



Smart decisions. Lasting value.™

Utah State Board of Education Fiscal Compliance Mentoring for American Preparatory Academy (APA)

FY21 Quarter 3 (January – March 2021)
April 5, 2021



Disclaimer

Services performed by Crowe LLP (Crowe) are conducted in accordance with the Standards for Consulting Services established by the American Institute of Certified Public Accountants, and Crowe's deliverables and other work product are based on underlying assumptions and other information provided by Crowe's Client. Crowe's services, deliverables and other work product are intended solely for the use of Crowe's Client. Crowe LLP disclaims any obligation to update this work product.

1. Document Scope and Purpose

The Utah State Board of Education (USBE) and Utah Charter Academies dba American Preparatory Academy (APA) engaged Crowe LLP (Crowe) to provide certain fiscal mentoring services to APA and provide quarterly reports to USBE.

This document serves as Crowe's quarterly report for quarter ended March 31, 2021. Crowe provides this report to Zachary Christensen, Director of Purchasing and Contracts, Utah State Board of Education.

2. Executive Summary

In this third quarter of the engagement, Crowe continued interviewing key stakeholders, requesting information, and reviewing information provided by APA and USBE. Crowe continued to meet with USBE and APA, separately, to understand documentation and expectations.

Crowe completed our initial review of APA's NetSuite setup and provided written options, which APA is considering. Crowe identified options to address issues APA has described with NetSuite, as well as Crowe's own, independent recommendations to modify APA's NetSuite setup and align with the state-approved Chart of Accounts (COA). APA has adjusted its COA to comply with the USBE recommended COA. APA indicated on April 1, 2021 it will not implement changes regarding journal entries or a potential integration with the Paycom payroll system during the current fiscal year. APA indicated that it may consider some of those recommendations for future implementation activities.

Due to delays in receiving information from APA and delays in reporting of financial activities by APA, Crowe is not able to complete planned activities, including monthly reviews of activities, nor perform detailed analysis of APA's compliance with state and federal accounting requirements regarding the use of special education funds. (The status of information requested is listed in **Exhibit A.**) Therefore, this report is limited to describing the activities that are possible to complete based on the information available to Crowe. We have made limited progress with these activities, including:

- Payroll transactions: Crowe sampled payroll transactions and requested supporting documentation. Based on the information received to date, we have been able to reconcile 8 of the 10 transactions. We are not able to reconcile the remaining 2 transactions; APA is reviewing these preliminary results.
- Non-payroll transactions: Crowe sampled non-payroll transactions and requested supporting documentation. APA has provided some documentation; Crowe has requested additional documents so we can complete our review of the end-to-end purchase process for the sampled transactions.
- Monthly accounting records in general ledger: Crowe has begun reviewing monthly accounting records in NetSuite. Crowe notes that APA has recorded revenue in NetSuite that reconciles with the allotments reported by USBE for the periods from July 2020 to December 2020. However, we are unable to view certain details about revenue or expenditures after mid-January; Crowe has asked APA for assistance viewing this information so we can complete our review.

APA Work Plan

Crowe developed a work plan to align parties on Crowe's fiscal mentorship activities. Crowe and APA discussed this work plan on December 4, 2020 and Crowe updated to include additional specific assignments from APA on January 6, 2021. The plan includes the following items:

A. NetSuite

1. Review NetSuite program codes for alignment to USBE program codes
2. Review code hierarchy for efficiency / best practice, recommend improvements
3. Review and identify opportunities to consolidate codes within chart of accounts*
4. Simplify journal entry inputs*
5. Review and compare APA's NetSuite system architecture with that of a peer charter school APA has identified*
6. Identify options to monitor and report on budgeted income at the program level within NetSuite*

B. Accounting Records

1. Review monthly accounting records (summary and detailed trial balance by program code)
2. Review quarterly reports to the State of Utah (quarterly transparency report, APRs or similar)
3. Review Annual Program Reports
4. Review Annual Financial Reports

C. Payroll

1. Document and review end-to-end payroll process; assess controls
2. Sample payroll data exports and general ledger entries to assess accuracy / traceability
3. Sample TECs (supporting detail behind program time allocation)
4. Potential script development to import payroll data into general ledger with improved efficiency and controls*

D. Audit Report

1. Support APA in creating implementation plan to mitigate audit findings

E. Provide Quarterly Reports to USBE (contract deliverable)

F. Provide Monthly Status Reports to APA

For items A through D, the remainder of this report will summarize activities completed during the reporting period and planned next steps.

