



**FISCAL MONITORING  
CLASSIFICATION PROCESS**

EFFECTIVE DATE 3/15/2018

**SOP 4.5**

SIGNATURE \_\_\_\_\_

A handwritten signature in black ink, appearing to be "R. P.", is written over a horizontal line.

PROPOSED BY \_\_\_\_\_

Chief Financial Officer

**PURPOSE**

The FISCAL MONITORING CLASSIFICATION PROCESS ensures that a school's fiscal condition is categorized for the CSS team to use in monitoring the financial performance of a school. This information helps the CSS team ensure that schools are operating consistently and mitigates the possibility of a school closing during the school year.

**SCOPE**

The FISCAL MONITORING CLASSIFICATION PROCESS applies mainly to the CSS CFO and President. Statuses assigned under this process are for internal reference only.

**PROCEDURE**

The FISCAL MONITORING CLASSIFICATION PROCESS begins each month with the fiscal review of each school.

1. The CSS CFO or designee reviews the school and classifies the school in one of three statuses; Monitoring Status, Watch Status, or Emergency Status according to the criteria listed below.
  - a. **Monitoring Status**
    - i. School is not in the first two years of operations.
    - ii. School only has mortgages or bond debt, no other debt, short term or long term.
    - iii. Net Income or Change in Position positive or break-even (-\$10,000 or less) for at least three (3) consecutive months.
    - iv. FTE is consistent with the school's charter and/or no FTE decreases for more than three (3) consecutive months.
    - v. Rent payments do not exceed 20% of Total Gross Revenues.
    - vi. Staff payroll and fringes do not exceed more than 80% of Total Gross Revenues.



- vii. Clean audits including but not limited to: no findings and records are auditable.
  - b. **Watch Status – Meets one or more of the following criteria**
    - i. School has debt other than mortgage secured by real estate, or bond debt.
    - ii. School owes more than three (3) months of management fees to their management company.
    - iii. Negative Net Income or Change in Net Position >\$10,000 for more than 3 consecutive months and YTD Net Income or Change in Net Position is negative.
    - iv. FTE reduction for 3 consecutive months or not in compliance with the school's charter.
    - v. Rental payments exceed 20% of the school's Total Gross Revenues.
    - vi. Staff payroll and fringes are more than 80% of the school's Total Gross Revenues.
    - vii. School has a significant finding for recovery in their audit or an unresolved finding from the previous year's audit.
  - c. **Emergency Status- Meets one or more of the following criteria**
    - i. School has CAP in place and is not adequately completing plan to return to Monitoring Status.
    - ii. School Continues to show large losses (>\$10,000) monthly.
    - iii. Enrollment continues to decline after CAP in place.
    - iv. Amounts owed to management company decreased less than 10% over 3 months.
    - v. Increases in debt (>\$20,000), excluding those schools that had debt with Charter School Capital, while on CAP.
    - vi. Audit finding that has not been corrected for two (2) or more years or qualified opinion for preceding year's audit.
2. After being classified as being in Monitoring Status, Watch Status, or Emergency Status, each school will receive the interventions listed below based on the status determination.
- a. **Monitoring Interventions**
    - i. None
  - b. **Watch Interventions**
    - i. Shall inform the Treasurer and Governing Authority of the status change in the normal monthly fiscal review communication.
    - ii. CFO communicates with the Legal Department and causes a school to be placed on Corrective Action Plan (CAP). (See Corrective Action Plan Process).
    - iii. CFO reviews CAP for accuracy in resolving the issue(s).
  - c. **Emergency Interventions**
    - i. School shall be placed on Probation. CFO will provide General Counsel with conditions school must meet to resolve the issue(s). (See Community School Probation Process)



- ii. Sponsor may recommend or require replacement of the Treasurer.
- iii. Sponsor may take over operations of the school.
- iv. Sponsor may place the school on Suspension.

### **DOCUMENTATION / VERIFICATION**

All FISCAL MONITORING CLASSIFICATION PROCESS documents will be saved with a naming convention and the date in the shared drive as follows:

*Location of documentation: S:/FISCAL REVIEWS\_SERVICES/FISCAL REVIEWS/SCHOOL CLASSIFICATION\_FISCAL YEAR*

*Naming convention: FISCAL MONITORING CLASSIFICATION/SCHOOL NAME*

*Supporting documentation included with this process:*

1. Spreadsheet prepared and maintained by Chief Financial Officer.
2. Sample communication to school of status

### **DOCUMENT HISTORY**

Orig. March 2018

Rev. November 2018

### **REVIEW AND APPROVAL**

Reviewers of the FISCAL MONITORING CLASSIFICATION PROCESS are as follows:

Reviewed By: Management Team

Date: 11/19/18

Approved By: President: David L. Cash, Jr.

Date: 11/19/18

The effective date is as of the date signed above. Processes are consistently reviewed and revised as necessary throughout the term. The FISCAL MONITORING CLASSIFICATION PROCESS may be implemented as currently written and will be formally evaluated and revised as necessary going forward.