

SCDE Financial Update

SCASBO 2019 SPRING CONFERENCE

One Team...Building the Future

March 7, 2019

Molly M. Spearman – State Superintendent of Education

Budget Data

- Projected Weighted Pupil Units for FY 20 (81 local districts only)-989,013
- Estimated Base Student Cost -\$3,095
- SCDE Requested BSC- \$2,647 (includes safety add-on)
- Ways & Means BSC- \$2,485
- Estimated SE Average Teacher Salary-\$52,830

Budget (Ways & Means)

- State Aid to Classrooms- \$2.77 billion
 - EFA Rolled up
 - EFA Fringe Rolled up
 - % based upon EFA methodology
 - % based on EFA fringe methodology
 - % for teacher salary increase based on EIA methodology
 - No increase to account for increased WPU

Budget (Ways & Means)

- 4% Teacher Salary Increase
 - Teacher salary supplement funding will be split between current EIA and State Aid to Classrooms in the General fund
- Increase Teacher Starting Pay
 - Increased beginning teacher pay to \$35,000
 - Funding rolled into State aid to classrooms

Budget (Ways & Means)

- 1.90. (SDE: School District Hold Harmless) Any district that uses reserve funds to pay for teacher pay raises, to include step increases, shall be held harmless from the local school district's reserve fund requirement provisions in the Fiscal Accountability Act.

Budget (Ways & Means)

- Funding for Retirement Contribution Increase-
 - EIA- \$4.2 million
 - General Fund- \$32.4 million (approximately \$17 million relates to school districts)
- Funding for Health Insurance Increase
 - \$49.7 million (roughly half is for school districts)

Budget (Ways & Means)

- Aid to Districts Technology
 - \$12 million appropriation deleted
- \$10 million for school resource officers
 - Districts must apply
 - Based on ITA
- Capital Improvement Projects –non- recurring \$50 million
 - 70% or higher poverty
 - Application process

Budget (Ways & Means)

- \$20 million non-recurring for instructional materials
- Buses
 - \$19.3 million non-recurring in lottery

SCDE Financial Update

- Finance Boot Camp
- Grants/Grant Accounting Processing System (GAPS)
- Special State Allocations Reporting
- Fiscal Practices



Grants Update



GAPS

- Final submission deadline for June 30, 20XX , Expenditures will always be August 15, 20XX, regardless of the award period of the grant and/or the day of the week that this date falls on.
- **Quarterly Expenditure Reporting Required**
 - Due by end of month following end of quarter once budget has been approved
 - If these aren't submitted timely, risk assessment score will go up

GAPS Deadlines

- **Budget amendments must be submitted prior to expenditures being obligated – federal regulations state that expenditures must be approved prior to obligation. If not, you're out of federal compliance.**
- **Please Note:** General deadline for budget amendments is three weeks prior to end of expenditure period unless noted differently in Grant Award Notice (GAN).

– General Due Dates

- 7/1/18 – 9/30/18 **11/10/18**
- 10/1/18 – 12/31/18 **2/10/19**
- 1/1/19 – 3/31/19 **5/10/19**
- 4/1/19 – 6/30/19 **8/15/19**



Special State Allocations

- Abbeville Capital Improvement \$55.8M (2017)
 - Expire 6/30/2019
- School Safety Initiative \$15M (2018)
 - Initial \$60K (\$4.98M)+Priority List (\$10.02M)
 - Carryover to 6/30/2020
- Quarterly and Year End Reporting (location)

Questions





Statewide Program on District Fiscal Practices and Budgetary Conditions

Act 23 of 2017, S.C. Code Ann. § 59-20-90 (2018)