3. Activities and Next Steps for Work Plan Activities

A. NetSuite

A. NetSuite

1. Review NetSuite program codes for alignment to USBE program codes
2. Review code hierarchy for efficiency / best practice, recommend improvements
3. Review and identify opportunities to consolidate codes within chart of accounts
4. Simplify journal entry inputs
5. Review and compare APA's NetSuite system architecture with that of a peer charter school APA has identified
6. Identify options to monitor and report on budgeted income at the program level within NetSuite

Activities in Reporting Period

Crowe reviewed the FY21 chart of accounts (COA) for APA to determine if APA reports to the USBE using the state approved COA and to identify opportunities for improvement. Crowe compared APA's COA against USBE's COA, which follows the guidelines provided in *Financial Accounting for Local and State School Systems, 2014 Edition, National Center for Education Statistics (NCES)*.

In addition, Crowe reviewed aspects of APA's NetSuite setup, including options for efficiency modifications to the journal entry input process and options for payroll data integration.

Crowe conducted follow-up meetings with APA based on our initial assessment. On February 16, 2021 Crowe presented APA with the preliminary results of our assessment of the COA and NetSuite reviews. Those results are summarized below.

A. COA Comparison – Object Codes

Observation:

1. Several APA accounts could not be tied to a matching USBE account name and number.

Recommendation:

1. Consider aligning USBE account codes as the primary account in NetSuite with any additional accounts coded as sub-accounts in NetSuite.

B. COA Comparison – Revenue Codes

Observation:

1. APA Account Number 1990 – Other Revenue from Local Sources does not match USBE's account for 1990 "Miscellaneous."
2. APA Account Number 7000 – Revenue is not used by either APA or USBE.
3. Bond Proceeds Account – APA currently has bond premium amortization and interest expense accounts but does not have a bond proceeds account.

Recommendation:

1. APA Account Number 1990 – Crowe recommends changing the name of account number 1990 to match USBE's COA. APA could use subaccounts (such as 1990.01) to identify more specific types of miscellaneous revenue.
2. APA Account Number 7000 – Crowe recommends removing account number 7000.
3. Bond Proceeds Account – Crowe recommends adding a bond proceeds account to the COA to utilize if APA decides to issue bonds in the future.

C. COA Comparison – Balance Sheet Codes

Observation:

1. APA Account Number 8000 – Credit Card Clearing "Do Not Use" is no longer in use.
2. APA Account Number 8112 – Petty Cash is incorrectly using account number 8111 Cash in Banks accounts.

Recommendation:

1. Account Number 8000 – APA should consider removing the Credit Card Clearing account that is no longer in use.
2. Account Number 8112 – Petty Cash accounts should be revisited to ensure the use of 8112 when the account pertains to a “Cash Box”.

D. Journal Entry Review

Observation 1:

1. Journal Entry Forms: APA is currently only using one JE form.
2. Script Issue: APA's script failed to default to 0000 in the Balance Sheet Code when a Revenue Code was selected.

Optional Modifications:

1. Journal Entry Forms: Crowe recommends building a custom Journal Entry Form to address different types of journals including payroll, fixed assets, etc.
2. Script Issue: Crowe recommends a review of the script to determine the cause of the issue.
3. A new script could be developed so that during csv import, the GL Account, Revenue Code Seg. and Object Code Seg. would auto-populate.

Observation 2:

1. APA's current segmentation is built in a form of dependencies where the Revenue GL Account depends on a Revenue Code, and the Balance Sheet GL Account depends on two segments: Balance Sheet Code and Function Code.

Optional Modification:

1. The segmentation dependencies could be built to work in reverse where the Revenue Code and Balance Sheet Code would depend on the GL Account.
2. Consequently, the Function Code will depend on the Balance Sheet Code and automatically auto populate.

E. Payroll NetSuite Integration

Observation:

1. NetSuite is not fully integrated with APA's payroll provider, Paycom, resulting in a manual and tedious exercise to import payroll transactions into NetSuite.

