SEA Webinar Series: Data Management Tools for Risk Based Monitoring
About the National Charter School Resource Center

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➤ Makes accessible high-quality resources to support the charter school sector

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Presenters

Holly Garnell
John Moore
Joanna Laghetto
Agenda

Introduction — Erin Pfeltz

Poll Question

Minnesota Department of Education CSP Grant Application: Holly Garnell

Minnesota Department of Education, Risk-Based Monitoring: John Moorse

Massachusetts Department of Education- Financial Dashboard Tool: Joanna C. Laghetto

Questions and Comments
Introduction (1 of 3)

- 2012 OIG Report on the CSP – Finding No. 2 on Subgrantee Monitoring
- New Uniform Guidance — 2 CFR 200.331
- Ensure that every subgrant is clearly identified as a subgrant and includes the required information.
- Evaluate each subgrantee’s risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subgrant for purposes of determining the appropriate subgrantee monitoring.
New Uniform Guidance — 2 CFR 200.331

➢ Consider imposing specific subgrant conditions if appropriate.

➢ Monitor the activities of the subgrantee as necessary to ensure that the subgrant is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subgrant, and that subgrant performance goals are achieved.

➢ Depending on assessment of risk, consider monitoring tools that may be useful for the entity to ensure proper accountability and compliance with program requirements and achievement of performance goals.
Introduction (3 of 3)

New Uniform Guidance — 2 CFR 200.331

- Verify that every subgrantee is audited according as required by Subpart F (Audit Requirements).
- Consider whether the results of the subgrantee audits, on-site reviews, or other monitoring indicate conditions that necessitate adjustments to the grantee’s own records.
- Consider taking enforcement action against noncompliant subgrantee.
Agenda

- Introduction — Erin Pfeltz
- **Poll Question**
- Minnesota Department of Education CSP Grant Application: Holly Garnell
- Minnesota Department of Education, Risk-Based Monitoring: John Moorse
- Massachusetts Department of Education- Financial Dashboard Tool: Joanna C. Laghetto
- Questions and Comments
Participant Poll

Do you currently use risk-based monitoring practices to monitor subgrantees in your state? *(Select the answer that best reflects your experience.)*

- a) Yes.
- b) In Development
- c) No.
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- Questions and Comments
Holly Garnell, State CSP Project Director & Charter Center Coordinator, 651-582-8362, holly.garnell@state.mn.us

Minnesota Charter Landscape: 157 charters, 19 approved to open in fall, 2015

The SEA approves authorizers – 26 approved authorizers in MN (SEA is not an authorizer)

New school developers apply to authorizers using an authorizer-specific application

SEA reviews new school affidavit submitted by authorizer
The CSP grant application includes an assurance from authorizers that the grant is aligned with the charter contract and the school is meeting preoperational outcomes.

Not every school that is approved to open receives a start-up grant.

Funding rate has historically been around 50% — observed, not required/targeted.

8 of the 19 schools approved to open next fall are funded so far (next round this spring).

Schools can open without a CSP grant, but this is challenging.
CSP Grant Monitoring — Developing Risk Indicators

The CSP project team participates in semi-monthly internal issues meetings with other MDE divisions where charter schools at risk of non-compliance in other key federal/state funding and other compliance issues are discussed. Regular attendees:

- Federal Title programs
- Food & Nutrition
- English Learners
- School Finance
- Teacher Licensure
- Special Education
CSP Grant Monitoring — Identifying Data Sources (1 of 2)

The CSP grant project requires the following data from each subgrantee -

- Detailed subgrantee expenditure report (monthly for new grantees) that includes:
  - Certification from subgrantee officials regarding accuracy of report;
  - Summary of amounts expended, remaining subgrant balance, and subgrant disbursement amount requested; and
  - Detailed data about each expenditure transaction including payee, check date and amount, and brief description of cost.
CSP Grant Monitoring — Identifying Data Sources (2 of 2)

Annual subgrant project reports including:

- Detailed CSP property inventory records in compliance with OMB Circulars (now known as Uniform Grant Guidance) and MDE CSP project guidance;
- Current board is in compliance with state and federal requirements;
- Narrative on use of CSP funds to support approved subgrant objectives; and
- Narrative on use of CSP funds to support Federal Preference Priorities.
A strong internal communications network has been developed where all MDE divisions keep the Charter Center informed regarding charter school issues, and if the charter is an active grantee, grant eligibility, payments, moving to the next phase, etc. could be impacted.

