

EDUC 746
2019 Syllabus

Instructors: Carl Williams
(808) 695-4016
cwilliams@cwassociatescpas.com

Terri Fujii
(808) 695-4039
tfujii@cwassociatescpas.com

Timeframe: July 8 to September 14, 2019
10 weeks = 10 assignments

Availability: Instructors are available for face-to-face meetings, conference call, skype meetings
Saturday mornings generally from 8:00 to 12:00
Please provide at least 2-days' notice if a meeting or conference call is desired
Sessions can be individual or with a group (preferable)

Course

Objective: To become familiar with the financial management of a school including:

- Accounting processes
- Internal controls
- Reading and understanding a financial statement
- Financial internal controls
- Budgeting
- Financial performance
- Federal funds compliance

Assignments: Each person is to turn in their own assignment
Assignments are due each week by Sunday, midnight
Assignments are to be submitted via email to Terri Fujii
Meetings and conference calls can be used to review the assignment, to further discuss
the concepts in the assignment, etc.
Weekly assignments are attached.

Resources: Ideally, each person will focus on a particular charter school, using the financial
statements of the charter school, having the accounting personnel at the school available
to provide information, etc. For those that are not at a charter school, you may want to
pair up with someone from a charter school, or find a charter school that is willing to be
your "adopted" charter school. The 2017 audited financial statements of each charter
school is available on the State Public Charter School Commission's (Commission)
website.

EDUC 746
2019 Syllabus

Assignments

<u>Due Date</u>	<u>Topic</u>
July 14	Introductions and questionnaire
July 21	Accounting processes – cash receipts, cash disbursements, and payroll
July 28	Internal controls
August 4	Internal controls
August 11	Financial statements
August 18	Financial statements
August 25	Budgeting
September 1	Budgeting
September 8	Financial performance
September 13 (Friday)	Federal funds

EDUC 746

Assignment for week of July 8

Completed assignment is due via email by July 14, midnight

Introductions and Questionnaire

- Objective:** To get to know everyone in the class and to answer questions regarding the assignments.
- Methodology:** Send any questions and requested information via email to the instructors. Responses to questions will be emailed to everyone in the class so that everyone has the same information.
- Deliverable:** Provide your bio/resume with a photograph and the responses to the questions below via email. Also, submit any questions you have about the course, assignments, etc. via email. If so desired, question can be addressed on Saturday, July 6. Otherwise, responses will be provided to everyone via email.
- Questions:** Please provide responses to the following:
- What charter school or school are you from? If not with a charter school, where are you currently employed?
 - What is your current position at your place of employment?
 - How many years have you been there and in the education profession?
 - How much accounting knowledge or experience do you have?
 - Why did you sign up for this session?
 - What do you hope to accomplish upon completion of the sessions?
 - What do you hope to learn upon completion of the sessions?
 - Do you think you know how to read a financial statement?
 - What makes you memorable to others?
 - For the assignments, what charter school will you be using?

EDUC 746

Assignment for week of July 15

Completed assignment is due via email by July 21, midnight

Accounting Processes

- Objective:** To obtain information on accounting processes to develop an understanding of how the financial transactions are processed, which then become the balances in the financial statements.
- Methodology:** Identify the accounting personnel for your selected school and conduct interviews with these individuals and document the accounting process. Basically, you want to do a walkthrough of the process that involves following a transaction from beginning (such as the origination receipt of cash or the receipt of an invoice for payment) to the end (recording in the accounting records). You should first see if there are written policies and procedures that you can read and follow.
- Processes:** The processes to be documented are: 1) cash receipts, 2) cash disbursements, and 3) payroll. There may be subprocesses such as the process for the receipt of cash for transportation or meals may be different from the receipt of cash from the Commission for the per pupil amount or from grants or donations. The different subprocesses should be separately identified and documented. You will not need to see the payroll register or detailed payroll or other personnel information in order to understand the payroll process due to the confidentiality of the information.
- Deliverable:** Documentation of each of the above processes including identification of the forms that are used, who conducts each part of the process (origination, review, approval, etc.), etc. Documentation can be in the form of a narrative, table, flowchart, etc. as long as the key information is included: what is done at each step, who performs the step, what documentation (invoice, bank statement, etc.) is involved, who performs the review, who approves, etc.
- Questions:** Examples of questions that can be asked during the interviews include:
- How many different ways is cash received, and what are they?
 - What happens when cash/check is received in the mail?
 - How many different ways is cash expended – checks, payroll, petty cash, as examples?
 - What happens when an invoice is received for payment?
 - Who reviews and approves the invoice for payments?
 - Are timesheets required?
 - Who reviews timesheets?
 - Who processes payroll?
 - Who reviews the paychecks, etc.
 - Who prepares the monthly financial statements?
 - Who reconciles the bank accounts?

