

Organizational Structure and Business Process Review

April 22, 2022

Budget

Amount	Details	Month	Amount
4,500	Mid Year Bonus	June	2,000
2,500	Year End Bonus	December	3,000
		January	5,000

Costs	Expenditure	Month	Amount
2,300	November vacation	November	450
600	Home for the holidays	December	600
350	Gifts for family	July	300
60	Family vacation	January	880
		January	
		January	
		January	
		January	

Annual Budget by Month

April	May	June
9,915	13,220	16,000
	7,000	7,000
	0	

Griffin Technology Academies

Michael H. Fine
Chief Executive Officer



FISCAL CRISIS & MANAGEMENT
ASSISTANCE TEAM

April 22, 2022

Nick Driver, Interim Superintendent/CEO
Griffin Technology Academies
2 Positive Place
Vallejo, CA 94589

Dear Interim Superintendent Driver:

In September 2021, Griffin Technology Academies and the Fiscal Crisis and Management Assistance Team (FCMAT) entered into an agreement for FCMAT to conduct a review of the organizational and staffing structure of the charter management organization (CMO), as well as review operational processes and procedures in the CMO's Business Services Division. The agreement stated that FCMAT would perform the following:

1. Conduct an organizational and staffing review of the CMO's Business Services Division, and make recommendations for improvement, if any.
2. Review operational processes and procedures in the CMO's Business Services Division and make recommendations for improved efficiency, if any, in the following areas:
 - Budget development
 - Budget monitoring
 - Position control
 - Accounts payable
 - Accounts receivable
 - Payroll

This report contains the study team's findings and recommendations.

FCMAT appreciates the opportunity to serve Griffin Technology Academies and extends thanks to all the staff for their assistance during fieldwork.

Sincerely,

A handwritten signature in black ink that reads "Michael H. Fine". The signature is written in a cursive, flowing style.

Michael H. Fine
Chief Executive Officer

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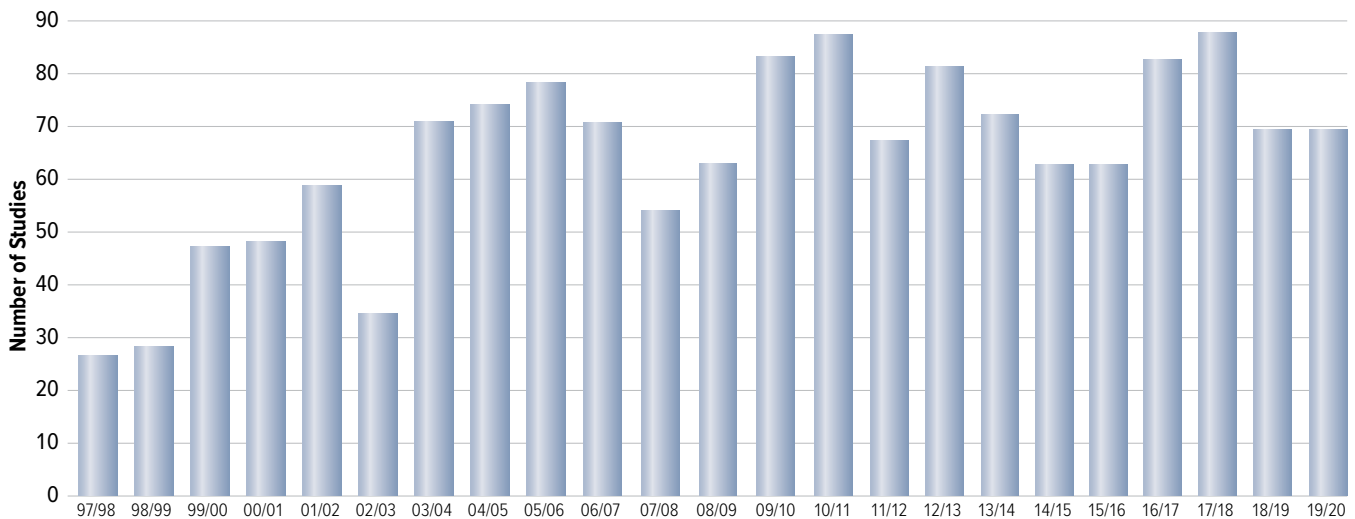
About FCMAT

FCMAT's primary mission is to assist California's local K-14 educational agencies to identify, prevent, and resolve financial, human resources and data management challenges. FCMAT provides fiscal and data management assistance, professional development training, product development and other related school business and data services. FCMAT's fiscal and management assistance services are used not just to help avert fiscal crisis, but to promote sound financial practices, support the training and development of chief business officials and help to create efficient organizational operations. FCMAT's data management services are used to help local educational agencies (LEAs) meet state reporting responsibilities, improve data quality, and inform instructional program decisions.

FCMAT may be requested to provide fiscal crisis or management assistance by a school district, charter school, community college, county office of education, the state superintendent of public instruction, or the Legislature.

When a request or assignment is received, FCMAT assembles a study team that works closely with the LEA to define the scope of work, conduct on-site fieldwork and provide a written report with findings and recommendations to help resolve issues, overcome challenges and plan for the future.

Studies by Fiscal Year



FCMAT has continued to make adjustments in the types of support provided based on the changing dynamics of K-14 LEAs and the implementation of major educational reforms. FCMAT also develops and provides numerous publications, software tools, workshops and professional learning opportunities to help LEAs operate more effectively and fulfill their fiscal oversight and data management responsibilities. The California School Information Services (CSIS) division of FCMAT assists the California Department of Education with the implementation of the California Longitudinal Pupil Achievement Data System (CALPADS). CSIS also hosts and maintains the Ed-Data website (www.ed-data.org) and provides technical expertise to the Ed-Data partnership: the California Department of Education, EdSource and FCMAT.

FCMAT was created by Assembly Bill (AB) 1200 in 1992 to assist LEAs to meet and sustain their financial obligations. AB 107 in 1997 charged FCMAT with responsibility for CSIS and its statewide data management work. AB 1115 in 1999 codified CSIS' mission.

AB 1200 is also a statewide plan for county offices of education and school districts to work together locally to improve fiscal procedures and accountability standards. AB 2756 (2004) provides specific responsibilities to FCMAT with regard to districts that have received emergency state loans.

In January 2006, Senate Bill 430 (charter schools) and AB 1366 (community colleges) became law and expanded FCMAT's services to those types of LEAs.

On September 17, 2018 AB 1840 was signed into law. This legislation changed how fiscally insolvent districts are administered once an emergency appropriation has been made, shifting the former state-centric system to be more consistent with the principles of local control, and providing new responsibilities to FCMAT associated with the process.

Since 1992, FCMAT has been engaged to perform more than 1,400 reviews for LEAs, including school districts, county offices of education, charter schools and community colleges. The Kern County Superintendent of Schools is the administrative agent for FCMAT. The team is led by Michael H. Fine, Chief Executive Officer, with funding derived through appropriations in the state budget and a modest fee schedule for charges to requesting agencies.

Introduction

Background

Located in Solano County, Griffin Technology Academies consists of four charter schools at two campuses in Vallejo, California. The charters include the Griffin Academy middle and high schools, as well as the Mare Island Technology (MIT) Academy middle and high schools. The MIT schools were established in 1999 and 2001, respectively, and the Griffin Academy schools opened in 2018 and 2020.

The combined enrollment for all charters in 2020-21 was 1,337, and enrollment at the well-established MIT academies is relatively stable. The newer Griffin schools, which opened more recently, continue to increase their respective enrollment. The 2020-21 unduplicated pupil count among the four charter schools, which includes students who qualify for free and reduced-price meals, ranges from 51% to 66% of enrollment.

The charter management organization (CMO) is Griffin Technology Academies and is also located in Vallejo. A six-member governing board oversees the four charter schools, and the authorizer for all charters is the Vallejo City Unified School District.

The CMO leadership and key staff members in the Business Services Division are relatively new to the organization, with both the superintendent/chief executive officer (CEO) and assistant superintendent/chief business officer (CBO) joining the CMO in the 2021-22 fiscal year. The CMO uses multiple fiscal consultants to assist during key reporting periods, as the director of fiscal services position was vacant at the time of the FCMAT study. Because each charter is unique and independent, four financial reports must be prepared at each fiscal reporting period in accordance with statutory requirements.

Study and Report Guidelines

In September 2021, Griffin Technology Academies and FCMAT entered into an agreement to conduct an organizational and staffing review of the CMO's Business Services Division, and make recommendations for improvement, if any. The scope also included a review of the operational processes and procedures in that division, with recommendations, if any, for improved efficiencies in budget development and monitoring, position control, accounts payable and receivable, and payroll.

Due to both the ongoing COVID-19 pandemic, and an unplanned and extensive mold remediation project at the charter schools, which required the use of temporary office accommodations, FCMAT did not visit the charter schools or CMO. Staff interviews were instead conducted via video teleconference on December 1-3, 2021. FCMAT also requested and reviewed available documentation related to the project scope. Following the virtual fieldwork, FCMAT continued to review and analyze the information collected during interviews as well as the documentation provided by the CMO. This report is the result of those activities.

FCMAT's reports generally focus on systems and processes that may need improvement. Those that may be functioning well are generally not commented on in FCMAT's reports. In writing its reports, FCMAT uses the Associated Press Stylebook, a comprehensive guide to usage and accepted style that emphasizes conciseness and clarity. In addition, this guide emphasizes plain language, discourages the use of jargon and capitalizes relatively few terms.

