

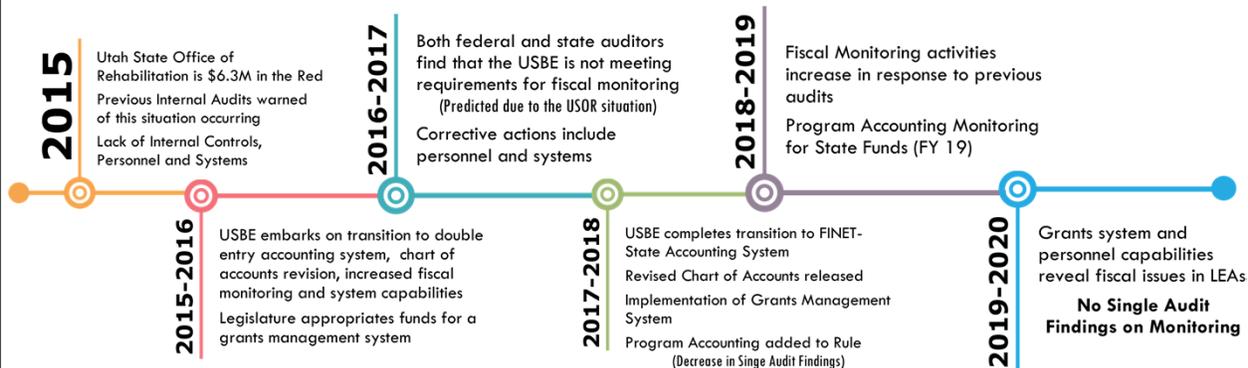
# USBE Fiscal Monitoring

February 2020

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## Systems Progress



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## Audit Summary

### U.S. Department of Agriculture

- ➔ 2017-002- Inadequate Internal Controls Over Subrecipient Single Audit Reviews

### U.S. Department of Education

- ➔ 2017-007- Inadequate Internal Controls Over Subrecipient Monitoring Pre-award
- ➔ 2017-008- Lack of Documentation for Evaluation of Subrecipient Risk of Noncompliance
- ➔ 2018-009. 2018-010. 2018-011- Inadequate Internal Controls Over Subrecipient Monitoring and Noncommunication of Pre-award Information to Subrecipients



## Program Accounting – Utah Code

*53E-3-501.* State board to establish miscellaneous minimum standards for public schools.

(1) The state board shall establish rules and minimum standards for the public schools that are consistent with this public education code, including rules and minimum standards governing the following:

- (e) (i) school productivity and cost effectiveness measures;
- (ii) **federal programs;**
- (iii) **school budget formats;**
- (iv) **financial, statistical, and student accounting requirements;** and
- (f) data collection and reporting by LEAs.



## Program Accounting – Administrative Rule

### R277-113-6. Required LEA Fiscal Policies.

(2)(D)(ii) establishment of internal controls and procedures **to record transactions when they occur** in the **proper program** utilizing the following codes as established by the Board approved chart of accounts:

- (A) fund;
- (B) function;
- (C) location;
- (D) **program**; and
- (E) object or revenue code as applicable.

*Note: Fiscal Monitors are clear that since this rule went into effect in SFY 18 USBE provided time for LEAs to transition to program accounting. Therefore, monitoring of state funds is SFY 19 forward.*

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## Fiscal Risk Analysis

### Fiscal risk indicators

All the indicators are combined to determine a fiscal risk score and LEAs are scheduled for an onsite monitoring visit based on risk score.

Annual “Subrecipient Fiscal Risk Self Assessment”	Fraud hotline complaint
Annual APRs/AFRs	IDEA grant size and usage
Annual single audit finding(s) <i>(for LEAs large enough to require a single audit)</i>	Turnover of LEA staff, changes to Financial Management System
Annual programmatic compliance	Maintenance of effort compliance history
Length of time since the LEA was monitored	
Federal funds declined	

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# Monitoring Process

## Document review

- Policies and Procedures
- General Ledgers
- Time and Effort/Personnel Activity Reports
- Reimbursement Requests
- Contracts
- Invoices, Staff Schedules, and IEPs

## Staff interviews

- Internal Controls



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# Monitoring Report

Commendations

Recommendations

Findings of Noncompliance



- Corrective actions including submission of updated/developed policies and procedures
- Timelines for completion of corrective action
- Repayment of unallowable expenses

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## Verification of Correction

Review documentation submission(s)

- Request further documentation

Send notification of completion of corrective action



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## Fiscal Monitoring Results FY2017 - (24 LEAs were monitored)

Findings of Noncompliance	# of LEAs	Payback Amounts
Accounting codes not in alignment with approved charts	1	0
Co-mingling of Federal IDEA & State Special Education funds	1	0
Contracts did not include all required provisions	5	0
Time and Effort documentation not in alignment with Fed. Reg.	9	0
Approved budget did not match actual expenditures	1	0
<b>No findings</b>	9	