Recommendation:

1. APA should consider working directly with Paycom to expand the information provided in the semi-monthly payroll csv file that is mapped to APA's charts of accounts.
2. APA would need to provide Paycom with COA and segmentation (such as Balance Sheet code and Function code) mapping.
3. APA should consider revising the payroll import to a summary level rather than recording the details in NetSuite.

APA indicated on April 1, 2021 it will not implement changes regarding journal entries or a potential integration with the Paycom payroll system during the current fiscal year. APA indicated that it may consider some of those recommendations for future implementation activities.

Activities Planned for Next Reporting Period

No activities planned for the next reporting period, based upon APA's decisions communicated April 1, 2021 (see above).

B. Accounting Records

B. Accounting Records

1. Review monthly accounting records (summary and detailed trial balance by program code)
2. Review quarterly reports to the State of Utah (quarterly transparency report, APRs or similar)
3. Review Annual Program Reports (if applicable)
4. Review Annual Financial Reports

Activities in Reporting Period

On January 14, 2021, APA provided Crowe with a detailed general ledger for special education program activities. From the detailed general ledger, Crowe requested supporting details for 10 non-payroll expenditures recorded to special education programs in the first six months of Fiscal Year 2021.

APA provided partial documentation (including invoices and draft procurement procedures) on February 2, February 22, and March 18, 2021 after Crowe's initial and subsequent requests; Crowe requested purchase orders on March 30, 2021 to enable us to complete this review. Based on the information provided to date, we have been able to confirm our understanding of documented workstreams and understand APA's draft procurement procedures (including purchase approval thresholds); we have not yet been able to trace the sampled transactions all the way through the purchase and accounting process. Upon receipt of the purchase orders, we will complete this review and determine if the procurements were being made in an appropriate manner.

In addition, Crowe began inspecting the monthly accounting records in NetSuite. Crowe was able to determine that APA has recorded revenue in NetSuite that reconciles with the allotments reported by USBE for the periods from July 2020 to December 2020.

As of April 2, 2021, Crowe can view transactions in the General Ledger, but we are unable to generate a Transactions by Program Report of revenue or expenditures after mid-January. Crowe reached out to APA on April 2, 2021 to inquire about why the report could not be generated for the most recent quarter.

Activities Planned for Next Reporting Period

Crowe will complete the review of the sampled non-payroll transactions when the requested documents are provided. Once these initial tests are conducted, Crowe will test these types of transactions on a monthly basis. Crowe will use the additional support provided to determine the allowability of the expenditures recorded, identify internal controls in place over the expenditures, and, where applicable, evaluate the relationship of the selections to the audit findings identified by USBE to determine if APA is implementing corrective actions for deficiencies identified in the internal audit.

In addition, Crowe will review NetSuite accounting special education records on a monthly basis to determine if they appear updated and to identify potential adjustments needed or recommendations for APA.

C. Payroll

C. Payroll

- 1.Document and review end-to-end payroll process; assess controls
- 2.Sample payroll data exports and general ledger entries to assess accuracy / traceability
- 3.Sample TECs (supporting detail behind program time allocation)
- 4.Potential script development to import payroll data into general ledger with improved efficiency and controls

Activities in Reporting Period

APA staff Daniel Baker and Casey Crellin reviewed Crowe's documented understanding of the payroll process, including the use of time-and-effort certifications (TECs). Crowe met with Daniel Baker on March 25, 2021 to discuss our updated draft payroll process flow diagram. As a result of this meeting Crowe will make the final updates to the payroll process flow diagram for APA's concurrence.

Similar to the 10 sampled non-payroll expenditures in the previous section of this report, Crowe requested supporting details for 10 payroll expenditures recorded to special education programs in the first six months of Fiscal Year 2021.

With documentation provided on March 23, 2021, Crowe traced the payroll data exports to the general ledger entries. In total, Crowe reviewed the percentage of employee time allocated to special education programs for 10 APA employees. These allocations were applied against the employee's total paycheck for the period and the corresponding dollar amount was compared to the general ledger detail attributable to the special education programs.

Crowe was unable to tie the general ledger detail to the appropriate amount for all the sampled employees. Specifically, we were unable to reconcile the recorded payroll amounts for 2 of the 10 sampled APA employees. Crowe met with Daniel Baker on March 25, 2021 to discuss our review the sampled employees, including the two we were not able to reconcile. APA is researching those two employee records to determine the reason(s).