Study Team

The study team was composed of the following members:

Jeffrey B. Potter, CFE

FCMAT Intervention Specialist

Erin Lillibridge, CFE

FCMAT Intervention Specialist

Leonel Martínez

FCMAT Technical Writer

Each team member reviewed the draft report to confirm accuracy and achieve consensus on the final recommendations.

Executive Summary

A charter CMO should be staffed according to the basic theories of organizational structure, which include span of control, chain of command, and line and staff authority. A review of the Griffin Technology Academies CMO indicates that the Business Services Department is understaffed in budget development, budget monitoring and financial reporting, and lacks sufficient oversight and coverage of essential fiscal functions such as accounts payable, accounts receivable, position control and payroll.

The assistant superintendent/CBO position has oversight responsibilities of Fiscal Services, Employee Management (human resources), Facilities, Nutrition Services and Information Technology. Although this is a small organization, the span of control limits the ability of the assistant superintendent/CBO position to dedicate sufficient resources to effectively manage each of these critical functions. At the time of FCMAT's study, most departments were staffed with new and inexperienced employees, further contributing to the need for more focused oversight.

The CMO should consider a modified organizational structure in which Fiscal Services is removed from the span of control of the assistant superintendent/CBO and established as a stand-alone department reporting to the superintendent. The creation of a chief financial officer (CFO) position, along with the addition of a supporting senior accountant/analyst position, would provide more robust and dedicated financial reporting and budgeting capabilities, while also resulting in more reasonable workloads, improved internal control capabilities and better coverage of all functional areas. In addition, FCMAT recommends moving the Information Technology Department to the director of learning for improved alignment with classroom technology needs.

Departmental processes and procedures remain under development at the time of FCMAT's study. Accordingly, close supervision of all critical positions and functions is necessary to ensure effective operations and internal controls. The current staffing structure does not allow for the level of supervision and oversight needed in such an environment.

Job descriptions for all positions should also be reviewed and updated to ensure they are current and include all essential duties.

Findings and Recommendations

Business Services Division

Organizational Structure and Staffing

An organization's structure should establish the framework for leadership and the delegation of specific duties and responsibilities for all staff members. This structure should be managed to maximize resources and reach identified goals, and should adapt as student enrollment increases or declines. Charter schools and their respective CMO can differ in their structures as compared to a school district; however, all school organizations should be staffed according to generally accepted theories of organizational structure and the standards used in school organizations of similar size and type. The most common theories of organizational structure are span of control, chain of command, and line and staff authority.

Span of Control

Span of control refers to the number of subordinates reporting directly to a supervisor. Although there is no agreed upon ideal number of subordinates for span of control, it is generally agreed that the span can be larger at lower levels of an organization than at higher levels because subordinates at lower levels typically perform more routine duties and therefore can be more effectively supervised, according to *Principles of School Business Management* by Craig R. Wood, David C. Thompson and Lawrence O. Picus.

Chain of Command

Chain of command refers to the flow of authority in an organization and is characterized by two significant principles: unity of command suggests that a subordinate is accountable to only one supervisor, thus eliminating the potential for an employee to receive conflicting direction and instruction from a variety of supervisors; and the scalar principle suggests that authority and responsibility should flow in a direct vertical line from top management to the lowest level so subordinates at every level in the organization follow the chain of command and communicate only through their immediate supervisor. The result is a hierarchical division of labor as described in *Principles of School Business Management*.

Line and Staff Authority

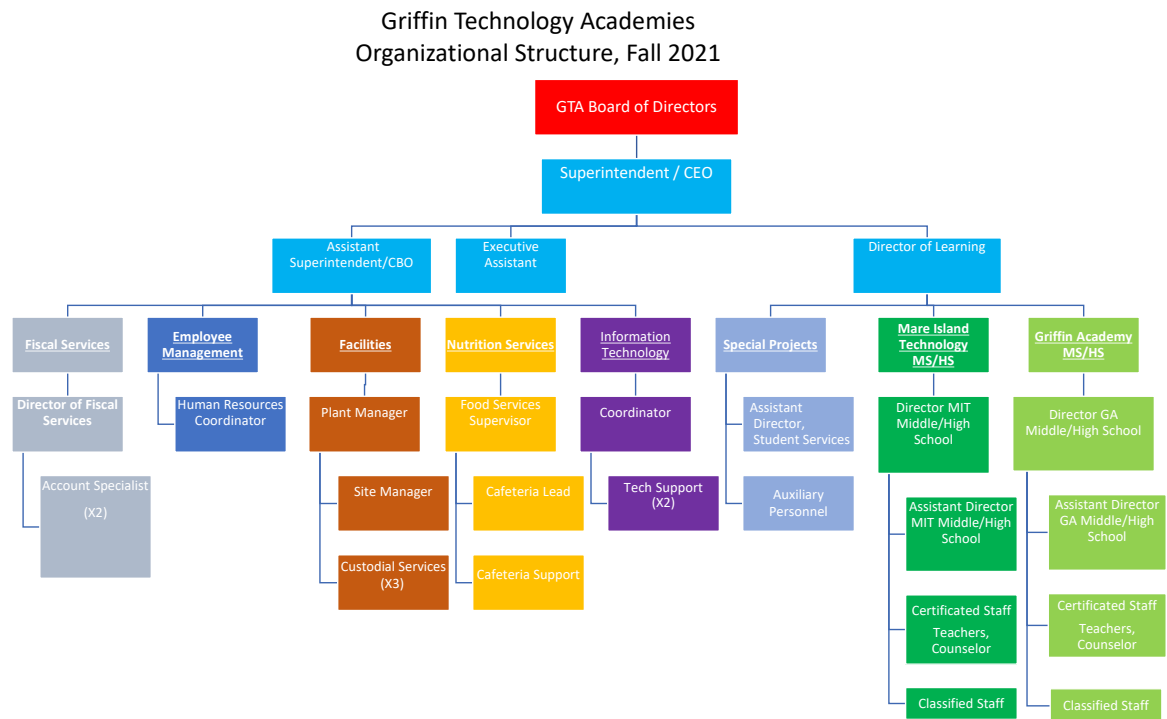
Line authority is the relationship between supervisors and subordinates and refers to the direct line in the chain of command. For example, the normal structure FCMAT finds in school organizations is that the superintendent has direct line authority over the assistant superintendent of business services, who has direct line authority over other staff members in the Business Services Department. Conversely, staff authority is typically advisory in nature. Staff personnel generally do not have the authority to make and implement decisions; rather, they act in support roles to organizational leadership. The organizational structure of local educational agencies typically includes both line and staff authority.

As indicated above, the purpose of any organizational structure is to establish the framework for leadership and the delegation of specific duties and responsibilities for all staff members. In addition, the structure should help guide managers as they make key decisions to facilitate student learning while balancing financial resources. The organizational structure should outline the management process and its specific links to the formal system of communication, authority and responsibility needed to achieve the desired goals and objectives. Authority in a public-school environment originates with the governing board, which hires

a superintendent to oversee the organization. Through the superintendent, authority and responsibility are delegated to the administrators and staff.

Management positions typically supervise employees and oversee the work of the department for which they are responsible. They must ensure that staff members understand all policies and procedures and perform their duties in a timely and accurate manner. Managers must also serve as a liaison between their department and others to identify and resolve problems and to design and modify processes and procedures as needed. Management positions should not typically be responsible for a department's routine daily functions; these should be assigned to department support staff.

An organizational chart shows the structure and relationship of all positions to one another and identifies the chain of command and the functional areas for which each staff member is responsible. The CMO provided FCMAT with its organizational structure for 2021-22, as shown below. The CMO's primary business-related activities are performed in the Fiscal Services Division as identified on the left side of the chart.



The above organizational structure indicates that the assistant superintendent/CBO position oversees Fiscal Services, Employee Management, Facilities, Nutrition Services, and Information Technology. Within Fiscal Services, the CMO has the responsibility of all financial reporting for the four charter schools, with each charter reporting as a separate entity. This places a large burden on the fiscal staff and assistant superintendent/CBO at each reporting period to prepare and oversee the statutory financial statements of four separate charter schools.

At the time of FCMAT's study, the director of fiscal services position was vacant, with staff indicating that one of the primary reasons for the vacancy was an overwhelming workload. As a result of the vacancy, the CMO enlisted assistance from outside consultants to prepare both the 2020-21 unaudited actuals for all four charter schools, as well as four first interim reports. The CMO requested from the authorizer, Vallejo City Unified School District, an extension of the September 15, 2021 reporting deadline for the unaudited

actuals. The authorizer denied the request and subsequently issued a Notice of Fiscal Concerns on September 23, 2021 regarding the late submission, stating that it expected the CMO to “initiate all necessary steps to hire qualified personnel and/or third-party contractors to address these fiscal reporting delays and unsound fiscal practices.”

The assistant superintendent/CBO oversees all financial reports and manages building projects through the Facilities Department, including a sudden and unexpected mold remediation project, and the ongoing conversion of financial systems from the current system, Aptafund, to Escape Technology. Accordingly, FCMAT considered various organizational structures that could alleviate the burden on both the assistant superintendent/CBO and director of fiscal services positions and allow for more focused and dedicated resources in each functional area.

FCMAT compared the organizational structures of school organizations of similar size. Although none are identical to the CMO’s oversight of four individual charter schools and the associated reporting requirements, the following organizations have enrollment that is similar to the four combined charter schools at Griffin Technology Academies.

