

PROGRAM ACCOUNTING

Overview and training for beginning business managers



WHAT YOU'LL LEARN

- What programs are and why they exist
- How program accounting requirements work
- How to set up program accounting at your school
- How to demonstrate compliance to your board and the state



MEET THE PRESENTERS

- **The CHARTER SOLUTIONS Team**
- **Lincoln Fillmore**
 - Former teacher and principal
 - Business manager since 2005
 - Member of Utah Special Education Finance Committee
- **Max Meyer**
 - Business manager since 2003
 - Founder at American Preparatory Academy
- **Bob Bell**
 - Business Manager since 2007
 - Critical needs expert, serving at four different schools
 - Loves Starbursts



WHAT ARE “PROGRAMS”?

- ▶ Lincoln’s definition:
 - Attempts to make schools and educators behave the way politicians want them to.
- ▶ Another definition:
 - “As a lawmaker, my judgment about what schools should do is superior to yours.”
- ▶ A non-cynical definition:
 - Programs are streams of funding designed to fund specific activities with restrictions and requirements to ensure that funding is used consistent with intent to achieve desired objectives.

WHY PROGRAMS EXIST

- ▶ Let’s start with the non-cynical:
 - Programs exist to target funding to target populations of students (Special Education, Economically Disadvantaged, etc.) to improve their academic achievement
- ▶ Some other reasons:
 - Politicians want to make a point to help them win election or re-election
 - ▶ K-3 Reading Achievement Program; Class-Size Reduction
 - Overcorrection—The Preparation H Syndrome
 - ▶ Instances of people not using common sense leads to laws forcing common sense
 - Substituting Judgment
 - ▶ Educator Salary Adjustments; Teacher Materials and Supplies

SUPPORTING YOUR PROGRAM

- ▶ There can be conflict between your charter and program funding requirements. Find a way to let the charter win.
- ▶ When your school understands how programs work, what they are designed to achieve, and how to successfully comply, you can use these funding streams to support *your* program.
- ▶ That is what I hope you will get out of this training. Understanding of how restricted funding streams work so you can follow their rules *in the support of your school’s charter*.
- ▶ Do you get the sense that I don’t like Program Accounting? I HATE it. That’s why I’ve spent so much time finding ways to make it easier for me and my team, and why I’m teaching this course.

UNDERSTANDING PROGRAMS

This section should help you understand what specific programs are, how they relate to each other, and how they can be used.



RESTRICTED VS. UNRESTRICTED

- ▶ While there are lots of little funding streams that each need to be accounted for (and I'm fairly cynical about it all), in reality, we mostly work with unrestricted funds.
- ▶ About 75% of your school's funding will be unrestricted.
- ▶ About 75% of the restricted funds will be very easy to account for and use properly.
- ▶ We will be dealing with the marginal funding that's left, but that's where schools tend to get in trouble.
- ▶ This 6% of your funding will take much more than its share of your time and trouble



FEDERAL PROGRAMS

- ▶ Individuals with Disabilities Education Act (IDEA)
 - ▶ Pre-school
 - ▶ School-age
- ▶ No Child Left Behind Act (NCLB)—also (ESEA)
 - ▶ Title I
 - ▶ Title II
 - ▶ Other Titles that usually result in small funding amounts for charters
- ▶ Other Federal Programs
 - ▶ Rural Education Assistance Program (REAP)
 - ▶ Direct-to-school grants (Not through the state)



STATE PROGRAMS

- General Education (K12 WPU; Class-size reduction;)
- Special Education
- Career and Technical Education
- Special Populations (At-Risk; Accelerated Learning; Concurrent Enrollment)
- Restricted Funds (K-3 Reading; Local Replacement; Salary Adjustments)
- Other minor one-time or other bills (Library; classroom supplies)
- See your APR, Allotment Memo, and Utah Education Program Funding document provided at this meeting for all the detail

LAND TRUST

- This is a unique program that requires its own explanation.
- Rather than being part of the Utah Consolidated Application (UCA— Explained later), the LAND Trust program has its own website, its own budget and reporting requirements, and its own special reports.
- Tracking of these funds is not different than other programs (more on this later), but reporting and submission differs significantly.
- Recent rule interpretation makes this a little easier in that fewer people need to be involved, but all the same stuff has to be done.

LOCAL PROGRAMS

- All local funding your school raises (donations, grants, sales) are unrestricted except for:
 - Lunch sales are just as restricted as other lunch revenue
 - If you apply for and accept grants for specific uses, you'll have to document such use according to the grant agreement
 - Any commitments you make to donors or your parents about how you'll use money (like a fundraiser for a scoreboard), you may need to document that as well

OVERLAPPING PROGRAMS

- ▶ Several state and federal programs overlap and are designed to serve the same purpose or target the same groups of students.
- ▶ Special Education
 - ▶ Federal IDEA;
 - ▶ State Special Education Add-on and other SpEd streams (extended year)
- ▶ At-Risk
 - ▶ State At-Risk Enhancement
 - ▶ Federal Title I-A
- ▶ Lunch
- ▶ Understanding how these funds overlap and the reporting requirements for each (more on this later) will help you structure and report these most efficiently

LOGISTICS AND PROCEDURES

How to set this up in your accounting software and budgets, how to track everything throughout the year, and how to report your data efficiently.

ACCOUNTING SOFTWARE

- ▶ Quickbooks?
- ▶ Peachtree?
- ▶ FIS? (Why in the world?)
- ▶ Anything else?

