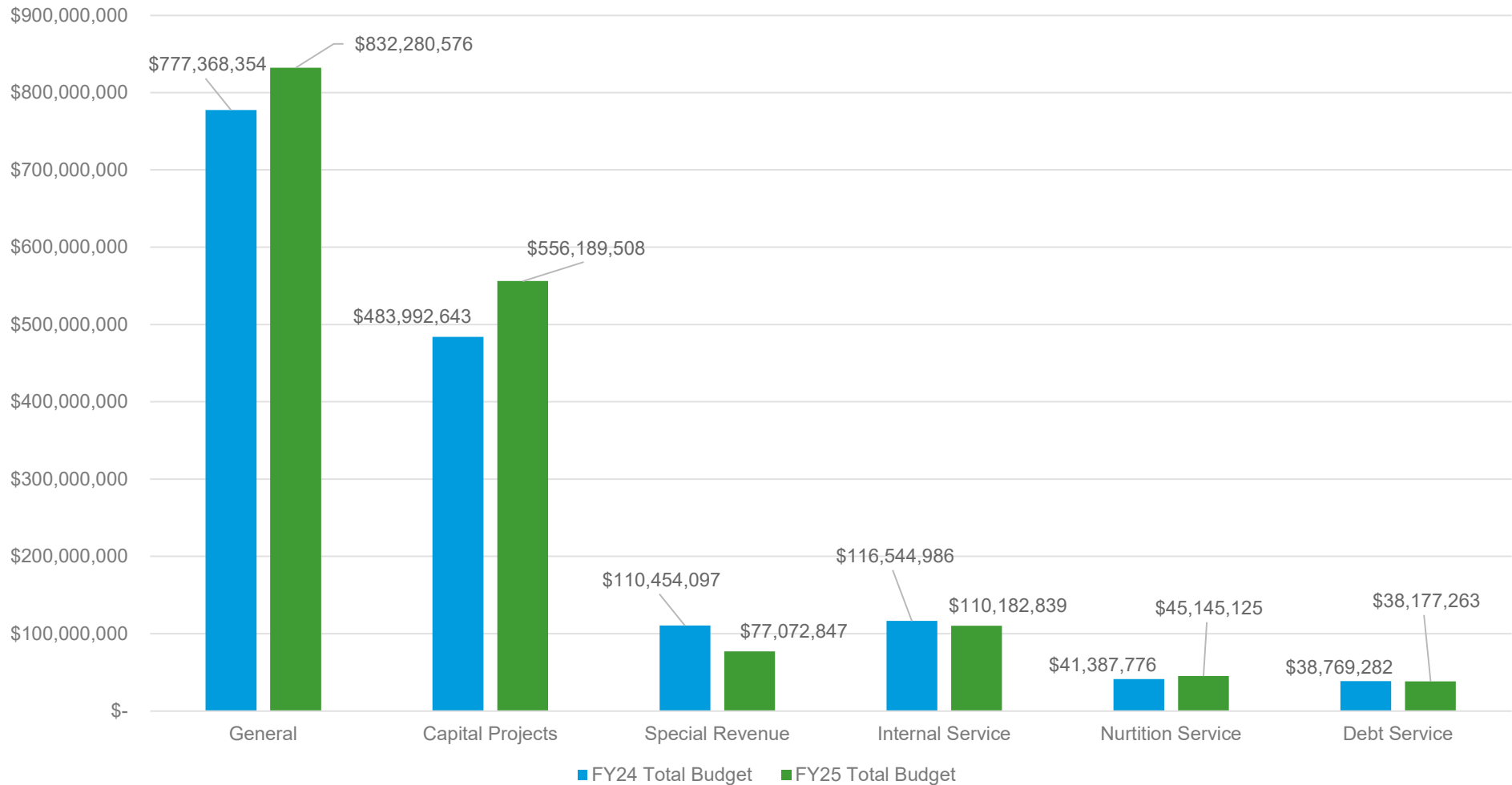
| Fiscal Year  | Local                   | State                 | Federal through State | Federal Direct       | Total                   |
|--------------|-------------------------|-----------------------|-----------------------|----------------------|-------------------------|
| 2023-2024    | \$ 817,058,164          | \$ 89,899,742         | \$ 109,528,909        | \$ 6,655,091         | \$ 1,023,141,906        |
| 2024-2025    | \$ 840,373,597          | \$ 87,309,186         | \$ 78,698,254         | \$ 7,243,150         | \$ 1,013,624,187        |
| <b>Total</b> | <b>\$ 1,657,431,761</b> | <b>\$ 177,208,928</b> | <b>\$ 188,227,163</b> | <b>\$ 13,898,241</b> | <b>\$ 2,036,766,093</b> |