The comparison districts have an average of 4.55 full-time equivalent (FTE) positions in the business office. The CMO of Griffin Technology Academies has 4.0 FTE in Fiscal Services, which is most comparable to the business departments of the organizations shown below. However, the FTE for the CMO also includes the current assistant superintendent/CBO position, which is not solely dedicated to Fiscal Services and oversees Employee Management, Facilities, Nutrition Services, and Information Technology.

District	County	Business FTE*	2020-21 Enrollment**
Griffin Technology Academies	Solano	4.0	1,337
Bishop Unified	Inyo	6.0	1,969
Middletown Unified	Lake	3.0	1,655
Muroc Joint Unified	Kern	5.0	1,687
Pacific Grove Unified	Monterey	4.75	1,899
Yosemite Unified	Madera	4.0	1,680
		Avg FTE 4.46	

*For comparison purposes, these FTE are for the assistant superintendent of business services and other management positions, and for business functions such as accounts payable, accounts receivable, benefits, payroll, and other accounting/budget tasks. For districts that include warehouse, delivery, nutrition services, or other positions in the business department, FCMAT has excluded those positions from this analysis. Any variances in FTE are due to FCMAT’s interpretation of the information shared in its informal survey.

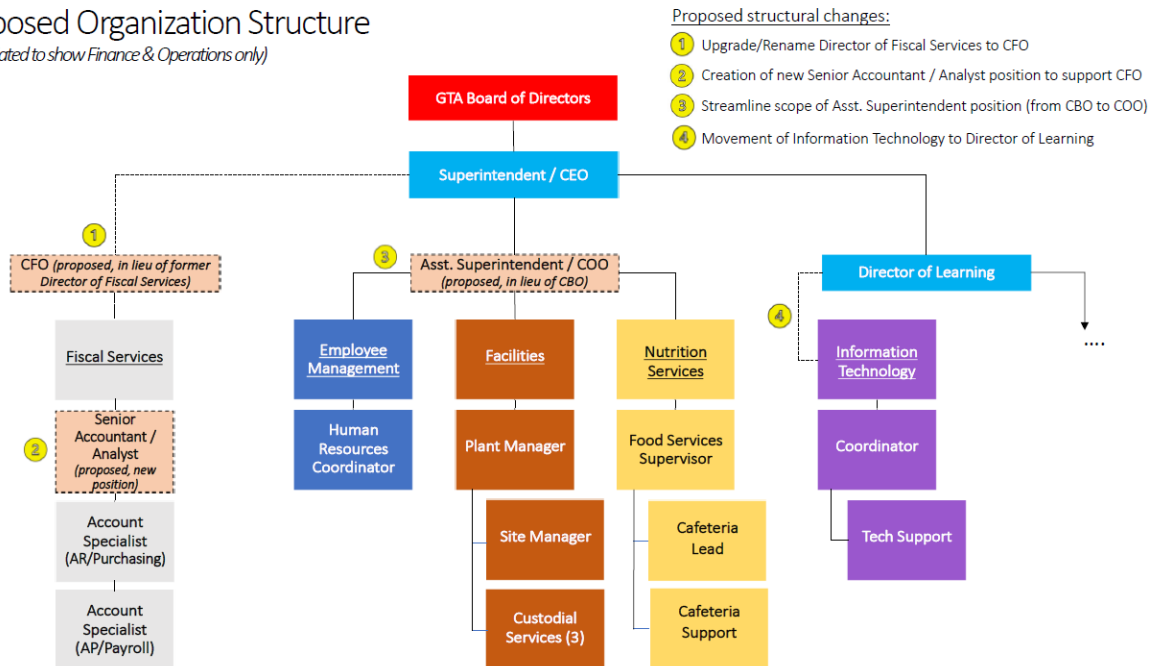
** Source: California Basic Educational Data System (CBEDS)

Data for the above comparison was obtained from the California Department of Education’s DataQuest and Education Data Partnership websites. Although comparison data is useful, it should not be considered the only measure of correct staffing levels. Because school organizations, and especially charter CMOs, are complex and vary widely in business responsibilities and resources, careful evaluation is needed of unique circumstances and needs. Generalizations can be misleading when individual circumstances are not considered.

With the previously mentioned additional reporting requirements for four charter schools, the projects in the Facilities Department, and a need to train new staff in the Employee Management Department, FCMAT recommends the following adjusted organizational chart for improved efficiencies and more appropriate workloads.

Proposed Organization Structure

(abbreviated to show Finance & Operations only)



The job description of the assistant superintendent/CBO (board-approved on July 14, 2020) lacks any fiscal duties, and appears to be designed as an operational position and not intended to encompass fiscal services. The proposed organizational structure removes the fiscal component from the existing assistant superintendent/CBO position and creates a stand-alone Fiscal Services Department, centralizing all core fiscal services in one division, and separating it from the operational departments of Employee Management, Facilities, and Nutrition Services. The job description of the assistant superintendent/CBO should also be revised to reflect this change, and the CMO should consider changing the title to the assistant superintendent/chief operating officer (COO) position.

With the creation of a stand-alone Fiscal Services Department, the title and job description for the director of fiscal services should be modified to reflect an expanded role of chief financial officer (CFO). This change would increase the scope of the job function, providing oversight and responsibility for all budgeting and financial reporting, as well as supervision of payroll, retirement reporting, accounts payable, accounts receivable and purchasing. This modified position would also provide important assistance during the ongoing Escape system implementation. A modified job description and scope of responsibility may also improve the CMO's recruiting and retention capabilities for this critical position. This position would report directly to the superintendent/CEO.

To create a more manageable workload compared to that of the former director of fiscal services, a senior accountant/analyst position should be added to support the proposed CFO. This position would allow for more robust internal controls and increase departmental coverage for all functions in the division.

The proposed structure also moves the Information Technology Department under the director of learning, which is a common structure in schools and charters, allowing for closer collaboration with the instructional staff to support technology needs in the classroom.

Alternatively, the CMO could consider the use of a third-party service provider to handle certain critical fiscal functions, such as financial reporting. It is common for charter schools and CMOs to outsource financial services to an external service provider, providing a cost savings by reducing the number of staff needed for various fiscal functions. Workloads can vary widely during the year, especially for a CMO handling the

reporting functions for four charter schools. A service provider can provide a more linear workload for the CMO without the fluctuation in resources that occurs both during and in between fiscal reporting periods. Such a provider might also be considered on a temporary or interim basis while new staff members are trained in their respective job functions, and the Escape software implementation is completed.

Recommendations

The CMO should:

1. Establish a stand-alone fiscal services department that reports directly to the superintendent/CEO.
2. Upgrade and rename the director of fiscal services position to chief financial officer (CFO).
3. Create a new senior accountant/analyst position to support the proposed CFO, allow for more robust internal controls, and increase departmental coverage for all functions in the division.
4. Streamline the scope of the assistant superintendent/CBO position to provide more focused and dedicated resources to Employee Management, Facilities, and Nutrition Services. Modify the title to assistant superintendent/COO and revise the existing job description to reflect this change.
5. Move Information Technology to the director of learning to support the technology needs in the classroom.
6. Consider using a third-party service provider for certain fiscal services, either as a temporary or long-term support option.

Processes and Procedures

Policies and Procedural Manuals

Policies and procedural manuals provide an organization with the opportunity to plan and diagram internal controls and written standards for its business office, school sites and other departments. They allow readers to see where their duties fit into a process, who provides information, and where the information goes. Policies and procedures also provide standardization of processes and prevent individual processes from being developed that may or may not be the most accurate or efficient in accomplishing a task.

Due to the lack of extended tenure of both the staff members and CMO leadership interviewed by FCMAT, the organization lacks established processes, internal controls and institutional knowledge for the functional areas in the project scope. These procedures are under development by the CMO administrators and are a primary reason for the FCMAT study. Accordingly, the CMO and charter schools could not provide FCMAT with policies and procedural manuals authored by them for the areas under review.

Some staff members indicated they use individual notes for various processes they handle, but lack formal procedures developed by the CMO. This includes a lack of desk manuals to provide step-by-step instructions on the tasks performed by individual employees. This area remains under development, and interviews determined it is a priority for the organization.

To facilitate completion of comprehensive policies, procedures and desk manuals, the CMO may consider enlisting a third party to prepare them. This would help to ensure manuals are consistent in format across all sections of a department and allow staff members to dedicate resources to their assigned duties. These manuals become especially important during employee absences and for new staff. They are also a means of documenting a department's segregation of duties for its external auditors.

Recommendations

The CMO should:

1. Create policies and procedural manuals for key functional areas of the Fiscal Services Department. Consider using a third party to prepare the manuals.
2. Develop desk manuals of employee duties, and ensure that each employee includes step-by-step procedures for all assigned duties. Consider using a third party to prepare the manuals.
3. Review and revise policies, procedures and desk manuals periodically, but not less than once a year.

Budget Development and Monitoring

Charter schools must adopt an annual budget within the statutory timelines established by Education Code Section 47604.33. Charter school budgets are not static; the estimated revenues, expenses and ending balances can change throughout the year because of items such as the state budget, enrollment and ADA, changes in personnel, and any negotiated settlements of employee bargaining agreements.

Budget development is a detailed process that often begins as early as January of the preceding fiscal year. During budget development, position control is revised and updated, revenues and expenses are estimated, and charters align their budget with their Local Control and Accountability Plan (LCAP), which prior-

itizes each charter's goals and the actions to achieve those goals. Effective budget development includes the use of a budget calendar so each staff member involved in the process knows the various deadlines and can meet them.

