Program Accounting Requirements

I hate administrivia. Paperwork is the bane of my existence. I've met a few people who revel in making sure the i's are dotted and the t's are crossed. I am not one of those people, but I am very grateful to have those people around me. In far too many cases, when those jots and tittles fail, the financial repercussions can ruin an organization. Even a charter school.

A few years ago, the State Board of Education relied on spreadsheets to administer billions of dollars statewide. Because those spreadsheets didn't automatically talk to each other, they couldn't protect against errors, which ended up in a $25 million error. To prevent that problem, the State Board has recreated their accounting and grants management systems, which allows them to systematically reconcile their distributions and LEA reimbursement requests.

As they have implemented these structures, the State Board has discovered that LEAs throughout public education – charter and district alike – have not always appropriately implemented the program accounting rules required by state and federal regulations. Unfortunately, there are a few LEAs who need to repay thousands of dollars because they did not appropriately account for and document their revenue flows and expenses.

In particular, R277-113 requires LEAs to "record transactions when they occur in the proper program" utilizing the "Board-approved chart of accounts." This requirement means every LEA needs to be able to show which program in the Minimum School Program the money they receive comes from, and then document that it uses that money for approved purposes. If the money is unrestricted, such as the flexible allocation, the LEA can spend it on any public education purpose.

For restricted funds, such as special education or the teacher and student success act revenues, each LEA must document that they spend those revenues only on expenses that fit within the restrictions established by the funder (federal government, state legislature, state board of education, etc.) And LEAs with multiple campuses must track those expenditures separately for each campus.

As I've examined this issue, and the potential consequences of not getting it right, it's clear that each LEA needs to consider at least these two questions.

- What accounting software should we use?
- How well do our business manager, the director/principal and board members understand what documentation and procedures they need, and how it must connect to the LEA's accounting systems?

To get a better grasp on these issues, UAPCS distributed a survey last week to each charter school. That survey asked schools to describe which accounting software package they use. Unsurprisingly, many schools use a QuickBooks product, often the less expensive option. In talking with folks at the State Board of Education, it is clear that LEAs who a) use a QuickBooks product b) other than the Enterprise edition, will likely have trouble complying with R277-113. (LEAs that use other robust accounting software like Intact, Pelorus or NetSuite are likely ok, as it relates to the first question.)

Some LEAs using QuickBooks editions other than Enterprise edition have tried to supplement QuickBooks with spreadsheets. Because these spreadsheets are necessarily outside the accounting database, it is easy for those spreadsheets to inadvertently contain duplicative or otherwise inconsistent reimbursement requests. Even where an LEA spent the money appropriately, if an LEA's reimbursement requests do not contain appropriate documentation, LEAs may have to repay restricted funds out of its unrestricted funds.

The second question demands that key LEA personnel have appropriate training. Business managers and directors need to know the intimate details of which flows of money are restricted and which are unrestricted, how the LEA uses those flows, what documentation and procedures the LEA needs to demonstrate that it uses those flows appropriately, and how to ensure that the documentation and procedures are consistent and appropriate.

LEA board members need to make sure that they adopt appropriate policies that ensure their administrative team will fulfill state accounting requirements. In addition, they need to adopt policies and procedures which, as a matter of course, reveal gaps or problems in how well the administration manages the LEA's finances day to day.

As part of our training and mentoring grant, UAPCS offers training for administrators and board members on the accounting and reporting requirements. Look for specific information from Joylin Lincoln about where and when to attend these trainings. In addition, it is very important that business managers actively participate in the finance trainings the State Board provides to each LEA. It seems possible, perhaps even likely, that the State Board, the Legislature or charter school authorizers will mandate financial trainings.

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