## BACKGROUND (CONTINUED)

### Fiscal Year 2023-2024 and Fiscal Year 2024-2025 Fund Allocation

The School Board approved a total budget of \$1.659 billion for the fiscal year 2024-2025, reflecting an increase of \$90 million (5.74%) compared to the prior year's budget of \$1.57 billion. This growth is attributed to factors such as a 4.44% rise in student enrollment, increased health insurance costs, and higher state-mandated contributions to the Florida Retirement System.

FY24 vs. FY25 Fund Allocation



## BACKGROUND (CONTINUED)

### Fiscal Year 2023-2024 and Fiscal Year 2024-2025 Fund Allocation (Continued)

For Fiscal Year 2025, the District had projected a total budget of \$1,659,048,158. The following breakdown details the allocation for District funds across key categories:

**General Fund: 50.17%**

The General Fund, also referred to as the Operating Fund, is used for the day-to-day operations of the school district and consists of over 50% of the total fund expenditures for fiscal year 2024-2025, totaling \$832,280,576. Close to 77% of the general fund is allocated to elementary, middle, high, alternative, workforce, and charter schools, with the remainder of the general fund budget allocated to departments.

**Capital Projects: 33.52%**

The Capital Projects Fund is designated for educational capital needs, including renovations, remodeling projects, debt service transfers for interest payments, school buses, site acquisitions, facility improvements, construction, and equipment purchases. These funds are restricted and cannot be used for operating salaries.

Within the Capital Projects Fund, expenditures are categorized into maintenance and repairs, transfers, construction, charter schools, vehicles, and equipment. Construction expenditure alone totals over \$174 million, while the overall budget is approximately \$556 million.

**Internal Service: 6.64%**

Internal Service Funds are used to account for the District's self-insurance programs and employee benefits plan. These self-insured plans are reviewed annually by an independent actuary. A significant portion of the revenues collected in the Health Fund and Workers' Compensation Fund are recognized as fringe benefit expenditures in other funds, reflecting the allocation of employee benefit costs across the District's operational budgets. The Internal Service Funds include:

- **Health Benefits:** The District contributes a set annual amount per insured employee and may add spouses and dependents to the plan.
- **Workers' Compensation:** The Board contributes a percentage of each employee's salary to cover workers' compensation costs and related expenses.
- **Medical and Dependent Care Flexible Spending Accounts:** These plans allow employees to use pre-tax dollars for medical and dependent care expenses, reducing their taxable income.

**Special Revenue: 4.65%**

Special Revenue Funds consist of School Activity Funds and grants or awards received from various state, federal, and local agencies. School Activity Funds include money collected by school personnel for clubs, organizations, classes, athletics, or extracurricular activities, benefiting the school or school-sponsored programs.

Grants and awards provide non-repayable funding that enables the District to offer services beyond those supported by the Florida Education Finance Program ("FEFP"), further enhancing the educational system. These funds are typically designated for specific purposes such as career and technical education, mental health services, after school programs, and services for students with disabilities. As a result, they often require compliance with specific reporting requirements.