Interviews and available documentation indicate that Griffin Technology Academies does not use a budget development calendar containing descriptions of budget tasks, along with dates by which those tasks should occur. It would benefit the CMO to have a detailed calendar that includes these functions, such as updating the position control system, LCAP timelines, interim reporting tasks and deadlines, and purchasing cutoff dates. Such a schedule should include the staff member responsible for each task as well as the required deadline.

The CMO's assistant superintendent/CBO (or CFO, as proposed) has primary responsibility for and oversight of the budget development process. The assistant superintendent/CBO (or CFO, as proposed) should create and/or oversee the enrollment projections for each charter school and use this information to prepare revenue projections for each charter. These projections should then be provided to the site and department managers, including the current year budget and allocations for the upcoming year. It should also include current year-to-date expenditures and encumbrances and/or prior year actual expenditures. This information is a helpful guideline and tool for site and department managers to have when developing their budget projections.

In addition to the budget development worksheets, site and department managers should be provided with a position control report that includes a list of all employees charged to their respective budgets. The report should include each employee's name, position, hours per day, and the funding source for the position. This report should be provided to sites and departments at budget development and at each interim reporting period. Site and department managers should review the report for accuracy and immediately report any inconsistencies to the assistant superintendent/CBO (or CFO, as proposed) and/or Employee Management at the CMO. This process helps to verify the data used to develop and maintain position control, which, in turn, affects the budget reports.

School administrators at each charter should be an integral part of budget development and monitoring at each reporting period and throughout the year. These key individuals should be the most knowledgeable regarding the budgetary needs of their schools and sites and can provide valuable information regarding any necessary budget adjustments. Business office staff should meet with the charter school principals each spring to review enrollment and staffing projections and preliminary budget allocations for the upcoming year. Interviews indicated that charter school administrators are not regularly provided with budget reports or information unless specifically requested.

After budget development is completed, the required reporting forms should be prepared. Those forms and a budget narrative should be included in the board agenda materials, and the assistant superintendent/CBO (or CFO, as proposed) should prepare a presentation for the board meeting. Similar documents should also be provided to the board at each interim reporting period. FCMAT's review of the CMO's 2021-22 adopted budget documents did not indicate whether any narrative and detailed assumptions were presented to the board; however, basic fiscal assumptions, such as cost-of-living adjustments (COLAs) and average daily attendance (ADA) projections, were included in the summary. All key assumptions used for each financial reporting period should be included in a narrative document that is clear to all those affected.

Documentation provided by the CMO, as well as staff and consultant interviews, indicated that budget revisions have not been completed regularly throughout the year. Revisions should follow a standard request procedure and should be recorded at least at each reporting period, and ideally monthly. At the time of fieldwork, the budget process was handled strictly by the assistant superintendent/CBO, with assistance from the fiscal consultants. Interviews did not indicate any considerable involvement from other supporting staff members or sites.

Interviews also indicated that salaries and benefits are not encumbered in the AptaFund system. It is critical that all salaries and benefits be encumbered to avoid any overspending of budgeted funds. The implementation of the Escape financial system will allow for salary and benefit encumbrances; however, this would likely need to be recorded manually if the third-party payroll processor continues to handle most payroll functions. Without the encumbrances, funds that are needed for employee compensation costs may otherwise be inadvertently redirected during the year, leaving the CMO with insufficient funds to meet payroll obligations.

A best practice is to monitor budgets regularly during the year to ensure revenues received are not materially different than budgeted revenue, and that appropriations are not overspent. It is therefore important that the CMO record all revenue upon receipt, rather than only at the various fiscal reporting periods.

Documentation and interviews indicated that the site staff at each charter are not trained on effective budget monitoring techniques, although they are provided with a monthly budget report for review. Site staff responsible for monitoring and maintaining each site budget should receive training in how to review the reports, as well as how to run reports in the financial system whenever necessary, and without assistance from the CMO. This will allow more frequent and effective monitoring of budgets, and permit a more proactive approach in identifying the need for budget adjustments. The ongoing implementation of the Escape financial system should be used to initiate training and process improvements.

Recommendations

The CMO should:

1. Develop a budget calendar that includes all budget development and interim reporting tasks, and the due date and employee or department responsible for completing each task. Distribute the budget calendar to all who are responsible for completing the listed tasks, including the site administrator each charter school.
2. Include current year and historical expenditure information on the budget development worksheets provided to site and department managers.
3. Provide all key assumptions used at each financial reporting period in a narrative document for the governing board and charter school stakeholders.
4. Monitor all budgets regularly and closely throughout the year to ensure accounts do not exceed the budget, and make adjusting entries in a timely manner.
5. Provide budget-to-actual reports monthly to the governing board to strengthen budget monitoring.
6. Encumber all salaries and benefits in the CMO's financial system at the beginning of each fiscal year, and ensure the encumbrances remain accurate throughout the year.
7. As the school year progresses, provide all charter sites with the remainder of their total budget allocation available when various supporting data, such as student enrollment, becomes available.
8. Provide training to all staff involved in budget development and monitoring, including site administrators. Consider conducting budget study sessions with the governing board so they may gain a better understanding of the budget and financial condition of the four charter schools and CMO.

Position Control

One of the most critical elements in budgeting for expenditures is accurately projecting employee salary and benefit costs. These costs are the largest part of a typical school's unrestricted general fund budget. To ensure accuracy in budgeting, an effective position control system is necessary.

Position control is a system of tracking information based on positions rather than employees. It is a framework of positions for all jobs in the organization regardless of whether there is an incumbent in a specific position. Position control includes the creation, maintenance, and monitoring of positions and the budgets for them. In school districts and charter schools, position control should be managed collaboratively between the Human Resources and Business Services departments.

A reliable position control system establishes positions by site or department and helps prevent overstaffing. To be effective, the position control system must be integrated with other financial modules such as budget and payroll. Position control functions must also be separated to ensure proper internal controls. The controls must ensure that only board-authorized positions are entered in the system, that Human Resources hires only employees for authorized positions, and that payroll pays only employees hired for authorized positions. The proper separation of duties is a key factor in creating strong internal controls and a reliable position control system.

As noted above, position control is normally divided between the Business Services and Human Resources departments, and no one individual holds a position with position control as its primary definition/function. Currently, the position control system in use by the CMO consists of a spreadsheet maintained by the assistant superintendent/CBO. At the time of FCMAT's fieldwork, there was no involvement from the Employee Management Department in position control, although this was partly due to a new employee who had not yet received training on proper processes and procedures. Interviews indicated that position control was previously maintained by the director of fiscal services, but this position was vacant during FCMAT's fieldwork. FCMAT recommends that position control oversight and monitoring be handled primarily by the CFO position, as proposed.

During recent reporting periods, the financial consultants compared positions on the position control spreadsheet to budgeted positions and found them to be accurate. However, interviews indicated that a regular reconciliation of the position control spreadsheet to payroll and the budgeted positions is not occurring. Such a reconciliation should be done at least at budget adoption and the interim reporting periods, and ideally performed monthly.

Strong internal controls help ensure efficient operations, reliable financial information and legal compliance. They also help protect the organization from material weaknesses, serious errors and fraud. These controls should be part of any position control system. The following table provides a suggested distribution of labor between the Business Services and Human Resources departments to help provide the necessary internal control structure for position control.

Task	Responsibility
Approve or authorize position	Governing Board
Enter approved position into position control, with estimated salary/budget. Each position is given a unique number.	Business Services department
Enter demographic data in the main demographic screen, including: Employee name Employee address Social Security number Credential (if applicable) Classification Salary schedule placement Annual review of employee assignment	Human Resources department
Update employee benefits	Business Services or Human Resources department
Update employee step and/or column placements Review and update employee work calendars	Human Resources department
Annually review and update salary schedules. This may need to be completed more frequently such as in the case of collective bargaining settlements.	Business Services department
Account codes Budget development Budget projection Multiyear projections Salary projections	Business Services department

FCMAT was not provided with any position control procedures or forms in use by the CMO, although interviews indicated the process was under development. Following board approval of any new or replacement position, the CMO should use a Personnel Requisition/Authorization form for employee actions, such as adding a new position, staffing replacements, changes in funding, etc. Such a form should include a position control number unique to each position to avoid overhiring.

The CMO is implementing the Escape financial system, which includes a position control module. Assuming the module is implemented and used by the CMO, it could replace the existing spreadsheet and provide a more seamless and accurate connection to both payroll and the budgets of each charter school. The current, manual process of compiling and maintaining a spreadsheet leaves the CMO vulnerable to inaccuracies, especially when the spreadsheet is maintained by one position. A comprehensive position control system, connected to both budget and payroll, maintains key information in a centralized manner, and includes health and welfare benefit costs, as well as for substitutes, overtime and extra duty pay. The cumbersome manual process to produce and maintain the CMO's position control spreadsheet, and subsequently use it to obtain budgetary data, is less efficient and accurate than a fully functioning position control system in which data is updated regularly as position changes are made, and which users can query the system to obtain necessary information quickly. Additionally, it allows for a more efficient process to reconcile position control, budget and payroll. Such a process is necessary to ensure that the information produced for budget development, interim reports, multiyear projections and payroll is reliable and accurate.

Recommendations

The CMO should:

1. Establish a process to coordinate the input, updating and reconciling of the position control system between Human Resources and Business Services.
2. Implement Escape's position control system that integrates budgeting, payroll and Human Resources with position control, reducing the potential for inaccuracies and improving

- position control efficiency. Consider using outside consultants or Escape Technology for the initial system setup to reduce the burden on CMO office staff and ensure the system is properly designed to meet the needs of the CMO and its four charter schools.
3. Ensure that the position control module is reconciled at least at adopted budget and the interim reporting periods, and ideally monthly.
 4. Review and revise job descriptions and reassign duties as necessary to establish adequate internal controls to maintain the position control system.