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## Fiscal Monitoring Results FY2018 - (7 LEAs were monitored)

Findings of Noncompliance	#s of LEAs	Payback Amounts
Internal control processes and procedures not operating effectively for procurement	1	0
LEA could not provide contracts for services that were paid with federal funds	2	0
No written policies, procedures or controls to ensure supplement not supplant requirements are met	1	0
Only compared budget to actual financials at year end	2	0
Time and effort documentation not in alignment with Federal Regs	2	0
Unallowable use of state and federal Special Education funds (no supporting documentation)	1	\$415,689
<b>No findings</b>	4	

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## Fiscal Monitoring Results FY2019 - (19 LEAs were monitored)

Findings of Noncompliance	#s of LEAs	Payback Amounts
Contracts did not include all required provisions	5	0
Lack of program accounting system	2	0
Time and Effort documentation was incomplete	4	0
LEA did not have policies, procedures to ensure that supplement not supplant requirements were met	1	0
LEA lacked policies, procedures to monitor MOE	2	0
LEA did not have policies, procedures to track CEIS expenses	1	0
Unallowable use of funds	7	\$8,000 TBD; \$266,832; \$29,975 TBD; \$1,203 TBD; \$29,468; \$34,500 TBD
<b>No findings</b>	7	
Monitoring not completed	2	

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## Fiscal Monitoring Results FY2020 - (20 LEAs were monitored)

Findings of Noncompliance	# of LEAs	Payback Amounts
Unallowable use of funds	2	\$587 TBD \$11,638 TBD
<b>No findings</b>	1	
Monitoring not completed	3	
Monitoring scheduled	14	

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## Charter School Task Force

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USBE established the Charter School Task Force to address improvements to charter school accounting standards, operations, and finances.

#### Representatives Include:

- USBE board Members
- Legislators:  
Sen. Dan McCay, Sen. Kathleen Riebe, Rep. Karen Kwan, and Rep. Jefferson Moss
- State Charter School Board (SCSB) Members
- State Auditor's Office
- State Treasurer's Office
- Various Charter School Stakeholders:  
charter school director, business manager, governing board member, and teacher

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## Task Force Duties

Review provisions in Utah Code

Review Board Administrative Rules

Review concept, purpose statements, and research on Financial Accounting Standards Board (FASB)

Review Government Accounting Standards Board (GASB)

Review report results on:

- 1) How many states require charter schools to use FASB vs. GASB accounting standards
- 2) What structure other states use for charter schools

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## Recommendations

Require Charter Schools to Use Governmental Accounting Standards Board (GASB) Accounting Standards

Charter School Entity Structure Remain as Private Nonprofit Entities with Statutory Changes and Clarifications

USBE continues a Discussion of Governance, Oversight, and Monitoring of Charter Schools

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## Additional Statutory Clarifications / Consensus Statements

Providing that a new charter school begin as a provisional charter for **3-5 years**. An authorizer may then allow the charter school to become “evergreen” after that time at the discretion of the authorizer. The first pre-operational year counts as year one.

Providing an authorizer the authority and funding for the authorizer to appoint a neutral receiver in the event of a school closure or the forced termination of a school.

Providing an authorizer and the State Board of Education (USBE) the ability to request a subpoena from the State Auditor to request financial, governance, or other records held by a school authorized by the authorizer or any entity with which they are contracting services.

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## Additional Statutory Clarifications / Consensus Statements

Providing an authorizer and USBE the ability to request a subpoena from the State Auditor to request financial records from entities affiliated with a charter school authorized by the authorizer if the charter receives a notice of concern or is placed on warning or probation.

Providing an authorizer the authority to remove and reconstitute a charter school's local board of directors – and have that action remain in place for up to a full year at the authorizer's discretion. (SCSB Legislative Request)

Providing an authorizer the authority to replace a charter school's executive director or principal who may not be removed by a local board for a period of up to one year, at the discretion of the authorizer. (SCSB Legislative Request)

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## Additional Statutory Clarifications / Consensus Statements

Amending Utah Code Sub-section 53G-5-303(4) to allow an authorizer to modify a charter school agreement without the mutual agreement described in Subsection (4)(a) to require a 501(c)(3) nonprofit entity that operated a charter school to follow specific actions related to the inventory, liquidation, or distribution of assets and liabilities when a school is in the process of closure (this authority builds on existing authorizer authority, but existing statute is vague and without the ability to enforce). (SCSB Legislative Request)

Clarifying that funds appropriated to the SCSB (**approx. \$400,000**) for training do not have to be provided to an outside provider (through an RFP). The funds may also be used internally by SCSB staff to provide training.

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