## BACKGROUND (CONTINUED)

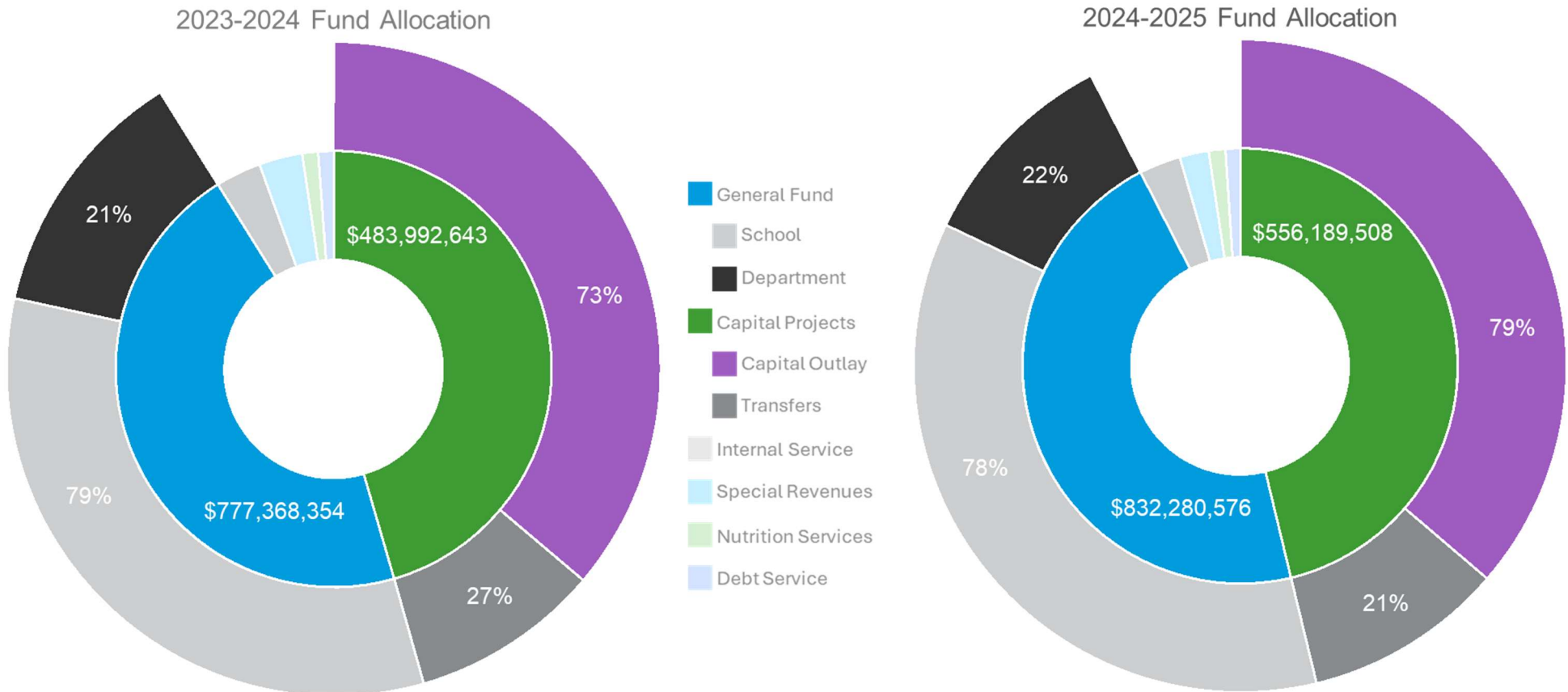
### Fiscal Year 2023-2024 and Fiscal Year 2024-2025 Fund Allocation (Continued)

#### **Nutrition Services: 2.72%**

The Nutrition Services Fund consists of revenue generated by the Nutrition Services Department, which is exclusively used for food service operations. The department's primary revenue sources include federal and state meal reimbursements, along with payments from students for reduced or full-priced meals.

#### **Debt Service: 2.30%**

Debt Service Funds are used to manage the accumulation of resources and the payment of general long-term debt, including principal, interest, and fees. These funds for debt retirement primarily come from Capital Fund transfers, which are supported by the District Capital Improvement Tax and investment interest. Debt Service is the smallest Fund in the total budget, totaling \$38 million.



## OBJECTIVES AND APPROACH

### Objectives

The objective of this review was to assess the District's budgeting processes, including the development, monitoring, reporting, and modification of the District budget. The review focused on the internal controls in place to promote the proper budget management and compliance with relevant policies and procedures. Our audit period was July 1, 2023 through December 31, 2024.