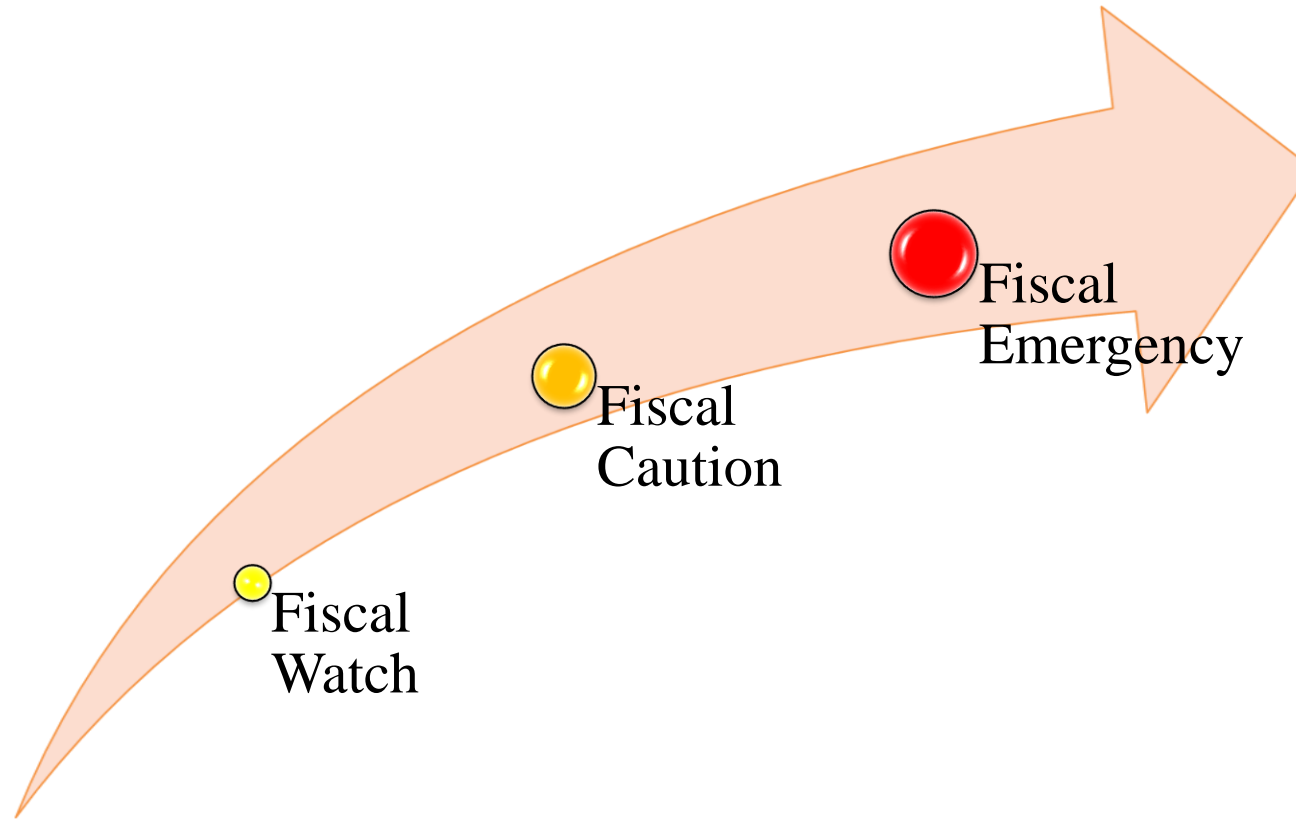
Molly M. Spearman – State Superintendent of Education

The Legislative Mandate

- On May 9, 2017, (Amended May 2018), Governor McMaster approved the Act 23, which directs the South Carolina Department of Education (SCDE) to develop and adopt a statewide program on fiscal practices and budgetary conditions.
- The State Department of Education shall work with district superintendents and finance officers to develop and adopt a statewide program with guidelines for:
 - identifying fiscal practices and budgetary conditions that, if uncorrected, could compromise the fiscal integrity of a school district; and
 - (2) advising a district identified under item (1) to take appropriate corrective actions.
- S.C. Code Ann. § 59-20-90(A).