The MDE Charter Center monitors and evaluates Authorizer oversight of charter schools. Communications regarding compliance issues are typically with authorizers as they provide oversight the schools.

MDE divisions responsible for other federal funding sources (e.g. Title programs, Special Ed, Food and Nutrition) include charter schools in their risk-based monitoring.
MDE staff responsible for implementing the Regional Centers of Excellence and Statewide Systems of Support under MN’s federal accountability waiver keep the Charter Center informed when issues arise in their work with the schools, and we then engage the authorizer.

CSP project funds are monitored by means of monthly expenditure reports and desk review of source documents supporting expenditure reports at least twice during each three year CSP sub-grant period.

CSP on-site monitoring occurs once during each three year sub-grant period.
CSP Grant Monitoring – Corrective Action Requirements

Most often, issues of non-compliance specific to the charter law are communicated to the authorizer, with a request for the authorizer’s feedback on how the issues will be/are resolved. Follow up is with the authorizer.

If determined that CSP intervention is necessary, the MDE Charter Center (either by the Grants Specialist or by the Project Director) notifies the subgrantee and their authorizer of non-compliance (via email) and freezes grant payment until non-compliance issues are corrected.
CSP Grant Monitoring — Continuous Improvement Processes

MDE’s CSP project guidance handout (General Overview) is provided to all board members and key school staff at beginning of grant project.

Resources and handouts are made available to subgrantees including:

- Sub-grant on-site and webinar training;
- Property management and disposition guidance;
- Procurement and purchasing guidance;
- Conflict of interest guidance; and
- Personnel Activity Reporting guidance.
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➤ Questions and Comments
Minnesota Risk-Based Monitoring

John Moore, Director — Division of Student Support
john.moorse@state.mn.us

Overview of Selection Process
General Information (1 of 2)

- Risk factors determined after thorough consultation with Title administration.
- Process is run in September after application deadline.
- All data used is available at the agency.
- Data is imported or manually entered into an Access database for use with risk queries.
- Risk factors are always under review to accommodate changes in federal regulations and district culture.
- Access automation speeds data manipulation but monitors are always watching the results for errors and/or needed updates to analysis.
General Information Continued... (2 of 2)

- Determine district identification information
- Determine relative / fixed risk factors
- Determine variable risk factors
- Calculate risk points for each district / charter
- Determine districts to be monitored for current year
District Identification

General ID information specific to Minnesota districts
Categorized into 5 geographic areas:

1. Metro
2. North
3. Central
4. South
5. Charters (statewide)

Divided into equal three groups based on

1. Award size
2. Geographic location
3. Charger status
Relative / Fixed Risk Factors
These risk factors tend to remain relatively stable from one year to the next

- Title I award amount
- Title II award amount
- Number of public schools receiving funding
- Number of non-public schools receiving funding
Variable Fixed Risk Factors

These categories are more likely to change from one year to the next

- Application submitted on time
- Last time the district was monitored
- Waiver designation
- Number of years receiving funding (experience)
- State audit findings
Risk Calculation

- Total risk points determined for each district
- Districts and charters grouped by geographic region
- Each geographic region sorted by risk points (descending order)
Risk Analysis Factors

- Geography
- Complexity
- Cycle
- Program
- Experience
- Other MDE Internal Systems
- Risk Totals
Determine Number of Districts to be Monitored for Current Year
Proportionate Distribution

