

Background Information

The Los Angeles County Office of Education (LACOE) has been actively involved with the Montebello Unified School District for the past two years to help stabilize its fiscal situation and improve operations.

In February 2017, LACOE exercised its authority to assign fiscal staff to work directly in the district to resolve budget and operational issues. With the guidance and involvement of the LACOE-appointed fiscal advisor and LACOE staff, progress has been made in addressing budget concerns. Montebello USD is currently on track to meet its financial obligations over the next two years.

Based on a November 2017 California State Audit report, significant findings were noted in the following areas:

- Poor financial management and governance
- Failure to follow prescribed hiring practices
- Hiring unqualified staff
- Inappropriate use of bond proceeds
- Failure of proper oversight of bond funds
- Misalignment of adult education program funding
- Montebello USD board continually ignoring warnings from LACOE regarding deficit spending

Additionally, the U.S. Securities and Exchange Commission is investigating the district for matters related to its building construction program and use of general obligation bond proceeds.

Most recently, LACOE engaged the Financial Crisis and Management Assistance Team (FCMAT) to perform a fraud audit on Montebello USD's Adult Education program and facilities construction program. To date, the Office has received the final FCMAT report on the Adult Education program.

The report identifies serious problems with the Adult Education program, such as:

- Failure to adequately enforce and/or segregate duties and responsibilities related to authorization.
- Failure to limit access to assets or sensitive data
- Lack of monitoring or implementation of internal controls by the governing board
- Collusion among employees, including administrators
- Gift of public funds
- Improper retirement reporting for employees

The report concludes that fraud or misappropriation of funds/assets may have occurred and directs the County Superintendent to notify the Los Angeles County District

Attorney, State Controller, State Superintendent of Public Instruction and the Montebello Unified School District Governing Board of the findings.

The FCMAT report findings are a cause for greater alarm and require that the Office take a more intensive approach to addressing serious and persistent deficiencies, poor operations and failed governance oversight.

The Office will immediately provide a high-level support team and enhanced resources, to include the leadership and expertise of LACOE's Chief Financial Officer and Chief Human Resource Officer to make needed corrections. They will work with the Montebello USD Board of Education and administration to implement key operational changes and improvements.

LACOE's top priority is to ensure that Montebello USD provides a quality educational program to its students and has systems in place to safeguard vital resources and public dollars. The Office is committed to providing regular updates and progress reports on this effort.