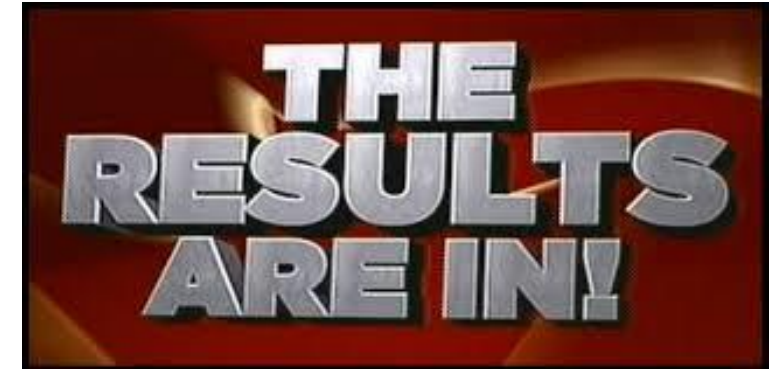
Escalating Levels of Concern

- The statute identifies three “escalating levels of fiscal and budgetary concern” that must be defined in the statewide program:



The Fiscal Year (FY) 2018 Results: Maintaining General Reserve Funds - SC School Districts

- Average Fund Balance **22.86%** ↑
- Lowest Fund Balance **(2.21%)** ↓
- Highest Fund Balance **65.26%** ↑
- 6 Districts below **8.33%** ↓
- 6 Districts between 8.34% & 10.46% ←
- Largest decrease in Fund Balance **(18.51%), (11.73%), (11.70%), *(7.61%), (4.69%)**
- Largest increase in Fund Balance **12.85%, 11.89%, 8.24%, 7.74%, 6.76%**