- ▶ All income needs to be recorded as part of your budget and as part of each "Program"
- ▶ All expenses need to be recorded by "Program," "Function," and "Object."

- ▶ Here's how:

SETTING UP PROGRAMS

- ▶ In your accounting software, set up "Classes" or "Jobs" for each program that requires the reporting of income and expenses, including any Local programs you set up.
- ▶ Good news is, once you start using this, you can also use it to track almost anything you want—profitability of yearbook projects; teacher class funds and donations; field trips; school carnival
- ▶ Anyone need a demonstration of how?

BUDGETING

- ▶ You have to submit to the state a Budget that doesn't take into account any program funding, but have to report actual data for every program.
- ▶ Even though your adopted budget needn't include program data for purposes of compliance, if you don't factor in program requirements and revenue, you'll run into compliance issues later on.
- ▶ Potential Trouble Spots:
 - ▶ Large restricted balances within programs
 - ▶ Maintenance of Effort requirements
 - ▶ Overdraws of federal revenue
- ▶ Candy

UTAH CONSOLIDATED APPLICATION

- ▶ The UCA is a semi-consolidated resource where plans, budgets, and data are entered for several restricted programs.
- ▶ The issue here is one of consistency between systems. The UCA needs to be consistent with your accounting software, which needs to be consistent with how things run in the school and how employees document their time, which needs to be consistent with how you report data by program at year's end, which all need to match back to the reimbursement requests in the UCA.
- ▶ Any questions about the UCA?

TRACKING AND DOCUMENTATION

- ▶ I won't spend much time here because my friend Gavin from Academica West is going over this in detail in another presentation.
- ▶ I'll say this:
 - ▶ Documentation requirements are different for state and federal programs
 - ▶ State programs are easier to justify, so you should assign complicated (people working in multiple programs) to be paid with state dollars when you can
 - ▶ This was a big deal some years ago because most charters weren't doing it right. So it's watched carefully every year. Be on top of this.
- ▶ Give Gavin a hard time, ok?

RECORDING COMPENSATION

- ▶ How many of you process your own payroll within your finance software? Have a payroll service provider?
- ▶ In either case, you need to enter employee compensation by program and document that as Gavin will direct you
- ▶ Be sure to account for the *entire cost* of an employee, not just what they get paid (benefits, taxes, SUI, VVC)
- ▶ How you enter that in the system (GJE; payroll entry) is much less important than how you document it
- ▶ Must be done employee-by-employee and supported by Time and Effort Documentation (if Gavin doesn't cover this, throw tomatoes)

REPORTING

- ▶ Most programs come with their own reporting requirements, each with their own forms, deadlines, and needed data.
- ▶ Most reports require both academic data and financial data.
- ▶ If you stay on top of your program accounting throughout the year, these reports are easy for the finance office.
- ▶ Examples
 - ▶ LAND Trust
 - ▶ K-3 Reading Achievement
- ▶ All this data is also reported as part of your annual financial and program reports, and they need to be consistent with all other reports, so ensure that your data is accurate and consistent.
- ▶ Why do you have to report the same data multiple times? Job security.

ACCOUNTABILITY TO YOUR BOARD

Help your board stay informed about the school's status, knowledgeable of your procedures, and confident in its compliance and your performance.



RESTRICTED CARRY-FORWARD

- Functional problem
 - While it's good to carry cash reserves, when the money in the bank is made up of restricted funds, they don't really serve the purpose of having reserves
 - You can't use special education funds to repair the parking lot
- Compliance problem
 - Misuse of program funds means you don't get to keep them. You have to return any improperly used program funds.
 - It also puts you out of compliance with the law and your charter, and makes the school subject to corrective action by your authorizer



REPORTS TO THE BOARD

- If you track program data consistently, you can provide regular reports of the use of restricted funds using a "Profit & Loss By Class" report.
- Your board should also review and approve the following:
 - Utah Consolidated Application budgets (evidence of compliance would be the reimbursement requests you submit for each program)
 - Annual Program Report (or its successor) with particular attention to program balances
 - Audited Financial Statement. If there has been a problem with program accounting that auditors found, it will be noted in the Management Letter. Absence of a finding is good news



WHAT BOARDS NEED TO SEE

Metric	Evidence
Compliance with program requirements	UCA Approval; Audited Financials
Program Balances and Restricted Carry-Forward	APR; Plans to bring program balances down
Progress toward goals	Quarterly Program Finance Reports; Reimbursement Requests;
How it all works	Starbursts; M&Ms (Skittles work, too, but they're not nearly as good.)

WHAT THE STATE WANTS

- Annual reports of all program funds by object (APR; Datamart)
- Annual funds of almost every individual program reported separately from the comprehensive report above
- Audited financial statements that are free from deficiencies or weaknesses regarding program funds or documentation
- The ability to come in for a monitoring visit any time on any program. How many of you have gotten a letter from Natalie Grange about this?

WRAPPING ALL THIS UP

- Program accounting sucks, but understanding the requirements of each program, the school's plans, and the reporting requirements can make compliance much easier
- Tracking expenses under state and federal programs is required by law, and following those procedures also makes it pretty simple to track internal programs
- You can prove your compliance to your board by being proactive with communication and helping them understand what's required and what you're doing
- If you want some help getting set up for success, give us a call: 801-548-0144