Internal Controls

Internal controls are the foundation of sound financial management and allow organizations to fulfill their mission while helping to ensure efficient operations, reliable financial information, and legal compliance. To build an effective internal control structure, organizations should apply basic concepts and procedures to support transactions and reporting processes including, but not limited to, the following:

- System of checks and balances - Formal procedures should be implemented to initiate, approve, execute, record, and reconcile transactions. The procedures should identify the employee responsible for each step and the time for completion. Key areas of checks and balances include accounts payable, purchasing, cash receipts, and payroll.
- Separation of duties - Adequate internal accounting procedures should be implemented, and necessary changes made to separate job duties and protect the organization's assets. No single employee should handle a transaction from initiation to reconciliation or have custody of an asset (such as cash or inventory) and maintain the records of related transactions.
- Staff cross-training - More than one employee should be able to perform each job. All staff members should be required to use accrued vacation time, and another staff member should be able to perform those duties. Inadequate cross-training is a common problem, even in larger organizations.
- Use of prenumbered documents - Checks, sales and cash receipts, purchase orders, receiving reports, and event tickets should be preprinted. Physical controls should be maintained over check stock, cash, receipt books, and tickets. It is not sufficient to simply use prenumbered documents; a log of the documents and numbers should be maintained, and reconciliations performed periodically.
- Asset security - Cash should be deposited according to adopted procedures (at least weekly), computer equipment secured, and access to supplies/stores, food stock, tools, and gasoline restricted to designated employees.
- Timely reconciliations - An employee not involved in the original transaction and recording process should reconcile bank statements and account balances monthly. For example, the employee who reconciles the revolving checking account should not maintain the check stock.

As detailed in the following sections of this report, the CMO lacks many of the elements needed to create and sustain a strong system of internal controls. The continuing lack of 1) expertise and stability in fiscal services staff and leadership, 2) adequate fiscal policies and procedures, and 3) effective internal controls to detect errors and prevent fraud, places the organization and its charter schools at risk for significant negative consequences up to and including revocation or non-renewal by the authorizing district and/or closure due to financial failure.

Accounts Payable

Accounts payable is the business function for accurately tracking amounts owed to vendors, ensuring vendor payments are properly approved, and processing timely vendor payments. The accounts payable process originates when a purchase is made to obtain supplies or services from a vendor. Due to the nature and volume of the work, accounts payable and purchasing functions are at high risk for fraud. Effective accounts payable processes and procedures include activities to ensure that only legitimate and accurate invoices are authorized and paid in a timely manner.

Accounts Payable Staffing

The CMO's account specialist job description describes one of the position's primary functions as performing accounts payable activities. Specifically, the job description includes the following related duties:

- Verify purchase requisitions for budgeted appropriation prior to purchase.
- Receive, sort, match, and file invoices and purchase orders in preparation for payment.
- Process purchase requisitions and payments to vendors.
- Prepare and verify coding on accounts payable invoices against budget.
- Submit accounts payable invoices through accounting software and revolving checking accounts.
- Maintain and monitor the revolving cash fund account; write checks and prepare recap sheets.
- Issue purchase orders against budget.
- Track purchase orders through payment cycle.
- Maintain vendor files.

Interviews and further assignment documentation indicates the two account specialists split accounts payable duties according to vendor name and school site. In addition, each position is designated as the lead for specific activities, such as credit card payments and positive pay*, with the other position acting as the back-up.

* Positive pay is a fraud prevention system offered by most commercial banks to clients to protect them against forged, altered, and counterfeit checks. Banks use positive pay to match the checks an organization issues with those presented for payment.

The director of fiscal services job description includes language providing for the review of all purchase requisitions for budget classification and fund balance.

In general, FCMAT found the job descriptions in the Fiscal Services department insufficient to define essential accounts payable functions. Examples of missing essential duties include 1099 form preparation and processing, Employment Development Department (EDD) independent contractor reporting, Department of Industrial Relations (DIR) contract reporting, and payment reviews and approvals according to board-adopted fiscal policies and procedures.

Purchasing and Bidding

The organization's current size does not support a dedicated purchasing department; therefore, all purchasing responsibilities are decentralized throughout the organization. Employees are responsible for determining the items and services needed and researching related pricing, terms, and conditions for purchase. The CMO did not provide FCMAT with any policies, procedures, or documentation guiding employees on

purchasing requirements. Consequently, FCMAT could not adequately evaluate its processes and procedures to make specific recommendations for improvements.

Staff interviews indicated the CMO uses a purchase order process to organize, authorize, and fulfill its purchasing function. After finalizing the details of a purchase, employees complete a paper purchase order form, which is signed by the employee, employee's supervisor, the superintendent or assistant superintendent/CBO, and director of fiscal services. The information is then entered into the Aptafund financial system as a purchase requisition for additional review by the Fiscal Services department to generate a purchase order and initiate the transaction with the vendor. At the time of FCMAT's fieldwork, the CMO reported it had started to transition away from the paper process to the system's electronic routing for purchase requisition approvals.

Employees complete an Employee Expense/Mileage Claim form for mileage and expense reimbursements, which is signed by the employee, employee's supervisor, Superintendent / assistant superintendent/CBO, and director of fiscal services. FCMAT noted the form was last revised in August 2020, and therefore had not been updated with the most current IRS mileage reimbursement rate.

Accounts Payable Process

The two account technicians process invoices for payments approximately once a week in the Aptafund system. Payments are organized into batches. Detailed information on each batch, such as the vendor name, payment amount, and funding account(s), are exported into a spreadsheet from the Aptafund system and provided to the assistant superintendent/CBO for review and approval. Payments are approved and posted in Aptafund when check printing starts and checks are printed with electronic signatures. The account specialists prepare and deliver payment checks to the post office for mailing. Finally, the governing board approves check payments monthly via a consent agenda item at its regular meetings.

Although the Aptafund system has user-defined roles supporting separation of duties in every functional area, interviews indicated the two account technicians can process every step of a purchase in the system, from creating a vendor, to processing a purchase order, and ultimately approving, printing, and mailing a payment. The organization's compensating control consists of creating a spreadsheet for the assistant superintendent/CBO's review and approval. However, this process is weak, and could easily be manipulated to allow for fraudulent payments.

Petty Cash and Credit Cards

Staff interviews indicated the CMO maintains a petty cash account at each school site and the CMO. Petty cash accounts usually provide a small amount of readily accessible money (between \$100 and \$500) for paying small expenses such as office supplies, postage, and reimbursing an employee for small work-related expenses. The use of petty cash can circumvent internal controls; without proper policies and procedures, it is vulnerable to theft and misuse, and needs to be monitored closely and reconciled often (at least monthly).

The use and acceptance of credit cards has virtually eliminated the need for petty cash in most local educational agencies (LEAs). Staff interviews indicated all management positions and some clerical positions have been issued a credit card for purchasing.

The CMO could not provide FCMAT with any documented policies and procedures for its petty cash or credit card use.

Year-End Closing

At the end of each fiscal year, the organization should review all outstanding purchase orders in the financial system to determine if goods or services were received or provided by June 30. Purchases received or provided by that date should be posted as an accounts payable liability item in that fiscal year's unaudited financial statements. During the next year, as those items are paid, entries should reduce the accounts payable balances to avoid duplicate expense items in multiple years. In addition, all balance sheet liability accounts should be reconciled at least at each interim reporting period and at year-end close.

FCMAT requested the balance sheet accounts for each charter school and the CMO for the periods ending June 30, 2021, and October 31, 2021 (the period coinciding with the 2021-22 first interim reporting period). The CMO did not produce a separate balance sheet account statement for each charter school in the Aptafund system due to the structure of its chart of accounts. The combined reports provided show several accounts payable liability account balances, such as accrued salaries for summer pay, direct deposit, state disability, federal withholdings, state unemployment insurance, and Medicare/OASDI, did not change from the period ending June 30, 2021 to the period ending October 31, 2021. This indicates the organization had not fully reconciled its accounts payable balances by the end of the first interim reporting period.

The CMO lacks policies and procedures to support its year-end closing processes, including the use of a purchase order cutoff date. Most LEAs establish a cutoff date for all purchases charged against the current year budget. The reasons for this deadline are as follows:

1. To ensure goods and services are received in the current fiscal year (before June 30) if paid from current year funds.
2. To ensure accurate ending fund balance estimates for use in budget development for the subsequent fiscal year.
3. To reduce the number of payables created during the year-end close process to facilitate a timely and accurate closing.

The CMO's current lack of sound internal controls, including separation of duties, adequate policies and procedures, staff cross-training, and timely reconciliations relating to accounts payable and purchasing activities, increases the organization's risk for material weaknesses, serious errors and fraud.

Recommendations

The CMO should:

1. Revise the Fiscal Services job descriptions to include all accounts payable duties as applicable. Ensure essential duties are assigned so they support a strong system of internal controls, including separation of duties and supervision of work.
2. Develop detailed policies and procedures to support the organization's accounts payable functions so they ensure the CMO and its charter schools are protected from material weaknesses, serious errors, and fraud, including, but not limited to, the following:
 - a. Segregate duties to create, review, approve, print, receive and distribute commercial checks so that the same employee cannot initiate, process, and mail warrants to vendors; consider using Aptafund-defined user roles to strengthen internal controls.
 - b. Establish board-approved purchasing requirements, including detailed guidance on approval limits, travel and expense reimbursements, credit card usage, new vendor creation, and independent contractor hiring.