Crowe requested and received documentation supporting the qualifications of the same 10 employees in our payroll samples. Crowe received the APA employee credentials which detailed the paraeducators or teachers work experience and the compliance requirements to perform the functions of their position accordingly. Crowe reviewed the professional Utah State teaching license of the sampled teachers and did not note any issues in the initial review. Crowe also reviewed the Utah State Office of Education "Instructional Paraeducators" form, which identified how the applicable paraeducator met the criteria to be considered "highly qualified" to serve in their position.

Furthermore, Crowe will be reviewing documentation flow of the TEC process as it relates to the calculation of the payroll data. This is a crucial step in determining the integrity of the TEC as a basis of allocation and support of payroll costs charged to special education.

Activities Planned for Next Reporting Period

Crowe will meet with APA again to validate Crowe's revised draft payroll process flow diagram. Once APA has validated the process flow diagram, Crowe will identify risks and make recommendations to strengthen internal controls in the payroll process. Based on the results of our review, we may identify adjustments, controls, or other actions that we recommend APA implement.

Crowe will continue to work with APA on the sampled payroll transactions to determine if all 10 in the sample are able to be reconciled. In addition, Crowe will begin to inspect the specific types of activities performed by the sampled employees to get a better understanding of how APA determines teachers and paraeducators are performing activities allowable under the special education programs.

D. Internal Audit Report

D. Audit Report

1. Support APA in creating implementation plan to mitigate audit findings

Activities in Reporting Period

No activities completed in reporting period related to the Internal Audit.

Crowe has requested a copy of the most recently issued financial audit report for APA. This will help Crowe understand APA's financial statement presentation at the end of the year to answer accounting related questions.

Activities Planned for Next Reporting Period

Crowe will recommend the creation of an implementation plan to assist APA in mitigating audit findings.

4. Additional Support Activities

Activities in Reporting Period

Periodically, APA requests and Crowe provides additional support.

In the reporting period, APA requested information and citations about recording deferred revenue. On March 10, 2021, Crowe provided written guidance related to revenue recognition for reimbursable grants, advance grants, and allotments.

Additionally, APA requested examples of documents useful for budget planning and certain human resource policies. On March 25, 2021, Crowe sent an initial list of resources to APA pertaining to these two topics, and we will share any additional information that we locate during our research.

5. Next Reporting Period

Crowe will report to USBE on the progress and results of engagement activities for the quarter ended June 30, 2021.

Exhibit A: Data and Documents Request Log

The table below depicts the data and documents that have been requested from APA and their status as of March 31, 2021.

ID #	Financial Records & Supporting Documents Requested	Status	Date Requested	Reminder Emails	Date Provided
1	Historical Background	Closed	10/5/2020	10/6/2020, 10/23/2020, 10/28/2020, 11/5/2020	11/9/2020
2	Agendas, notes, or other results from the Special Education Conference held in January 2020 (per Settlement Agreement)	Closed	10/5/2020	10/6/2020, 10/23/2020, 10/28/2020, 11/5/2020	11/9/2020
3	NetSuite General Ledger, including program codes	Closed	10/5/2020	10/6/2020, 10/23/2020, 10/28/2020, 11/5/2020	11/9/2020
4	NetSuite implementation documentation, such as workflows or process diagrams	Closed	10/5/2020	10/6/2020, 10/23/2020, 10/28/2020, 11/5/2020, 12/3/2020, 12/29/2020	Not available
5	Access to all financial records for FY21 and FY22, including NetSuite or other relevant systems	Closed	10/5/2020	10/6/2020, 10/23/2020, 10/28/2020, 11/5/2020	11/9/2020
6	Paycom implementation documentation; please provide the process flow you created illustrating how data flows/traces between Paycom and NetSuite	Closed	10/23/2020	10/28/2020, 11/5/2020	11/9/2020
7.1	Annual Program Report (APR)	Closed	11/19/2020	12/3/2020, 12/9/2020, 12/14/2020	12/16/2020
7.2	Annual Financial Report (AFR)	Closed	11/19/2020	12/3/2020, 12/9/2020, 12/14/2020	12/16/2020

