



The Accelerated Schools Finance and CALPADS Assessment

April 2019



Project Objective & Scope

The primary objective of the project was to identify how best to structure The Accelerated Schools' (TAS) accounting/finance and CALPADS reporting functions.

ExED evaluated the following processes:

- Budgeting
- Financial Management/Reporting
- Accounting & Bookkeeping
- Cash Management
- CALPADS Reporting

Project Approach

- **Interviewed selected TAS staff members to gain an understanding of each of the key processes**
- **Reviewed TAS organizational structure**
- **Reviewed experience of TAS staff responsible for accounting/finance**

Project Approach – Finance Interviews

Organization Leadership and Board

- Leonard Rabinowitz, Board Member
- Johnathan Williams, Founder and Chief Executive Officer
- Grace Lee-Chang, Chief Academic Officer

Finance and Accounting

- Vincent Shih, Accounting Manager
- Liezl Caluag, Accounting Clerk

Academic/School Site

- Lenita Lugo, Director of Curriculum & Instruction
- Francis Reading, TAS K-8 Principal
- Janet Garcia, TAS K-8 Office Manager

Project Approach – CALPADS Interviews

- Cong Liu, Systems/Operations Manager
- Carol Kennard, SIS Manager
- Eva Candelario, ACES Testing, Intervention, After School Coordinator
- Randhir Bains, Special Ed ACES, TAS, WAHS
- Claudia Reyes, ACES Office Manager
- Asha Marshall, Human Resources
- Felicia Jackson, AP TAS
- Rosie Hoang, AP WAHS
- Greg Colleton, Dean TAS/WAHS
- Emily Finch, Counselor WAHS
- Gloria Zelaya, Counselor WAHS
- Eva Barba, Academic Intervention Aide
- Andrew Robles, Food Services Manager
- Estela Cuevas, Student Services Coordinator

Finance/Accounting Assessment

Staff Overview: Finance/Accounting

Vincent Shih, Accounting Manager

- Has 10+ years of experience in various accounting and finance positions with nonprofit organizations, including eight years of experience working with private schools
- No prior experience in charter school finance

Liezl Caluag, Accounting Clerk

- Six years of experience working with accounts payable at TAS

Key Findings: Fiscal Practices Under Prior CFO

Prior CFO controlled budget and did not provide sufficient budget visibility to Academic Leadership needed for effective and efficient school management. For example:

- Principals not involved in budget management and lacked visibility and understanding of how school funds were used
- Principals did not know if/how school priorities as set forth in School Site Council, School Plan for Student Achievement (SPSA), and Local Control Accountability Plan (LCAP) aligned to actual expenditures which created a risk of misalignment and inaccurate reporting (similar risk associated with restricted funding)
- Principals found the process to secure goods and services needed for school operations to be inefficient, poor use of time, and a frustrating process
- Principal unable to effectively communicate with stakeholders (parents, staff) on if/how/why/why not school priorities were included in budget
- Academic leadership did not receive the financial information they needed (e.g., it was presented in a way they could not easily use or did not understand)

Key Findings: Current Direction

Accounting Manager and Academic Leadership share a common vision of fiscal management [vision aligns to what ExED recommends]

- Increased transparency/ownership of budgets by Academic Leadership
- Support of school site budgeting
- Increased focus and investment in the academic program

Actions align to the vision of Academic/Finance partnership, but this partnership is in the beginning stages

- Accounting Manager working to increase involvement of the Academic Leadership (CAO, Director of Curriculum & Instruction, and Principals) as it relates to LCAP
- However, at time of assessment, CEO, CAO, and Accounting Manager did not regularly meet

It will take time to realize vision

- Principals do not have budget management experience and will require support, training, and time to assume this responsibility

Key Findings: Fiscal Policies Summary

Fiscal policies do not demonstrate clear segregation of duties

- CFO is perceived to be involved in everything
- There is mention of a Fiscal Service Department (FSD) but it is not clear who is involved or how many people comprise the FSD
- At times it seems that CFO is a member of FSD