- c. Clarify the approvals needed for various purchasing actions and the process for approval.
 - d. Provide for a credit card acceptable use policy that specifies the consequences if a cardholder violates the requirements, including prohibiting the use of organization credit cards to pay for personal expenses.
 - e. Review credit card limits periodically to determine if the limit for any position should be increased or decreased.
 - f. Provide clear guidance on the CMO's and charter school's use of petty cash. Consider eliminating petty cash use due to the prevalence of credit cards in the organization.
 - g. Ensure that purchase orders and contracts are created and approved before the purchase of goods or services, and that all employees are held accountable for following this procedure.
 - h. Ensure that the Fiscal Services Department audits all invoices, mileage, and travel and expense reimbursements. Ensure sufficient information is included with each reimbursement request, such as the employee name and business purpose of the expense, to meet IRS regulations.
 - i. Ensure that certain assets, such as check stock, are placed in a fireproof safe and removed only when needed.
 - j. Address stale-dated checks to ensure that items older than a specific number of months (but not older than a year) are investigated, resolved and removed from bank reconciliations on a timely basis.
3. Ensure that all prior year accounts payable entries are cleared in a reasonable time, typically within 90 days after the books are closed. Develop a procedure to ensure that all balance sheet liability accounts, including accounts payable balances, are reconciled at least at each interim reporting period and at year-end, and that balances are reduced to zero immediately before commencing the following year's accounts payable posting activities.
4. Continue efforts to route purchase requisitions electronically for approval in the organization's financial system to improve efficiency and accessibility.
5. Provide annual training to all school personnel involved in purchasing to ensure they follow the correct procedures in processing purchases and accounts payable transactions.
6. Assess the technical skills of the Fiscal Services Department staff and establish an ongoing training program to increase and maintain each employee's technical knowledge and expertise in accounts payable duties.
7. Create a guide of commonly used account codes, helping to standardize coding on regular purchase activities. This will help reduce coding errors and the need to generate corrective journal entries. This guide will also help establish the appropriate and consistent use of object codes.

Accounts Receivable

Accounts receivable is the business function for organizing and processing funds owed to an organization from other entities. For charter schools, activities include creating and sending invoices, collecting cash receipts, depositing receipts into bank accounts, recording deposits in the financial system, reconciling cash accounts, setting up accruals and accounts receivable, and tracking federal, state, and local payment schedules. Effective accounts receivable policies and procedures ensure revenue accounts are updated and monitored regularly to provide an accurate accounting of the assets for the four charter schools.

The CMO maintains several accounts in multiple banks and the Solano County Treasury (to organize and process funds for its charter schools). Specifically, the organization maintains one bank account to process all operating payments (including payroll and vendor payments), one bank account to manage Proposition 51 construction funds, one bank account to process ASB transactions, and five separate accounts in the county treasury to receive state and federal apportionments and process California State Teachers' Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS) payments (one for each charter school and one for the CMO). Most of the organization's funds are held in the county treasury, and the CMO periodically transfers funds from those accounts to its primary operating account to cover day-to-day operating cash needs.

Accounts Receivable Staffing

Even in a small organization with limited staffing, adequate separation of duties and oversight of essential functions are key factors in creating a strong internal control system. FCMAT reviewed job descriptions for the Fiscal Services Department to determine the positions responsible for accounts receivable activities and found them insufficient to define essential duties relating to accounts receivable functions; only the account specialist job description (dated May 19, 2021, and marked as "Draft") included any accounts receivable duties, specifically the following:

- Receive cash from students/others, prepare daily cash count sheets, make bank deposits, and complete entry level accounting tasks such as inputting data, ordering, and filing.

The director of fiscal services job description (dated October 21, 2021, and marked as "pending BOD [board of directors] approval") includes language regarding the monthly reconciliation of county revenue and expenditure reports. This position was vacant during FCMAT's fieldwork. Interviews suggested this position had been responsible for all other accounts receivable activities, including bank account reconciliations.

Bank Account Reconciliations

Bank account reconciliations are an essential internal control to prevent and detect errors and fraud. A sound internal control structure would include a procedure that bank statements and account balances are reconciled monthly by a person independent from the original transaction and recording process. That process should also identify the person performing the reconciliation and the person reviewing the work, along with their respective signatures, and date the work was completed on the reconciliation documentation.

FCMAT requested a copy of a bank statement and reconciliation for all the organization's accounts, including the county treasury accounts. The CMO provided a statement for each account, but only a copy of the September 2021 operating account reconciliation. FCMAT's review of that reconciliation found it was incomplete, with an unreconciled balance of \$289,152. In addition, the CMO did not provide any documentation regarding who completed and reviewed the work.

Cash Receipts Procedures

Interviews indicated cash and checks are collected at school sites for student activities. The best practice would be to have sites perform a dual cash count, meaning two people are present, with each counting the cash and reconciling any differences. The organization's Cash Count Receipt form showing coins, dollars, and checks received should be completed and signed by the two people who counted the funds. Copies of any checks received should be made and filed with the deposit's supporting documentation at the CMO. All cash and checks pending deposit should be kept in a sealed, tamper-proof deposit bag with a deposit slip reconciling to the form, and locked in a safe at the school site (or CMO) until transported to the bank by an armored car (preferred) or by two staff members. This should occur at least weekly, depending on the volume and frequency of cash collections.

Although the job description indicated the account specialists were responsible for making bank deposits, interviews indicated school site staff had been allowed and/or directed to make their own bank deposits and received little or no training on proper cash handling procedures. One staff member reported a cash deposit that had been taken home and not yet deposited at the bank, providing FCMAT with supporting visual evidence of the deposit during the interview.

In October 2021, the governing board adopted a comprehensive policy for student organizations (ASBs), including a provision that "management of student funds be in accordance with sound business practices, including budgetary and accounting procedures." FCMAT requested a copy of the fiscal policies and procedures supporting its business practices, but none were provided. Interviews indicated these remain under development.

Year-End Closing

At the end of each fiscal year, the organization should review its revenue accounts to determine if funds are outstanding that need to be posted to accounts receivable in that fiscal year's unaudited financial statements. During the following year, as those funds are received, entries should be made to reduce the accounts receivable balances to zero before beginning the following year's closing activities. Due to the lack of supporting documentation and limited knowledge of the Fiscal Services staff employed during FCMAT's fieldwork, FCMAT could not determine and evaluate the CMO's accounts receivable practices. At a minimum, accounts receivable balances should be reconciled at each interim reporting period and at year-end close and should be at or near zero within 90 days of the closing process.

FCMAT requested the balance sheet accounts for each charter school and the CMO for the periods ending June 30, 2021 and October 31, 2021. The CMO did not produce a separate balance sheet account statement for each charter school in the Aptafund system due to the structure of its chart of accounts. However, per the combined reports provided, the total accounts receivable asset balance for the CMO and its charter schools for the period ending June 30, 2021, was \$4,489,641. The balance sheet provided for the period ending October 31, 2021, which coincides with the 2021-22 first interim reporting period, showed a total accounts receivable asset balance of \$913,677, indicating the organization had not fully reconciled its accounts receivable balances by the end of the first interim reporting period.

Both the 2018-19 and 2019-20 audit reports included several findings related to material weaknesses in internal controls, including those relating to year-end closing. According to the 2019-20 audit report, the organization did not prepare period ending reconciliations on its major general ledger accounts and lacked adequate accounting policies and procedures to ensure financial records and statements were prepared and maintained in accordance with Generally Accepted Accounting Principles (GAAP). These weaknesses resulted in delays in completing the organization's unaudited actual financial statements for the 2018-19 and 2019-20 fiscal years. Consequently, the authorizing district issued related notices of concerns, and the

organization submitted both the 2018-19 and 2019-20 audit reports after the statutory deadlines. The CMO indicated these findings were the result of turnover of key personnel and lack of staff training and knowledge.

FCMAT's review did not identify substantial evidence to suggest the organization had implemented any corrective actions to mitigate the audit findings at the time of the study. The CMO has continued to experience significant turnover in key personnel, having filled all management positions as recently as the current year. In addition, the organization did not complete its 2020-21 unaudited actual financial statements by the September 15 statutory deadline.

The continuing lack of expertise and stability in fiscal services staff and leadership, adequate fiscal policies and procedures, and effective internal controls to detect errors and prevent fraud, places the organization and its charter schools at risk for significant negative consequences up to and including revocation or non-renewal by the authorizing district and/or closure due to financial failure.