Utah State Board of Education
Fiscal Compliance Mentoring

ID #	Financial Records & Supporting Documents Requested	Status	Date Requested	Reminder Emails	Date Provided
7.3	AFR supporting detail - QuickBooks Trial Balance OR crosswalk from FY20 to FY21 trial balances	Closed	12/4/2020	12/9/2020, 12/14/2020, 12/29/2020, Clarified request 1/7/21	1/14/2021
7.4	Q1 Quarterly Transparency Report	Closed	12/4/2020	12/9/2020, 12/14/2020, 12/29/2020	1/6/2021
8	Map of Journal Entry Process / JE Form	Closed	11/19/2020	12/3/2020, 12/9/2020, 12/14/2020	12/16/2020
9	Example of California charter's NetSuite JE process	Closed	11/19/2020	12/3/2020, 12/9/2020, 12/14/2020	12/16/2020
10	Screenshot of the COA setup/codes	Closed	11/19/2020	12/3/2020, 12/9/2020, 12/14/2020, 12/29/2020	N/A (no longer needed with NetSuite Access)
11	Q1 (Sept 30) Report to USBE	Closed	11/19/2020	12/3/2020, 12/9/2020, 12/14/2020, 12/29/2020	N/A (duplicates 7.4)
12.1	Sample Excel file from Paycom (raw data and with APA's manipulations), <i>with all PII removed</i>	Closed	11/19/2020	12/3/2020, 12/9/2020, 12/14/2020	12/17/2020
12.2	Excel file D. Baker uses to control and override program codes every 2 weeks	Closed	12/4/2020	12/9/2020, 12/14/2020, 12/29/2020	1/6/2021
13	Summary and detailed trial balance by program code	Closed	12/4/2020	12/9/2020, 12/14/2020, 12/29/2020	1/6/2021
14	Payroll Import 9-30-20	Closed	Not Requested	N/A	12/16/2020
15	FY20 SEP BS	Closed	Not Requested	N/A	12/16/2020

Utah State Board of Education
 Fiscal Compliance Mentoring

ID #	Financial Records & Supporting Documents Requested	Status	Date Requested	Reminder Emails	Date Provided
16	FY 20 Q1 P&L	Closed	Not Requested	N/A	12/16/2020
17	November 2020 BS	Closed	Not Requested	N/A	12/17/2020
18	November 2020 BvA	Closed	Not Requested	N/A	12/17/2020
19	October 2020 BS	Closed	Not Requested	N/A	12/17/2020
20	October 2020 BvA	Closed	Not Requested	N/A	12/17/2020
21	Cash Requirement 9-30-20	Closed	Not Requested	N/A	12/17/2020
22	Cash Fund Procedures	Closed	Not Requested	N/A	12/21/2020
23	Deposit Worksheet	Closed	Not Requested	N/A	12/21/2020
24	Paycom Cash Requirements Report 9/30	Closed	12/18/2020	1/14/2021 (meeting)	1/14/2021
25	TEC Form Example (9-30)	Closed	1/14/2021	1/14/2021 (meeting)	1/14/2021
26	Sample support for 10 payroll transactions	Closed	1/21/2021	1/26/2021	2/9/2021
27	Sample support for 10 non-payroll transactions	Closed	1/21/2021	1/26/2021	2/5/2021
28	Payroll Support - Selected Employees	Closed	2/22/2021	3/5/2021, 3/10/2021	3/20/2021
29	Employee Credentials / Accreditation	Closed	2/22/2021	3/5/2021, 3/10/2021, 3/30/2021	4/1/2021
30	Procurement Policies and Procedures	Closed	2/22/2021	3/5/2021, 3/10/2021	3/18/2021

Utah State Board of Education
 Fiscal Compliance Mentoring

ID #	Financial Records & Supporting Documents Requested	Status	Date Requested	Reminder Emails	Date Provided
31	Q2 Transparency Report	Closed	3/10/2021	3/10/2021	3/23/2021
32	Most Recent Audit Report	Open	3/19/2021	N/A	Awaiting Information
33	Explanation for Unreconciled Employee Payroll	Open	3/26/2021	4/5/2021	Awaiting Information
34	Non-Payroll Purchase Orders	Open	3/30/2021	N/A	Awaiting Information