Given the lack of proper segregation of duties, there is an opportunity for fraud or fiscal mismanagement

Fiscal policy appears to allow for leniency when convenient

Key Findings: Payroll

TAS currently processes payroll with LACOE which presents various challenges:

- Difficult to verify the accuracy of employee classification with respect to budget and hours worked
- Waiting for payroll data from LACOE delays internal financial reporting
- Time off requests tracked manually and staff use manual timesheets
- No employee self-service

Interest in transitioning from LACOE to another payroll provider (Paycom mentioned). This direction aligns to what ExED recommends and has observed other clients take

- Note: processing charter school payroll on commercial package such as Paycom requires proper setup and ongoing work to ensure retirement reporting data is accurate

Accounting Manager expressed interest in either adding payroll staff or outsourcing payroll to back-office provider

- TAS accounting staff perform functions that could be done by payroll vendor or back-office provider (e.g., payroll taxes, 941 reporting) which could reduce organizational risk and be a more efficient use of accounting staff

Key Findings: Financial Systems

TAS is in process of re-building or implementing new financial systems






- Building new budget model
- Looking at adding Microix to facilitate purchase requisitions and to provide budget visibility to purchasers

Abila MIP is hosted on premise, investigating moving to Abila's cloud-based solution MIP Advance

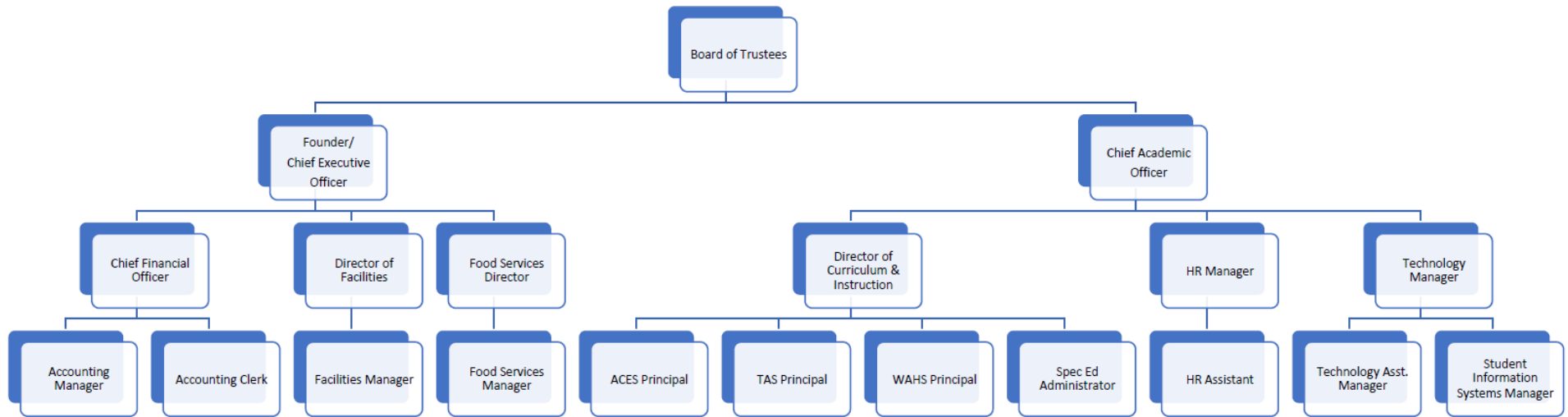
Abila does not have good features to provide non-financial users with real-time visibility to financial reports

Structure Options: In-House vs. Outsource Model

Selecting an in-house vs. outsourced finance/accounting model depends on consideration of the following key attributes, among others:

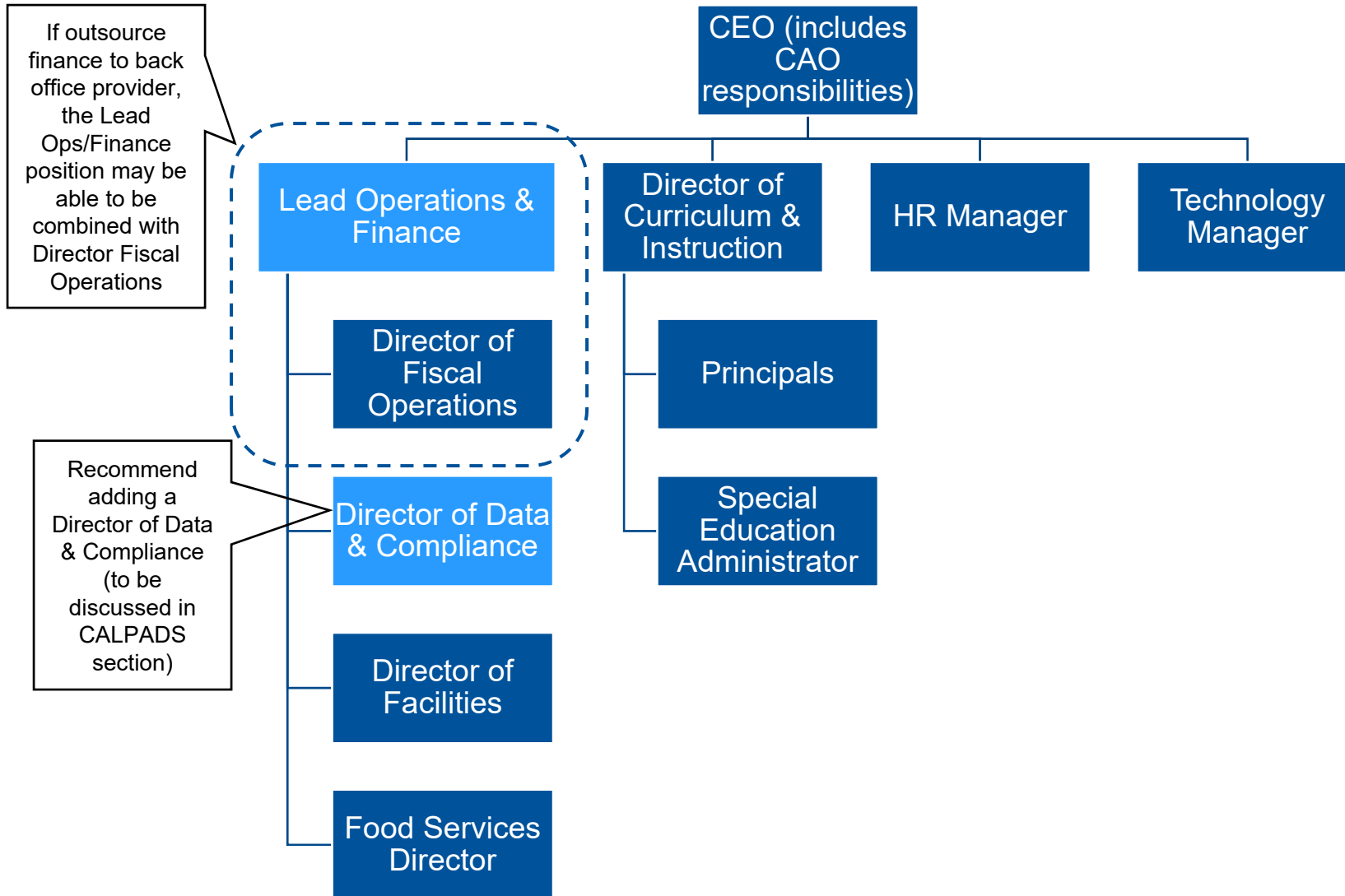
<u>Attribute</u>	<u>In-House</u>		<u>Outsource</u>
Degree of Autonomy / Flexibility	Can design process and select systems to meet specific needs	High  Low	Use the systems and processes defined by outsource provider
Internal Resource Requirement	More time spent developing, managing systems and processes	High  Low	Less time spent developing, managing systems and processes
Continuity / Key Employee Risk	Dependency on key employees	High  Low	Succession planning risk outsourced plus resource for questions
Charter School Expertise	Depends on tenure and experience of existing staff	Low  High	Deep experience and knowledge based on experience working with large number of schools
Cost	Lower total cost	Low  High	Higher total cost