Recommendations

The CMO should:

1. Revise Fiscal Services job descriptions to include all accounts receivable duties as applicable. Ensure essential duties are assigned so they support a robust system of internal controls, including separation of duties and supervision of work. The following activities should be defined in the department job descriptions. Suggested positions are noted in parentheses below.
 - a. Counting cash (account specialist/school site staff).
 - b. Preparing bank deposits; making deposits at the bank and/or county treasury (account specialist).
 - c. Recording bank deposits in the financial system (senior accountant/analyst, as proposed).
 - d. Reconciling and reviewing bank and county treasury accounts monthly (senior accountant/analyst or CFO, as proposed).
 - e. Preparing and reviewing income statement activity monthly (senior accountant/analyst or CFO, as proposed).
 - f. Presenting income, balance sheet, and cash flow statements for each charter school and the CMO to the governing board for review and approval monthly (CFO, as proposed).
 - g. Monitoring state, federal, and local payment schedules; preparing and updating cash flow projections accordingly (senior accountant/analyst, as proposed).
 - h. Creating accounts in the financial system to record revenues accurately (senior accountant/analyst, as proposed).
 - i. Processing journal entries to record receipts and revenues accurately (account specialist or senior accountant/analyst, as proposed).
 - j. Reviewing and approving journal entries to record receipts and revenues accurately (senior accountant/analyst and/or CFO, as proposed).
 - k. Creating, reviewing, and sending invoices to outside parties for payment (account specialist or senior accountant/analyst, as proposed).
 - l. Creating and clearing accruals and accounts receivables (senior accountant/analyst, as

- proposed).
- m. Training school site staff on proper cash handling procedures (CFO, as proposed).
 - n. Preparing and approving cash transfers from the county treasury to bank accounts (senior accountant/analyst or CFO, as proposed).
 - o. Preparing and maintaining policies and procedures for accounts receivable activities (CFO, as proposed and/or governing board)
 - p. Reviewing and approving all accounts receivable activities (senior accountant/analyst or CFO, as proposed).
2. Develop detailed policies and procedures to support the organization's accounts receivable functions to ensure financial records and statements are prepared and maintained in accordance with GAAP, including but not limited to, the following:
- a. Implement a system of checks and balances to ensure no single employee handles a transaction from initiation to reconciliation, and no single employee has custody of an asset and maintains the records for the related transactions.
 - b. Establish how bank accounts are opened and closed, and who is authorized to sign checks and process electronic fund transfers on behalf of the organization and its charter schools.
 - c. Create and implement cash collection and deposit procedures, including requirements that cash be secured in a fireproof safe until safely transported and deposited with a banking institution at least weekly. Establish a frequency, such as weekly, at which deposits are made regardless of any established timelines for deposit. Ensure that two people always count cash, that those performing the cash count document on a form the coins, bills and checks collected with two signatures, and that cash is placed in a sealed, tamper-proof bank bag. Ensure processes for deposits include copies of any checks received so the organization has a complete record of all items included in its deposits.
 - d. Support a monthly, quarterly, and year-end closing process to provide accurate and timely financial reporting to the governing board, authorizing school district, and other interested parties. Ensure the financial system reflects up-to-date accurate information in real time, including all revenue postings, for each charter school and the CMO.
 - e. Ensure bank reconciliations are done monthly for all accounts, including those in the county treasury, preferably within two weeks of the statement date or at the end of each month, and that any discrepancies between the general ledger and bank account balance are investigated thoroughly. Create and use a reconciliation form to document the work's completion, review, and approval, including the printed name, signature, and date the work was performed, for both the preparer and reviewer.
3. Restructure the organization's chart of accounts to ensure all budgets and accounts can be monitored and reported separately for each charter school and the CMO. Consider establishing a unique general fund for each charter school and the CMO, and use the school account code to classify spending by specific program and department (e.g., English learners, LCAP goals, math, health services, attendance, operations, specific departments, etc.).
4. Ensure that all prior year accounts receivable entries are cleared in a reasonable amount of time, typically within 90 days after the books are closed. Develop a procedure to ensure that accounts receivable account balances are at zero immediately before starting the

following year's accounts receivable posting activities. If any remaining accounts receivable entries remain for which funds have not been received, investigate whether those funds are still collectible and if they should continue to be recognized on the books. Accounts receivable balances should be tracked separately in the financial system for each charter school and the CMO.

5. Provide annual training to all school personnel who handle receipts to ensure they follow correct procedures in processing accounts receivable transactions.
6. Assess the technical skills of the Fiscal Services department staff and establish an ongoing training program to increase and maintain each employee's technical knowledge and expertise in accounts receivable duties.

Payroll

Compensating employees accurately and on time for their skills and contributions to an organization is one of the most important factors influencing employee morale and demonstrating accountability and trust in the employee/employer relationship. Duties that carry a high level of responsibility, such as payroll, should be conducted by trained and experienced professionals. The payroll function includes the following activities:

- Establishing a payroll calendar with pay periods, pay dates, and deadlines for processing.
- Reviewing employee time cards and work calendars to ensure pay is accurate.
- Entering and auditing employee work hours and pay in the payroll system.
- Recording and monitoring employee leave balances.
- Processing wage garnishments and other employee/employer deductions.
- Paying and reporting state and federal payroll taxes.
- Distributing payroll checks and processing direct deposit files with a banking institution.
- Calculating and processing STRS and PERS payments and reports.
- Preparing W-2 and 1095 forms.
- Assisting employees with payroll-related inquiries.

Griffin Technology Academies pays approximately 100 employees at its four charter schools and the CMO twice a month (on or around the 5th and 20th day of each month). The official employer for all employees is Mare Island Technology Academy.

Third-Party Provider

The CMO's financial system, Aptafund, is a fully integrated financial and human resources (HR) system with both payroll and position control function. However, the organization does not use the system for HR or payroll purposes. Instead, the CMO contracts with a third-party provider, Paycom, for online payroll and HR software solutions. Although using outside parties to perform day-to-day business operations is common practice for many charter schools, the organization is still responsible for ensuring payroll processing is complete, accurate, and timely, and for responding to employee inquiries regarding payroll issues.

FCMAT could not properly evaluate the CMO's payroll processes and procedures to make specific recommendations for improvements due to a lack of supporting documentation and knowledge in the organization.

Payroll Staffing

FCMAT reviewed job descriptions for the business services department and noted the HR coordinator is the only position with documented payroll-related responsibilities. The job description (dated August 11, 2009) includes the following duties:

- Prepares necessary paperwork (Personnel Action Form) to establish new employees on payroll, including substitute and student employees; verify appropriate salary level for classified and certificated personnel, including increment and/or longevity; code personnel forms according to established procedures.
- Notifies payroll of changes in personnel status affecting salaries; processes timesheets for payroll weekly.
- Monitors leaves of absences; notifies supervisors as required.

At the time of FCMAT's review, the HR coordinator position had been recently vacated and a replacement had assumed the position several days prior to fieldwork. Staff interviews and other documentation on job responsibilities indicated one of the two account specialists had recently assumed payroll responsibilities due to the turnover in the HR coordinator position. As noted, the account specialist job description (dated May 19, 2021, and marked as "Draft") did not include any essential duties relating to payroll.

The account specialist designated as the "lead payroll specialist" was new to the organization and had no expertise or significant payroll experience. This individual also received no training before assuming the duties, other than spending a few hours with the prior HR coordinator and reviewing training materials available online from the third-party provider.

Adequate separation of duties, staff cross-training, and oversight of essential functions such as payroll are key factors in creating a strong internal control system. Based on the limited information available to FCMAT, employees appeared to enter time and attendance directly into Paycom's employee service portal. The HR coordinator position had been responsible for reviewing, approving, and coordinating all payroll processing with Paycom. This coordinator also completed all necessary data entry relating to new and current employees and their respective pay in the Paycom system, as well as recording employee enrollments in benefit programs, and the organization's STRS and PERS retirement reporting. FCMAT received no information to support the existence of any compensating internal controls in payroll processing.

Payroll errors can be costly for both the organization and its employees. The severe lack of payroll expertise and internal controls places the CMO at high risk of payroll errors, late payments, inaccurate accounting, and potential fraud resulting from a lack of checks and balances, separation of duties, and staff cross-training.

Recommendations

The CMO should:

1. Revise job descriptions in Fiscal Services and Employee Management to include all payroll duties as applicable. Ensure essential duties are assigned so they support a robust system of internal controls, including separation of duties and supervision of work. The following

activities should be defined in the department job descriptions. Suggested positions are noted in parentheses below.

- a. Establishing a payroll calendar, with pay periods, pay dates, and related deadlines for processing (CFO, as proposed).
 - b. Establishing a work year calendar for each position; issuing annual employment contracts; verifying annual salary schedule placement and pay rates (Employee Management).
 - c. Reviewing employee timecards and work calendars to ensure pay is accurate (department direct supervisors/managers).
 - d. Entering and auditing employee work hours and pay in the payroll system (account specialist).
 - e. Recording and monitoring employee leave balances (Employee Management).
 - f. Processing wage garnishments and other employee/employer deductions (account specialist).
 - g. Paying and reporting state and federal payroll taxes (senior accountant/analyst, as proposed).
 - h. Distributing payroll checks; processing direct deposit files with the applicable banking institution (senior accountant/analyst, as proposed).
 - i. Completing positive pay reporting and verification procedures with banking institution (account specialist).
 - j. Processing payroll liability payments (e.g., garnishments, voluntary benefits, 403b contributions, union dues, etc.) (account specialist).
 - k. Calculating and processing STRS and PERS payments and reports (senior accountant/analyst, as proposed).
 - l. Preparing W-2 and 1095 forms (senior accountant/analyst, as proposed).
 - m. Recording payroll-related journal entries in the financial system (senior accountant/analyst, as proposed).
 - n. Assisting employees with payroll-related inquiries (account specialist).
 - o. Enrolling and auditing employees in benefit programs (Employee Management).
 - p. Reconciling benefit program billings (Employee Management).
 - q. Processing benefit program billing payments (account specialist).
 - r. Reviewing and approving all payroll activities (CFO, as proposed).
2. Establish detailed policies and procedures to clearly define the distribution of responsibilities and accountability for payroll processing between the organization and its third-party provider. Include procedures to ensure that if the organization makes an error on employee payroll, a corrected payment is made as soon as possible but no later than five working days following discovery of the error.