EDUC 746

Assignment for week of July 22

Completed assignment is due via email by July 28, midnight

Internal Controls

Objective: To understand and identify proper internal controls over financial reporting and compliance. To identify the different types of controls.

Methodology: Use the information gathered on the accounting processes from the prior assignment. Identify the internal controls in each processes. Identify internal controls that are missing or can be improved. Further interviews with the accounting personnel or management may be needed.

Example controls: Examples of controls include:

- Bank reconciliations
- Review and approval of invoices for payment
- Two signatures on checks over \$X dollars
- Review and approval of timesheets
- Review of the financial statements by management and the board of directors
- Generally, any reconciliation or review would be a control

Deliverable: Define and explain what is a prevent control, what is a detect control, and what is segregation of duties. In the documentation of the processes, identify the internal controls, or where in the process a control may be missing or is needed. Provide recommendations for improving internal controls.

Questions: Examples of questions that can be asked to identify controls or the lack thereof include:

- How can someone steal cash from the school?
- How can someone be paid more than they should whether a vendor or employee?
- How can the information in the financial statements be inaccurate?
- Why would someone want to present inaccurate financial statements?
- How can you prevent someone from stealing cash?
- How would you detect that someone has stolen cash?

The key questions are How? And Why?

EDUC 746

Assignment for week of July 29

Completed assignment is due via email by August 4, midnight

Internal Controls

Objective: To understand and identify proper internal controls over financial reporting and compliance. To determine how to prevent fraud.

Methodology: Use the process and internal control information from the prior assignments and identify ways fraud could be perpetrated and the controls that would prevent and/or detect the fraud. To do this assignment, you need to think like the fraudster.

Deliverable: Identify the different types of fraud that can occur.

Then, identify two scenarios in which fraud could be perpetrated. Describe the scenario and how the fraud would be carried out.

Then, identify the prevent controls that could be put in place to prevent such fraud from occurring and the detect controls that would detect that the fraud occurred so that it could be stopped.

Tell the story, set the scene.

Not all fraud involves the stealing of money.

EDUC 746

Assignment for week of August 5

Completed assignment is due via email by August 11, midnight

Financial Statements

Objective: To understand the components of financial statements.

Methodology: Obtain the latest audited financial statements for your school. The audited financial statements for all charter schools are on the Commission's website.

Deliverable: Define and/or explain the following:

- What is a financial statement? Why do you need one?
- What is a balance sheet or statement of financial position? What does it tell you?
- What is an income statement or statement of activities? What does it tell you?
- What is a cash flow statement? What does it tell you?
- Do the notes to the financial statements help you better understand what is going on or what happened?
- What is an asset?
- What is a liability?
- What are net assets?
- What is revenue?
- What are expenses?

EDUC 746

Assignment for week of August 12

Completed assignment is due via email by August 18, midnight

Financial Statements

Objective: To understand the components of financial statements.

Methodology: Using the same financial statements used for the previous assignment, further review of the financial statements including a comparison to a for profit entity.

Deliverable: Provide responses to the following:

- What is the accounting equation - assets = liabilities + net assets mean?
- What is current versus noncurrent
- What are the types of net assets – unrestricted and restricted
- What does the financial statement tell you – is the school financially stable, does the school have sufficient cash, etc.
- What are the differences between a for profit entity and a not for profit entity?
- Who should be preparing the financial statements?
- Who should be reviewing the financial statements?
- What is the Board of Director's role with regard to the financial statements?
What are their responsibilities with regard to the accounting and finance functions of the school?