### Approach

Our approach consisted of the following phases:

#### Understanding and Documentation of the Process

This phase primarily consisted of inquiry and walkthroughs to obtain an understanding of the District's current operating policies and procedures, monitoring functions, and control structures related to the in-scope processes. The following was performed as part of this phase:

- Obtained and reviewed key documents, including policies and procedures related to the function, as well as relevant state and District regulations, reporting, and any other relevant information as deemed necessary;
- Conducted interviews and walkthroughs with key personnel to obtain a detailed understanding of applicable policies and procedures, and roles/responsibilities related to the processes within the scope;
- Reviewed the applicable policies and procedures, and previously issued reports related to the project; and
- Developed a work plan to evaluate the operating effectiveness of key processes and controls based on the information obtained through interviews, walkthroughs, and preliminary review of documentation.

#### Evaluation of the Process and Controls Design and Testing of Operating Effectiveness

The purpose of this phase was to evaluate the design of key processes and controls and test for operating effectiveness based on our understanding of the processes obtained during the first phase. We utilized sampling and other auditing techniques to meet our objectives outlined above. We additionally collaborated with Management to identify potential risks to incorporate into our sampling methodology. Our testing procedures included, but were not limited to:

- Verified the accuracy, existence and appropriateness, of school and departmental budgets from July 1, 2023, through January 31, 2025;
- Evaluated the process for obtaining, reviewing, and verifying data used in budget preparation for accuracy and completeness;
- Reviewed the process for generating and distributing budget status reports, including the frequency and content of these reports;
- Evaluated the overall effectiveness of internal controls over the budgeting process, including those related to the accuracy, completeness, and authorization or budget transactions;
- Examined the District website to determine whether the fiscal year 2023-2025 proposed, tentative, and official budgets were prominently posted pursuant to Section 1011.035(2), Florida Statutes;
- Reviewed the information posted on the school district website to include graphical representations, for the District and each public school within the district, of summary financial efficiency data and fiscal trend information for the previous three (3) years, and a link to the Web-based fiscal transparency tool developed by the FDOE, pursuant to Section 1011.035(2), Florida Statutes;
- Reviewed the segregation of duties among individuals involved in budget preparation, approval, execution, and reporting;
- Reviewed the processes for making budgeting modifications and amendments, including the justification and criteria to make edits and changes;
- Reviewed agenda packages and minutes from Board meetings held to understand of the information presented to the School Board;
- Assessed compliance with reporting requirements and deadlines;

## OBJECTIVES AND APPROACH (CONTINUED)

### Approach (Continued)

- Performed detailed testing of five (5) school budgets and six (6) department budgets:
  - Reviewed budgetary justifications;
  - Evaluated timeliness of key budget deadlines;
  - Verified of appropriate approvals;
  - Reviewed for accuracy and completion of all required information;
- Evaluated the District's forecasting and budgeting processes;
- Reviewed employee user access budgeting and journal entry access within TERMS to verify appropriate segregation of duties and levels of permission; and
- Evaluated the District's methodology for collecting recommendations, creating prioritizations, and approving expenses utilized within the budget.

### Reporting

At the conclusion of this review, we summarized our findings into this report. We have reviewed the results with the appropriate Management personnel and have incorporated Management responses into this report.