<table>
<thead>
<tr>
<th></th>
<th>TI-A Awards &gt; 0</th>
<th>Proportion</th>
<th>#/Group (A,B,C)</th>
<th>39</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charters</td>
<td>136</td>
<td>39%</td>
<td>22</td>
<td>11</td>
</tr>
<tr>
<td>Metro</td>
<td>49</td>
<td>10%</td>
<td>17</td>
<td>4</td>
</tr>
<tr>
<td>North</td>
<td>72</td>
<td>15%</td>
<td>22</td>
<td>6</td>
</tr>
<tr>
<td>Central</td>
<td>91</td>
<td>19%</td>
<td>30</td>
<td>8</td>
</tr>
<tr>
<td>South</td>
<td>118</td>
<td>25%</td>
<td>39</td>
<td>10</td>
</tr>
<tr>
<td>TOTAL</td>
<td>466</td>
<td>100%</td>
<td>130</td>
<td>39</td>
</tr>
</tbody>
</table>
Final District Selection

- **In each geographic region**
  - Begin with the highest number of risk points
  - Count down number of districts determined in proportionate distribution

- **Tie breaker(s) for districts with the same number of risk points**
  - Higher variable risk point total
  - Application submission date
  - Largest total funding (TI and TII)
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- Questions and Comments
Financial Dashboard

Joanna C. Laghetto
Finance and Data Specialist
jlaghetto@doe.mass.edu
Financial Dashboard

Role in Developing Financial Dashboard

Participated in a Charter School Office finance team lead by Associate Commissioner Cliff Chuang to create a snapshot of a charter’s school fiscal health and risk aligned with Massachusetts Charter School Performance Criteria.
Role in Developing Financial Dashboard

*Massachusetts Charter School Performance Criteria* articulates the expectations for charter school accountability, including:

*Finance:* The school maintains a sound and stable financial condition and operates in a financially sound and publicly accountable manner.
Role in Developing Financial Dashboard

*Performance Criteria rating system:*

<table>
<thead>
<tr>
<th>Rating</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exceeds¹</td>
<td>The school fully and consistently meets the criterion and is a potential exemplar in this area.</td>
</tr>
<tr>
<td>Meets</td>
<td>The school generally meets the criterion and/or minor concern(s) are noted.</td>
</tr>
<tr>
<td>Partially² Meets</td>
<td>The school meets some aspects of the criterion but not others and/or significant concern(s) are noted.</td>
</tr>
<tr>
<td>Falls Far Below</td>
<td>The school falls far below the criterion and/or significant concern(s) are noted.</td>
</tr>
</tbody>
</table>
Role in Developing Financial Dashboard

My primary duties included:

- Researching indicators and metrics used for dashboard (such as current ratio).
- Vetting indicators and dashboard prototype drafts to Department’s finance staff and the business leaders of MA charter schools.
- Provided input on visual design and overall content.
Role in Developing Financial Dashboard

Financial Metrics used are industry indicators of a school’s financial performance and situation.

<table>
<thead>
<tr>
<th>Financial Metric</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Current Ratio</td>
<td>A measure of operational efficiency and short-term financial health. CR is calculated as current assets divided by current liabilities.</td>
</tr>
<tr>
<td>2. Unrestricted Days Cash</td>
<td>Indicates how many days a school can pay its expenses without another inflow of cash. Calculated as Cash and Cash Equivalents divided by ((Total Expenses - Depreciated Expenses) / 365). Important Note: This is based on the current quarterly tuition payment schedule.</td>
</tr>
<tr>
<td>3. Percentage of Program Paid by Tuition</td>
<td>Measures the percentage of school’s total expenses that are funded entirely by tuition. Calculated as (Tuition + In-Kind Contributions) divided by Total Expenses.</td>
</tr>
<tr>
<td>4. Percentage of Program Paid by Tuition &amp; Federal Grants</td>
<td>Measures the percentage of the school’s total expenses that are funded by tuition and federal grants. Calculated as (Tuition + In-Kind Contributions + Federal Grants) divided by Total Expenses.</td>
</tr>
<tr>
<td>5. Percentage of Total Revenue Expended on Facilities</td>
<td>Measures the percentage of Total Revenue spent on Operation &amp; Maintenance and Non-Operating Financing Expenses of Plant. Calculated as Operation &amp; Maintenance plus Non-Operating Financing Expenses of Plant divided by Total Revenue.</td>
</tr>
<tr>
<td>6. Change in Net Assets Percentage</td>
<td>Measures a school’s cash management efficiency. Calculated as Change in Net Assets divided by Total Revenue.</td>
</tr>
<tr>
<td>7. Debt to Asset Ratio</td>
<td>Measures the extent to which the school relies on borrowed funds to finance its operations. Calculated as Total Liabilities divided by Total Assets.</td>
</tr>
</tbody>
</table>
### 5-Year Financial Summary