Current Organizational Structure



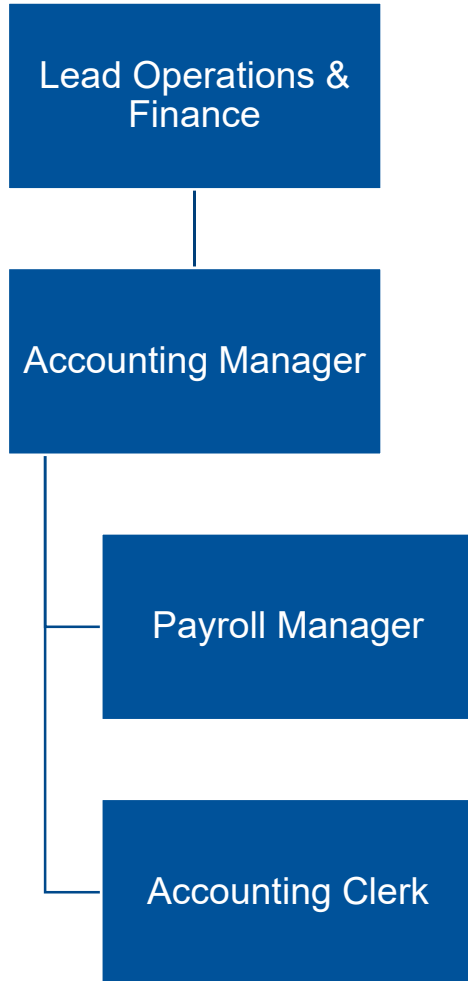
- Fiscal management and data management require extensive partnership between Finance, Operations, and Academic departments.
- Since CEO and CAO both report to the board (at time of project assessment), no one individual has a responsibility for ensuring this partnership. Typically, we see one organization leader accountable to Board.

