

DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD

Charter Actions Requiring a Vote

- Approve a Charter Application
- Approve a Charter Renewal (15 yrs.)
- Approve Charter Continuance (5 or 10 yrs.)
- Approve a Charter Amendment Request
- Approve a Charter Agreement
- Give a Charter Notice of Concern
- Lift the Charter Notice of Concern
- Commence Charter Revocation Proceedings
- Revoke a Charter
- Board Action, Other _____

Non-Voting Board Items

- Public Hearing Item
- Discussion Item
- Read into Record

Policies

- Open a New Policy or Changes to a Policy for Public Comment
- Approve a New Policy
- Approve Revisions to an Existing Policy

PREPARED BY: Mohammad Bashshiti, School Finance Specialist

SUBJECT: Open for Public Comment the Fiscal Year 2017 Financial Audit Review Report Technical Guide

DATE: January 22, 2018

Proposal

The DC Public Charter School Board (DC PCSB) staff recommends its Board open for public comment the Fiscal Year 2017 Financial Audit Review (FAR) Technical Guide from January 22, 2018 to February 26, 2018 and hold a public hearing on February 26, 2017.

Rationale

The FAR Technical Guide outlines DC PCSB's process for producing the FAR Report. It was created so that school leaders, data managers, families, and other stakeholders would understand the FAR Report's content, methodology, and scope. Each year it is updated. The 2017 FAR includes the following changes from the previous FAR methodology:

Material Changes:

- Days of Cash on Hand: Now removes Depreciation & Amortization from the calculation, and is calculated based on a 365-day year instead of a 360-day year (p.7).

- Debt Service Coverage Ratio: Corrected an error in the FY 2016 FAR Report Technical Guide that resulted in the target of 1.2 being confused with the floor of 1.0. (p. 8)
- Enrollment Variance: Updated the floor from -10% to -5%, and updated the target from -5% to 0% (p. 9).

Non-material changes:

- Changes throughout in language from “Net Assets Margin” to “Operating Margin”
- Changes throughout in language from “total” to “operating”
- Clarifications to multiple definitions (p. 11)

These changes were introduced to the FAR Task Force, comprised of school finance managers, on September 19, 2017.

Included with this proposal is the 2017 FAR Technical Guide with updates in track changes.

Background

The School Reform Act (SRA) requires DC PCSB revoke the charter of any public charter school that (1) has engaged in a pattern of nonadherence to generally accepted accounting principles (GAAP); (2) has engaged in a pattern of fiscal mismanagement; and/or (3) is no longer economically viable. Further, each DC public charter school is required to conduct annually a thorough audit of its finances and operations, conducted by a third-party auditor, chosen by the school from a list of approved auditors selected by DC PCSB, the Office of the Chief Financial Officer (OCFO), and the Office of the State Superintendent of Education (OSSE). DC PCSB analyzes and summarizes the information in these audits to produce the FAR Report that presents consistent and transparent information about DC public charter schools’ finances and operations.

The FAR Report includes a financial report card for each school, which includes data on the school’s management organization, if applicable. Additional data tables and narrative commentary on the key trends and opportunities of DC public charter schools’ finances provide context and analysis. Each of these is detailed in the FAR Technical Guide.

Beginning in fall 2015, DC PCSB began convening a task force of school leaders, business managers, and charter support organizations to provide input on the FAR Report’s methodology, design, and production process. The task force met monthly throughout fall 2015, then again monthly beginning in spring 2016. At each meeting, and in emailed surveys, the task force members were asked to submit feedback on different elements of the FAR Report, with a focus on the

metrics comprising the Key Financial Indicators and the design of the FAR Report Card.

Attachment to this Notification

Attachment A: Fiscal Year 2017 Financial Audit Review Report Technical Guide—redlined copy

Attachment B: Fiscal Year 2017 Financial Audit Review Report Technical Guide—clean copy

Date: _____
PCSB Action: _____ Approved _____ Approved with Changes _____ Rejected
Changes to the Original Proposal:

Signature: _____