EDUC 746

Assignment for week of August 19

Completed assignment is due via email by August 18, midnight

Budgeting

- Objective:** To understand how the budget for your school is prepared, what information is used to prepare the budget, and what are the assumptions and other issues in preparing the budget.
- Methodology:** Identify the personnel in your school that is involved in preparing the budget (accounting personnel, faculty, administrator, board members, etc.) and conduct interviews with these individuals and document the process used for preparing the budget, the key information needed, and the key assumptions that are included in the budget. Basically, you want to do a walkthrough of the process that involves the gathering of data to be used in the budget, preparation of the budget, review of the budget, and approval of the budget.
- Deliverable:** Documentation of budgeting process including identification of the information and data used, who conducts each part of the process (origination, review, approval, etc.), etc. Documentation can be in the form of a narrative, table, flowchart, etc. as long as the key information is included: what is done at each step, who performs the step, what documentation (invoice, bank statement, etc.) is involved, who performs the review, who approves, etc.
- Questions:** Examples of questions that can be asked include:
- Why is the budget needed?
 - What data is needed and used to prepare the budget – student counts, number of meals served, etc.?
 - What assumptions are included in the budget as the budget is a projection of what is expected to occur as opposed to a financial statement which is based on historical data?
 - What are some of the issues or difficulties in preparing the budget?
 - Who is responsible for preparing the budget and who is responsible for making sure that the budget is met?
 - How realistic is the budget?
 - What happens if things do not happen as anticipated in the budget?

EDUC 746

Assignment for week of August 26

Completed assignment is due via email by September 1, midnight

Budgeting

Objective: To prepare a budget for your school for the 2019 – 2020 school year and compare the current budget to actual results.

Methodology: Use the information gathered on the budgeting processes from the previous assignment. Obtain the information needed and prepare the budget for the upcoming school year.

Obtain your school's current budget and year to date financial results and compare the actual results to budget.

Deliverable: Budget for your school for the 2019-2020 school year with a description of the process you went through to prepare the budget, the information used, the assumptions in the budget, and how you would make sure that the budget is met.

Compare the actual revenues to the budgeted amounts and calculate the dollar and percent variance. Compare the actual expenses (by expense category) to the budgeted amounts and calculate the dollar and percent variance. Determine the reasons as to why the budget amounts were not met whether the actual amount is lower or higher than the budgeted amount. Explain the ramifications of not meeting the budget.

EDUC 746

Assignment for week of September 2

Completed assignment is due via email by September 8, midnight

Financial Performance

Objective: To understand the Commission's financial performance framework and the ratios that schools need to meet.

Methodology: Obtain the Commission's financial performance framework, the financial ratios that the Commission uses to measure the financial results of the schools, and determine if your school is meeting the metrics.

Deliverable: Calculate each of the ratios or measures in the framework. Determine whether your school is meeting each of the measures, and determine the overall rating for the school.

Do the measures make sense? Do they appropriately measure the school's financial performance and ability to continue to operate?

What don't the measures tell you? Could a school have a good overall rating and still fail?

EDU 746

Assignment for week of September 9

Completed assignment is due via email by September 13 (Friday), midnight

Federal Funds

Objective: To understand the requirements that must be met should your school receive federal funds.

Methodology: Obtain the federal guidance at 2CFR 200, which explains the compliance requirements should federal funds be expended and identify the compliance requirements. Most charter schools receive federal funds either directly from the granting agency or passed through from the Commission. Schools that expend more than \$750,000 in federal funds require a Single Audit. Whether a school requires a Single Audit or not, the school needs to comply with the various requirements attached to the federal funds.

Deliverable: Obtain the federal guidance at 2CFR 200 and identify the categories of compliance (i.e., activities allowed, etc.).

Identify the federal funds that your school receives, and whether it is received directly from the federal agency or passed through from the Commission. Determine the CFDA No. for those federal funds.

Identify the compliance requirements that pertain to that CFDA No. or that federal program.

How would you determine if your school is meeting the compliance requirements?

Obtain the single audit report for the Commission. What do the single audit reports tell you? Did the Commission comply with the requirements?