## OBSERVATIONS MATRIX

| Observation            | 1. Budget Justifications and Approvals                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
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| <p><b>Moderate</b></p> | <p>During our procedures, we reviewed the process by which departments and schools created their proposed budgets and how those proposals were reviewed. We noted a lack of detail in submitted funding requests, which may impede the accuracy in the review and approval process.</p> <p>Currently, each District department submits a spreadsheet detailing specific projects, known contractual costs, and all anticipated expenditures for the upcoming year. Departments are provided with the last three (3) years of expense data and must enter their requested budget for the upcoming year in the spreadsheet. For each line item, the spreadsheet includes a column for departments to justify the requested funds, and a column for Departments to explain any increases from prior years' expenses. The spreadsheet also contains the instructions: <i>"A Detailed explanation MUST be provided for any budget requests. Please note these are not automatically approved and will be reviewed and considered by the Budget Director."</i> However, we sampled five (5) school-based budgets and seven (7) departmental budgets and found that, of the twelve (12) total samples, ten (10), or 83%, did not contain a detailed justification on the preliminary budget submissions. For example:</p> <ul style="list-style-type: none"> <li>• One (1) sampled department requested \$1,239,959 in funding. There was no corresponding justification.</li> <li>• One (1) sampled department had a 12% increase in the requested funding amounting to over \$300,000 in additional funding, but did not provide a justification explaining why costs had increased.</li> </ul> <p>Without requiring written justifications for each line item, and because prior year financial information is provided to departments to assist in budget development, the risk of line items rolling forward without the necessary scrutiny is increased.</p> <p>Once the Senior Budget Director reviews the budget submissions, the Chief Financial Officer and the Deputy Superintendent review prior to Board presentation. However, completion of their review process is not currently documented. We received copies of calendar invites that suggest a verbal review occurred; however, without written documentation, there is no evidence of what was reviewed, when it occurred, or what issues were identified and resolved. This lack of documentation increases the risk that errors or omissions may go undetected during the final stages of budget preparation and limits the District's ability to demonstrate accountability and oversight.</p> <p>Additionally, once the District has prepared a preliminary budget, any future alterations must be submitted through a formal budgetary amendment. During our testing, we noted that while key fields related to the requestor, approver, and funding amounts were provided without exception, the rationale for budget increases and amendments is not a required field, and therefore, is not documented. Budget amendments observed during our testing included:</p> <ul style="list-style-type: none"> <li>• One (1) sampled budget amendment was approved for \$136,326. There was no corresponding justification.</li> <li>• One (1) sampled budget amendment had over 60 entries totaling over \$500,000. There was no corresponding justification.</li> </ul> <p>Through discussions with Management, we noted that while the justifications for initial budget submissions and subsequent amendments may not be documented, they are verbally discussed in meetings with the Budget Department. However, without a fully documented rationale and justification for requested funds, confirmation that the Budget Department reviewed each line item at the necessary level of detail cannot be provided, and trends or anomalies regarding budget amendments cannot easily be tracked. Further, the next level of reviewers (Chief Financial Officer and Deputy Superintendent) may lack key information regarding funding requests and changes in year-over-year costs needed for financial oversight.</p> |

## OBSERVATIONS MATRIX (CONTINUED)

| Observation                   | 1. Budget Justifications and Approvals (Continued)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
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| <b>Recommendation</b>         | <p>We recommend the District reinforce expectations for submitting clear and detailed budget justifications, regardless of whether spreadsheets or automated platforms are used. Justifications should explain the nature of the cost, any year-over-year changes, and whether the request relates to a multi-year contract. Budget submissions lacking sufficient documentation should be returned to departments for revision. If an online platform is used, the justification field should be mandatory and include a character minimum to promote completeness.</p> <p>We also recommend that all budget approvals be formally documented, including those by the Chief Financial Officer and Deputy Superintendent. In an automated platform, this can be achieved through a timestamped approval workflow that clearly identifies the reviewer and date of approval.</p> |
| <b>Management Action Plan</b> | <p><b>Response:</b></p> <p>Initial Year Budgeting Process (Excludes School Budgets):</p> <ul style="list-style-type: none"> <li>All Initial Year Budget Request will require a detailed justification written on each request line in the Justification column of the Budgeting Template.</li> <li>Any verbal discussions that take place in the Budgeting meetings that describe or explain justifications will be added as written detail in the Justification column of the Budgeting Template.</li> </ul> <p>Budget Amendment Process:</p> <ul style="list-style-type: none"> <li>All budget amendment submissions will require detailed written justification.</li> </ul> <p><b>Responsible Party:</b> Senior Director of Budget, Assistant Director of Budget</p> <p><b>Estimated Completion Date:</b> March, 2026</p>                                                    |