#### Financial Metrics

<table>
<thead>
<tr>
<th>Metric</th>
<th>FY09</th>
<th>FY10</th>
<th>FY11</th>
<th>FY12</th>
<th>FY13</th>
<th>5-Year AVG</th>
<th>FY12 MA AVG</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Current Ratio</td>
<td>3.6x</td>
<td>6.2x</td>
<td>7.2x</td>
<td>6.2x</td>
<td>2.5x</td>
<td>3.2x</td>
<td>2.5x</td>
</tr>
<tr>
<td>2. Unrestricted Days Cash</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Percentage of Program Paid by Tuition</td>
<td>97%</td>
<td>54%</td>
<td>95%</td>
<td>87%</td>
<td>136%</td>
<td>108%</td>
<td>114%</td>
</tr>
<tr>
<td>4. Percentage of Program Paid by Tuition &amp; Grants</td>
<td>100%</td>
<td>90%</td>
<td>92%</td>
<td>91%</td>
<td>100%</td>
<td>96%</td>
<td>95%</td>
</tr>
<tr>
<td>5. Percentage of Total Revenue Expended on Facilities</td>
<td>10%</td>
<td>12%</td>
<td>9%</td>
<td>8%</td>
<td>13%</td>
<td>12%</td>
<td></td>
</tr>
<tr>
<td>6. Change in Net Assets Percentage</td>
<td>4.4%</td>
<td>3.5%</td>
<td>3.8%</td>
<td>3.9%</td>
<td>3.6%</td>
<td>3.9%</td>
<td></td>
</tr>
<tr>
<td>7. Debt to Asset Ratio</td>
<td>0.23x</td>
<td>0.89x</td>
<td>0.99x</td>
<td>0.82x</td>
<td>0.77x</td>
<td>0.56x</td>
<td></td>
</tr>
</tbody>
</table>

### Optional Comments from School:

"Our school's commitment to our students' civic engagement drives us to utilize our facilities with access to public transportation, city services and non-profit agencies, and government offices, so that Boston can serve as our extended classroom. Similar to other Boston Charter schools, our urban location is associated with higher than state-average facility costs. Our program strives to provide a traditionally underserved 5th grade students and prepare them for college through an extended-day, extended-week, and extended-year approach. Our program includes 25% more time on learning than the state requires. This extended time is paid for with a combination of state tuition, federal Title 1 funding, and private fundraising."
# Financial risk rating system

<table>
<thead>
<tr>
<th>Financial Metric</th>
<th>FY09</th>
<th>FY10</th>
<th>FY11</th>
<th>FY12</th>
<th>FY13</th>
<th>5 year AVG</th>
<th>FY12 MA AVG</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Current Ratio</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>indicators the operational efficiency and short-term financial health. CRI is calculated as current assets divided by current liabilities.</td>
<td>13.3x</td>
<td>11.7x</td>
<td>9.6x</td>
<td>-1.4x</td>
<td>1.7x</td>
<td>7.1x</td>
<td>3.0x</td>
</tr>
<tr>
<td><strong>2. Unrestricted Days Cash</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>indicates how many days a school can pay its expenses without another influx of cash. Calculated as Cash and Cash Equivalents divided by [(Total Expenses + Depreciation Expenses) / 365]. Important Note: This is based on the current waterfall in an annual schedule.</td>
<td>61</td>
<td>66</td>
<td>69</td>
<td>115</td>
<td>119</td>
<td>86</td>
<td>134</td>
</tr>
<tr>
<td><strong>3. Percentage of Program Paid by Tuition</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>measures the percentage of the school's total expenses that are funded entirely by tuition. Calculated as [(Tuition + In-Kind Contributions) / Total Expenses].</td>
<td>64%</td>
<td>67%</td>
<td>72%</td>
<td>61%</td>
<td>74%</td>
<td>68%</td>
<td>87%</td>
</tr>
</tbody>
</table>
## Financial risk rating system examples:

