

## **An Open Letter from MBUSD Superintendent Michael Matthews**

April 14, 2014

I am writing to explain why we are going to add \$1,033,000 to the MBUSD General Fund. The General Fund covers the vast majority of our operating expenses (salary, benefits, books, materials, services, etc.). There are other funds that can only be used for designated expenses. I am recommending that we increase our General Fund by \$1,033,000, while decreasing other funds by that same amount. That is certainly good news for our General Fund, but it does require explanation and background.

I have become aware of General Fund expenses in the past two years that should have been assigned to other funds. Following a review of budget documents related to iPad and wireless expenses in 2011-12 and 2012-13, we have determined that we assigned some of those expenses to the incorrect accounts. The amount from the General Fund for iPads was consistent with Board approvals. However the amount from the General Fund for wireless Internet was \$743,000 higher than the amount that the Board had approved from that fund. That additional \$743,000 should have come from other funds.

We immediately set out to determine the reasons for the discrepancy and found two major causes. First, some of the funds for wireless Internet were budgeted from Fund 40, a capital projects fund. Fund 40 was not yet available for deposits at that time, as the Los Angeles County Office of Education was still setting it up. So the expenses were placed in the General Fund, to be reassigned to Fund 40 later. Due to an oversight, they were never reassigned. Second, wireless Internet expenditures from Fund 25, a fund for developer fees designated for maintenance and improvements, were incorrectly assigned or reassigned to the General Fund.

After finding these discrepancies, we reviewed every board-approved item from Fund 40 and Fund 25, and found that other items not related to iPads and wireless had also been mistakenly assigned to the General Fund. Thus over two years, the General Fund was depleted by \$1,033,000, when the funds to improve facilities (Fund 25 and Fund 40) should have been depleted by that amount. This will be remedied at our next Board meeting by an action to restate the ending balance in 2012-13 and the beginning balance of the 2013-14 school year, resulting in a \$1,033,000 increase to the General Fund.

Our teachers' union has been asking about some of these expenditures, but before this point, we did not see the discrepancy. I met with MBUTA leaders today and let them know that in the process of assembling and analyzing documents they requested, we found this discrepancy. I was extremely disappointed to learn of these funds being assigned to the wrong account, and I am taking steps to rectify this immediately so that expenditures are always assigned to the exact budget approved by the Board. Dr. Bagley and I are going to recommend to the Board that beginning immediately, we bring all budgetary transfers, or changes to the account assigned to an expenditure, to the Board for approval.

This does not change the fact that the MBUSD budget is in sound and strong condition. In fact, this discovery adds over \$1,033,000 to our General Fund beginning balance for 2013-14. I regret the errors that necessitated this change, and I assure you all I will take steps to further increase accuracy and ensure that the Board's decisions are properly executed.

Sincerely,



Michael D. Matthews, MBUSD Superintendent of Schools