3. Provide annual training to all department staff who complete and review timesheets, extra work agreements or any other monthly payroll-related documents. Focus on compliance, procedural requirements, and the application of information provided in the payroll process.
4. Establish a payroll user guide for internal department use; specify document needs, audit processes, and input guidelines. Use this guide to help enable a smooth transition when staff change positions, and to assist in cross-training between positions.
5. Assess the technical skills of the staff in the Fiscal Services and Employee Management departments and establish an ongoing training program to increase and maintain each employee's technical knowledge and expertise in payroll duties.
6. Determine which employee is responsible for PERS and STRS reporting and provide that person with appropriate training.

Appendix

A. Study Agreement

Appendix A - Study Agreement

FCMAT

FISCAL CRISIS & MANAGEMENT
ASSISTANCE TEAM

FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM STUDY AGREEMENT September 28, 2021

The Fiscal Crisis and Management Assistance Team (FCMAT), hereinafter referred to as the team, and the Griffin Technology Academies charter management organization, hereinafter referred to as the CMO, mutually agree as follows:

1. BASIS OF AGREEMENT

The team provides a variety of services to local education agencies (LEAs). The CMO has requested that the team assign professionals to study specific aspects of the CMO's operations. These professionals may include staff of the team, county offices of education, the California State Department of Education, school districts, or private contractors. All work shall be performed in accordance with the terms and conditions of this agreement.

In keeping with the provisions of Assembly Bill 1200, the county superintendent will be notified of this agreement between the CMO and FCMAT and will receive a copy of the final report. The final report will also be published on the FCMAT website.

2. SCOPE OF THE WORK

A. Scope and Objectives of the Study

1. Conduct an organizational and staffing review of the CMO's Business Services Division, and make recommendations for improvement, if any.
2. Review operational processes and procedures in the CMO's Business Services Division and make recommendations for improved efficiency, if any, in the following areas:
 - Budget development
 - Budget monitoring
 - Position control
 - Accounts payable
 - Accounts receivable
 - Payroll

B. Services and Products to be Provided

1. Orientation Meeting – The team will conduct an orientation session at the CMO to brief CMO management and supervisory personnel on the team's procedures and the purpose and schedule of the study.
2. On-site Review – The team will conduct an on-site review at the CMO office and at school sites if necessary.

3. Exit Meeting – The team will hold an exit meeting at the conclusion of the on-site review to inform the CMO of significant findings and recommendations to that point.
4. Exit Letter – Approximately 10 days after the exit meeting, the team will issue an exit letter briefly memorializing the topics discussed in the exit meeting.
5. Draft Report – Electronic copies of a preliminary draft report will be delivered to the CMO’s administration for review and comment.
6. Final Report – Electronic copies of the final report will be delivered to the CMO’s administration and to the county superintendent following completion of the review. Printed copies are available from FCMAT upon request.
7. Follow-Up Support – If requested by the CMO within six to 12 months after completion of the study, FCMAT will return to the CMO at no cost to assess the CMO’s progress in implementing the recommendations included in the report. Progress in implementing the recommendations will be documented to the CMO in a FCMAT management letter. FCMAT will work with the CMO on a mutually convenient time to return for follow-up support that is no sooner than eight months and no later than 18 months after completion of the study.

3. **PROJECT PERSONNEL**

The FCMAT study team may include:

- | | |
|----------------------------|-------------------------|
| <i>A. To Be Determined</i> | <i>FCMAT Staff</i> |
| <i>B. To Be Determined</i> | <i>FCMAT Consultant</i> |

4. **PROJECT COSTS**

The cost for studies requested pursuant to Education Code (EC) 42127.8(d)(1) shall be as follows:

- A. \$800 per day for each staff member while on site, conducting fieldwork at other locations, preparing or presenting reports, or participating in meetings. The cost of independent FCMAT consultants will be billed at their actual daily rate for all work performed.
- B. All out-of-pocket expenses, including travel, meals and lodging.
- C. The CMO will be invoiced at actual costs, with 50% of the estimated cost due following the completion of the on-site review and the remaining amount due upon the CMO’s acceptance of the final report.

Based on the elements noted in section 2A, the total not-to-exceed cost of the study will be \$12,600

- D. Any change to the scope will affect the estimate of total cost.

Payments for FCMAT’s services are payable to Kern County Superintendent of Schools – Administrative Agent, located at 1300 17th Street, City Centre, Bakersfield, CA 93301.

5. RESPONSIBILITIES OF THE CMO

- A. The CMO will provide office and conference room space during on-site reviews.
- B. The CMO will provide the following if requested:
 - 1. Policies, regulations and prior reports that address the study scope.
 - 2. Current or proposed organizational charts.
 - 3. Current and two prior years' audit reports.
 - 4. Any documents requested on a supplemental list. Documents requested on the supplemental list should be provided to FCMAT only in electronic format; if only hard copies are available, they should be scanned by the CMO and sent to FCMAT in electronic format.
 - 5. Documents should be provided in advance of fieldwork; any delay in the receipt of the requested documents may affect the start date and/or completion date of the project. Upon approval of the signed study agreement, access will be provided to FCMAT's online SharePoint document repository, where the CMO will upload all requested documents.
- C. The CMO's administration will review a draft copy of the report resulting from the study. Any comments regarding the accuracy of the data presented in the report or the practicability of the recommendations will be reviewed with the team prior to completion of the final report.

Pursuant to EC 45125.1(c), representatives of FCMAT will have limited contact with pupils. The CMO shall take appropriate steps to comply with EC 45125.1(c).

6. PROJECT SCHEDULE

The following schedule outlines the planned completion dates for different phases of the study and will be established upon the receipt of a signed study agreement:

Orientation:	to be determined
Staff Interviews:	to be determined
Exit Meeting:	to be determined
Preliminary Report Submitted:	to be determined
Final Report Submitted:	to be determined
Board Presentation:	to be determined, if requested
Follow-Up Support:	if requested

7. COMMENCEMENT, TERMINATION AND COMPLETION OF WORK

FCMAT will begin work as soon as it has assembled an available and appropriate study team consisting of FCMAT staff and independent consultants, taking into consideration other jobs FCMAT has previously undertaken and assignments from the state. The team will work expeditiously to complete its work and deliver its report, subject to the cooperation of the CMO and any other parties from which, in the team's judgment, it must obtain

information. Once the team has completed its fieldwork, it will proceed to prepare a draft report and a final report. Prior to completion of fieldwork, the CMO may terminate its request for service and will be responsible for all costs incurred by FCMAT to the date of termination under Section 4 (Project Costs). If the CMO does not provide written notice of termination prior to completion of fieldwork, the team will complete its work and deliver its report and the CMO will be responsible for the full costs. The CMO understands and agrees that FCMAT is a state agency and all FCMAT reports are published on the FCMAT website and made available to interested parties in state government. In the absence of extraordinary circumstances, FCMAT will not withhold preparation, publication and distribution of a report once fieldwork has been completed, and the CMO shall not request that it do so.

8. INDEPENDENT CONTRACTOR

FCMAT is an independent contractor and is not an employee or engaged in any manner with the CMO. The manner in which FCMAT's services are rendered shall be within its sole control and discretion. FCMAT representatives are not authorized to speak for, represent, or obligate the CMO in any manner without prior express written authorization from an officer of the CMO.

9. INSURANCE

During the term of this agreement, FCMAT shall maintain liability insurance in an amount not less than \$1 million unless otherwise agreed upon in writing by the CMO, automobile liability insurance in the amount required under California state law, and workers' compensation as required under California state law. FCMAT shall provide certificates of insurance, with Griffin Technology Academies named as additional insured, indicating applicable insurance coverages upon request.

10. HOLD HARMLESS

FCMAT shall hold the CMO, its board, officers, agents and employees harmless from all suits, claims and liabilities resulting from negligent acts or omissions of its board, officers, agents and employees undertaken under this agreement. Conversely, the CMO shall hold FCMAT, its board, officers, agents and employees harmless from all suits, claims and liabilities resulting from negligent acts or omissions of its board, officers, agents and employees undertaken under this agreement.

11. COVID-19 PANDEMIC

Because of the existence of COVID-19 and the resulting shelter-at-home orders, local educational agency closures and other related considerations, at FCMAT's sole discretion, the Scope of Work, Project Costs, Responsibilities of the District (Sections I, IV and V herein) and other provisions herein may be revised. Examples of such revisions may include, but not be limited to, the following:

- A. Orientation and exit meetings, interviews and other information-gathering activities may be conducted remotely via telephone, videoconferencing, etc. References to on-site work or fieldwork shall be interpreted appropriately given the circumstances.

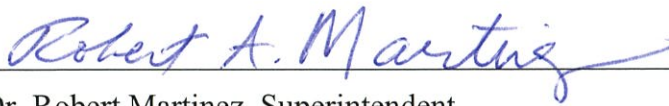
- B. Activities performed remotely that are normally performed in the field shall be billed hourly as provided as if performed in the field (excluding out-of-pocket costs).
- C. The district may be relieved of its duty to provide conference and other work area facilities for the team.

12. FORCE MAJEURE

Neither party will be liable for any failure of or delay in the performance of this study agreement due to causes beyond the reasonable control of the party, except for payment obligations by the district.

13. CONTACT PERSON

Contact: Marguerite Williams, Assistant Superintendent
Telephone: (707) 235-8238
E-mail Address: mwilliams@mitacademy.org

 9/28/21

Dr. Robert Martinez, Superintendent Date
Griffin Technology Academies

 9/29/21

Michael H. Fine Date
Chief Executive Officer
Fiscal Crisis & Management Assistance Team