<table>
<thead>
<tr>
<th>Financial Metric Definitions</th>
<th>Low Risk</th>
<th>Moderate Risk</th>
<th>Potentially High Risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Current Ratio</td>
<td>&gt;= 1.5</td>
<td>Between 1.0 (inclusive) and 1.5</td>
<td>&lt; 1.0</td>
</tr>
<tr>
<td>2. Unrestricted Days Cash</td>
<td>&gt;= 70 days</td>
<td>Between 45 (inclusive) and 70 days</td>
<td>&lt; 45 days</td>
</tr>
<tr>
<td>3. Percentage of Program Paid by Tuition &amp; In-kind Contributions</td>
<td>&gt;= 50%</td>
<td>Between 75% (inclusive) and 90%</td>
<td>&lt; 75%</td>
</tr>
<tr>
<td>4. Percentage of Program Paid by Tuition &amp; Federal Grants</td>
<td>&gt;= 50%</td>
<td>Between 75% (inclusive) and 90%</td>
<td>&lt; 75%</td>
</tr>
<tr>
<td>5. Percentage of Total Revenues Expected as Facilities</td>
<td>&lt;= 10%</td>
<td>Between 15% and 30% (inclusive)</td>
<td>&gt; 30%</td>
</tr>
</tbody>
</table>
Source of Data

Data used is directly from Charter School’s Charter School End of Year Financial Report (CSEOYFR) — submitted annually and includes an audit questionnaire:

<table>
<thead>
<tr>
<th>Audit Indicator</th>
<th>FY10</th>
<th>FY11</th>
<th>FY12</th>
<th>FY13</th>
<th>FY14</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Did the audit include an unqualified opinion?</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td>B. Is the audit free of findings of Material Weakness?</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td>C. Is the audit free of findings of Significant Deficiency?</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>N</td>
</tr>
<tr>
<td>D. Is the audit free of Instances of Noncompliance under GAAS?</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td>E. Is the audit free of Questioned Costs?</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
</tr>
</tbody>
</table>
Allocating Monitoring Resources (1 of 2)

A deeper investigation occurs when the audit reveals:

- Qualified Opinion
- Material Weakness
- Significant Deficiency
Allocating Monitoring Resources (2 of 2)

The risk indicators are investigated on a case by case basis:

Each charter school’s individual situation may have unique reasons why an indicator may appear risky. For example a school may have a ‘high risk indicator’ for *Percentage of Program Paid by Tuition* because it has a demonstrated ability to fundraise large amounts of money each year.
Corrective Action

- Each school with an audit finding must provide specifics of the corrective action they have taken to address the finding. If necessary, a formal discussion with the school’s independent auditor takes place.

- Schools that have high risk ratings are formally contacted to discuss the ratings and future expectations.
Continuous Improvement (1 of 2)

- Financial Dashboard was vetted by many charter school leaders and business leaders.

- There are several sections on the dashboard where schools are allowed to add relevant comments.

- Risk indicators are regularly reviewed and adjusted: e.g. Tuition is now received monthly instead of quarterly, therefore the Unrestricted Days Cash risk indicator was adjusted.
Continuous Improvement (2 of 2)

Challenges: Receiving buy-in by the charter school business leaders, especially on the metrics used and the thresholds of risk.

Opportunities: A high level snapshot of how risky a school is financially. Opens up a conversation about the charter school sector as a whole. e.g.: many schools are at Moderate Risk regarding their facility costs.

Take Aways: Because of high level nature, does not tell the whole story, but can indicate areas for further analysis.
Let’s look at some samples of the FY 14 Financial Dashboard:

1. Academy of the Pacific Rim
2. Advanced Math and Science Academy
4. Match Charter School
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Questions & Closing Comments
Continue the discussion on the SEA Exchange:

http://www.charterschoolcenter.org/group/sea-exchange
Contact Us

Maryann.spracher@safalpartners.com

Visit Us:
www.charterschoolcenter.ed.gov

Complete Our Survey
https://www.surveymonkey.com/s/P5KN6TF