## OBSERVATIONS MATRIX (CONTINUED)

| Observation                  | 2. Standard Operating Procedures                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
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| <p><b>Moderate</b></p>       | <p>During our review, we noted that key budget-related activities are not documented in standard operating procedures. While the Budget Department maintains over fifty (50) procedural documents, walkthrough discussions indicated that these documents are not consistently updated to reflect current daily practices and may lack detail for consistency and accountability.</p> <p>Activities that are not currently documented in a standard operating procedure, or are only partially documented, include:</p> <ul style="list-style-type: none"> <li>• <u>Approval Workflow:</u><br/>Currently, budgets are initially approved by the Budget Department after one-on-one meetings occur with each school/department. The Chief Financial Officer reviews next, followed by the Deputy Superintendent and the Superintendent. Procedures regarding when the review is to occur and how the review is documented can be strengthened.</li> <li>• <u>Budget Modifications:</u><br/>Amendments and modifications can occur throughout the year for various reasons (unforeseen costs, contract overages, discontinuation of a project, etc.). While Management confirmed that the schools/departments can transfer funds between existing projects in their associated cost center, changes related to salaries, or the creation of new projects must be approved by the Budget Department. Currently, these expectations are not described in an SOP.</li> <li>• <u>Budget Monitoring:</u><br/>Roles and responsibilities pertaining to ongoing budget monitoring are not fully defined. The personnel assigned to budget monitoring may have various levels of financial literacy and may utilize different reporting tools. A consistent methodology to facilitate completeness and accuracy of this review process has not been defined.</li> <li>• <u>Budget Submittals:</u><br/>The level of detail required to justify budget submissions and amendment requests has not been defined (see <b>Observation 1</b>).</li> <li>• <u>Revenue Projections and Confirmations:</u><br/>Currently, the budget personnel are tasked with obtaining and utilizing revenue projections to build budgetary documents. Information regarding how projections are obtained, who prepares them, and who reviews them are not yet defined.</li> <li>• <u>Construction Contingency:</u><br/>During our review, we noted that the contingency amount for capital projects is calculated based on various factors (project complexity and timeline, vendor performance, etc.). However, this methodology is not currently documented in the Budget Department or Facilities Management Department.</li> </ul> <p>Centralized and standardized procedural documents are essential for promoting process consistency, supporting personnel training and succession planning, and mitigating risks associated with employee turnover or absences. Enhanced standard operating procedures may also assist in creating a standard training process for new Budget Department personnel, as the existing training is performed on-the-job and does not utilize written guidance.</p> |
| <p><b>Recommendation</b></p> | <p>We recommend the District consolidate the existing (50+) procedural documents to create a comprehensive standard operating procedure for the Budget Department internally, and for end users. The SOP should address the key areas identified above. SOPs should be reviewed and updated annually to maintain accuracy and should include a “last revised” date.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |

## OBSERVATIONS MATRIX (CONTINUED)

| Observation                   | 2. Standard Operating Procedures (Continued)                                                                                                                                                                                                                                                          |
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| <b>Management Action Plan</b> | <p><b>Response:</b> Budget Department will enhance existing Standard Operating Procedures (SOP) to include details on the above-mentioned processes.</p> <p><b>Responsible Party:</b> Senior Director of Budget, Assistant Director of Budget</p> <p><b>Estimated Completion Date:</b> July, 2026</p> |

## PROCESS IMPROVEMENT OPPORTUNITY

### 1. Budget Prioritization

During our review, we noted that the District does not currently use a defined methodology or objective set of criteria to evaluate and prioritize budget needs across the organization, outside of the capital improvement plan. Without such a framework, decisions about which initiatives receive funding may rely heavily on subjective judgment or informal practices, which can lead to inconsistencies in how resources are allocated.

If fiscal constraints increase or competing demands become more difficult to balance, the lack of a consistent, objective methodology may hinder the District's ability to make difficult budgetary decisions. Developing and implementing a standardized prioritization model, such as a scoring matrix based on factors like need, risk, and alignment with strategic goals, can assist in supporting budget decisions and confirming equitability in the future.

We recommend that the District consider how this potential challenge would be addressed in the future, should the District's financial standing change. The District may establish a procedure for operational funds with defined criteria to identify, select, and prioritize funding requests, similar to the criteria used to prioritize the CIP. We also understand that the Budget Department may already utilize academic return-on-investment data when creating annual budgets; this data should be used during the prioritization process. Prioritization matrices can include criteria based on need, categories of risk (safety risks, technology risks, financial risk) that may impact operations, and alignment with strategic objectives. Procedures related to the prioritization process should be incorporated in the standard operating procedure (see **Observation 2**).



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