Recommended Structure

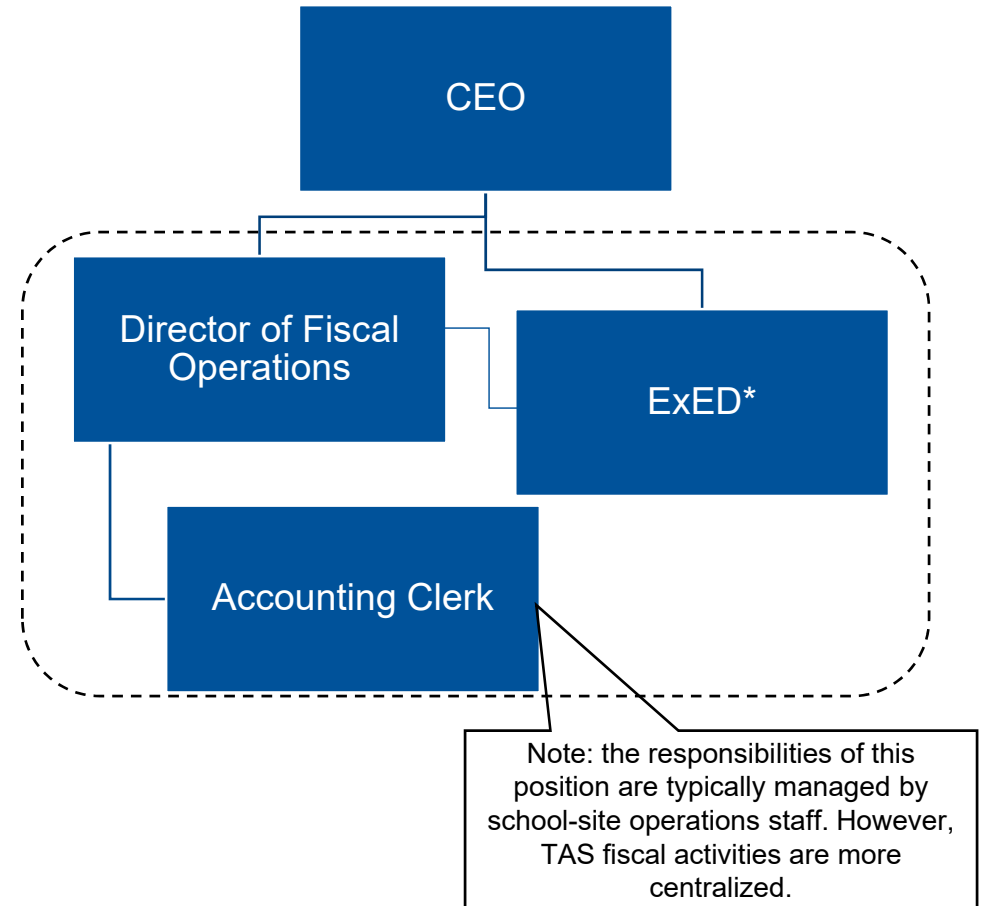


Structure Options

Option #1: In-House Finance Team



Option #2: Outsourced Finance/Accounting



* Assumes TAS contracts with ExED to process payroll.

Structure Cost Comparison

In-House option is approximately \$75K less expensive than outsourced solution

Assumptions:

- Assumes TAS contracts with ExED to process payroll. If not, ExED Fee would be reduced by \$47,000 to \$268,000.
- TAS benefits assumed to be 25% of salary
- TAS would realize additional savings (\$5,000-10,000) by outsourcing finance as ExED fee includes cost of various systems TAS including accounting, procure-to-pay, and financial reporting. There may be other server/IT hardware related savings.

Option 1: In House	Salary & Benefits
CFO	\$ 156,000
Accounting Manager	\$ 117,000
Payroll Manager	\$ 72,000
Accounting Clerk	\$ 59,990
Total Cost	\$ 404,990

Option 2: Outsource	Salary & Benefits
Director of Fiscal Operations	\$ 117,000
Accounting Clerk	\$ 59,990
Salary & Benefits	\$ 176,990
ExED	\$ 315,000
Total Cost	\$ 491,990

Cost-Benefit of Contracting for Finance/Accounting

Benefits In-House Finance

- Lower total cost
- More autonomy to create processes and select systems specific to TAS' needs/preferences

Benefits of Outsourcing Finance

- Reduce dependency and turnover risk of lead finance role
- Secure access to organization and staff with deep charter school finance experience
- Save staff time and reduce risk by using existing systems/tools rather than selecting/building new solutions, for example ExED has
 - Multi-year budget model
 - Cloud-based financial reporting tool to provide end-users direct visibility to their budgets and financial data (Qlik)
 - Established procure-to-pay solution to facilitate purchasing and invoice processing (SpendBridge)
 - Significant experience with Paycom (and Paychex)

CALPADS Reporting Assessment

CALPADS Introduction

California Longitudinal Pupil Achievement Data System (CALPADS) is the system of record for K-12 students in the state of California

Data reported to CALPADS is used in CA School Dashboard, DataQuest, and other publically available systems

CALPADS data drives important components of a school's LCFF funding

CALPADS reporting includes reporting data for a broad range of program areas:

- Student Enrollment and Demographics
- Student Academic Performance
- Staff Assignments
- EL Reclassification and Compliance
- Special Education Accountability
- Free & Reduced Lunch Eligibility
- Foster, Homeless, Migrant, Active Military Family Status
- Discipline: Suspension & Expulsion Incidents

ExED View of CALPADS Reporting Process

An effective, efficient CALPADS reporting process is dependent upon a strong end-to-end data management process. The process ensures that data is accurately captured and entered at point of a student's enrollment and continuously updated through to the student's transfer or graduation.

Successful CALPADS reporting is more dependent on program expertise than IT technical knowledge.

- Given the large number of program areas reported in CALPADS, accurate reporting relies on **coordination among and input from many departments/functions** including school operations, Special Education, Academics, HR, and more.
- It is important for all staff involved in the data management process to have a deep understanding of the data that is reported.

Staff involved in CALPADS data management cross reporting levels. It is therefore important to identify a central data management process owner

Per the CDE, CALPADS best practices include:

- Having an established support structure
- Establishing a working cross-functional data management team

Staff Overview: CALPADS Reporting

IT Team

- Cong Liu, Systems/Operations Manager
- Carol Kennard, Student Information System (SIS) Manager
- Assistant Systems Manager

Assessment

- TAS has assigned CALPADS reporting responsibility to IT team which is not in alignment with CDE guidance and ExED's experience for how best to structure CALPADS reporting

Findings: Staffing and Structure

No one person oversees or facilitates the entire end-to-end process and ensures compliance of program data that is reported to CALPADS

No oversight process or system to complete the following critical activities

- Regular data checks with program leads
- Final review of data to be reported and ultimately certified in CALPADS
- For example, of the eight staff members interviewed who would be expected to review/confirm the CALPADS before final submission, only one individual stated they had seen a CALPADS report to review their data

Findings: Staffing and Structure

No regular meetings for operations staff involved in CALPADS reporting to collectively plan, share practices, share resources, and resolve issues

No regular practice observed to ensure operations staff are included in communications when there is a need-to-know

Staff whose work directly affects the accuracy of CALPADS reporting lack an understanding of their important role as data stewards and the significance that this data plays in the schools' accountability and finances

Recommendations

Add central function/position for oversight and direction of programmatic compliance and data management

Establish a cross-functional data management team comprised of key staff members and data stewards which meets regularly to review requirements, timelines, responsibilities, and task status

Establish a data review process to ensure accurate data is reported. The review process should include:

- Review certification reports early in submission cycle
- Develop sign-off procedures prior to certification

Develop process to ensure operations staff members are prepared and understand the organizational importance of their data management responsibilities

- Provide for regular professional development days for operations staff, similar to teaching staff
- Plan for contingencies by cross training staff

Cost-Benefit of Contracting for CALPADS Support

Whether or not TAS contracts for CALPADS reporting support

- TAS should create a Director of Data & Compliance position to oversee CALPADS reporting and other compliance/data management activities
- TAS still owns the accuracy of their data

Outsourcing CALPADS support is not expected to reduce TAS FTE's

ExED's CALPADS reporting support is \$34,292/year

Benefits of outsourcing CALPADS

- Gain a partner with deep charter school expertise and the associated data management requirements and best practices
- Reduce the likelihood of reporting errors (Note: this depends on partnership with the TAS staff)
- Have access to more training on CALPADS reporting process (e.g., webinars, at ExED, at school site)
- ExED reviews data in CALPADS system for anomalies and discrepancies

Appendix

Key Findings: Fiscal Policies Examples

- Purchasing
 - Policy allows “common sense” to trump procedures
 - Purchases are through FSD and overseen by CFO
- Invoice and Bank Check Authorization
 - FSD reviews and CFO or FSD can process payment
- Bank Check
 - CEO and CAO are named but other authorized signers are not
 - Thresholds for approval are not clear
 - FSD records check in accounting system

Key Findings: Fiscal Policies Examples

- Bank Reconciliation
 - FSD reviews statements and reconciles the bank
 - FSD reviews and approves the bank reconciliation that it creates

- Cash Receipts (Cash and Checks)
 - FSD manages but not clear any segregation of duty exists
 - Cash collection does not demonstrate any internal control to prevent theft
 - FSD creates deposit slip and deposits all checks and cash