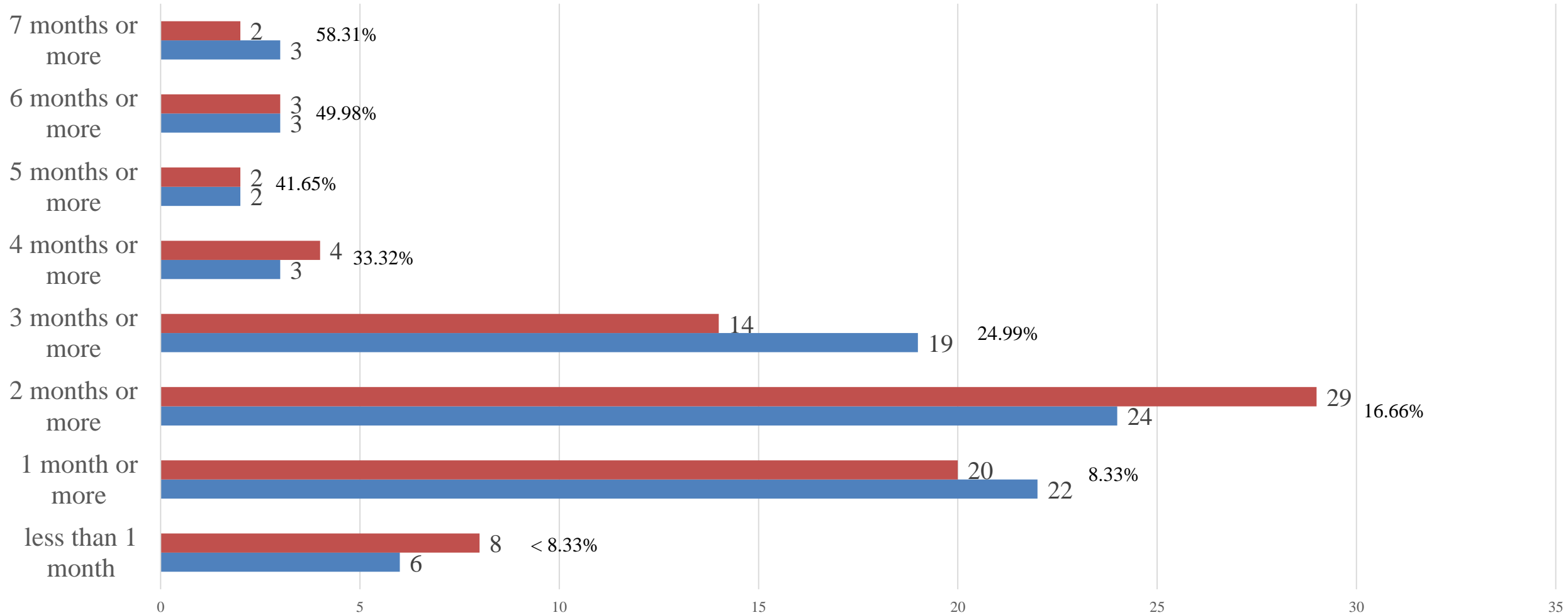


The FY 2018 Results: SC School Districts

FY 2016-2017 & FY 2017-2018 General Fund Balance in Months

8.33% = 1 Month

■ 2017 ■ 2018



The FY 2018 Results: Maintaining General Reserve Funds - SC School Districts

FY 2017-18 Fund Bal %	ADM Difference	% GF Revenue Difference	% Change in GF Expend	ADM 2018-19 45th day
-2.21%	(7.72)	-0.81%	1.61%	582.13
-0.51%	(5.93)	1.33%	8.46%	638.32
1.08%	(124.47)	1.71%	-2.43%	1,732.99
7.23%	(119.87)	2.47%	-4.95%	15,956.84
7.79%	(100.56)	2.90%	2.83%	3,394.63
8.85%	(292.63)	6.12%	4.22%	22,558.61
9.18%	(86.94)	-1.10%	-4.10%	3,275.98
9.87%	(53.82)	1.05%	-1.86%	1,259.35
9.87%	(151.53)	1.66%	1.22%	5,277.07
10.43%	(277.63)	-2.15%	-4.75%	3,460.13
10.46%	(20.14)	4.15%	3.30%	3,796.80
11.87%	(59.32)	7.76%	4.37%	3,808.51
12.14%	(13.76)	7.75%	5.39%	10,959.36
12.82%	(94.05)	2.92%	2.68%	8,969.18
12.90%	(50.84)	-4.22%	7.99%	677.55

Bottom 15 General Fund Balance % from -2.21% to 12.90%

Average decrease in ADM is 97.28 from 17-18 to 18-19

Charter Schools

- Section § 59-40-55 (B) (4) states that a charter school sponsor shall “monitor, in accordance with charter contract terms, the performance and legal/fiscal compliance of charter schools to include collecting and analyzing data to support ongoing evaluation according to the charter contract.”

The FY2018 Results: Maintaining General Reserve Funds - Charter Schools

- Average Fund Balance **29.97%** ↑
- Lowest Fund Balance **(13.62%)** ↑
- Highest Fund Balance **104.33%** ↓
- **14 charters below 8.33%** ↓
- **1 charter at 8.68%**
- **7 charters at 16.66% or above**
- **8 charters at 24.99% or above**
- **6 charters at 33.32% or above**
- **3 charters at 41.65% or above**
- **5 charters at 49.98% or above**
- **10 charters at 58.31% or above**

7 Different Sponsors

5 SCPCSD

9 LEAs

- Aiken (1)

- Beaufort (1)

- Charleston (3)

- Clarendon 2 (1)

- Horry (2)

- Orangeburg 5 (1)

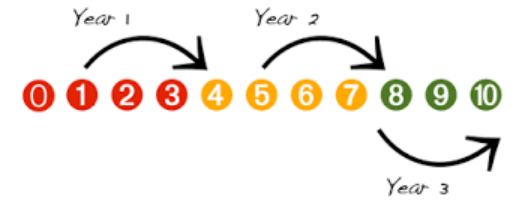
2018 Fiscal Practices Summary

- 5 Rolling Off
Bamberg 1, Florence 3, Saluda, Darlington, Williamsburg
- 7 Districts on **Caution**
 - 1 **Caution** for Investigation
 - 6 **Caution** Fund Balance and/or Audit Findings
- 2018 (8) Declarations/Escalations (Pre-notice, Notice, Appeals)
- 5 Districts for **Watch** Audit Findings
- 3 **Emergency** Escalations Audit Findings/Fiscal Decline
- 25% of SC districts



Fiscal Recovery Plan & Technical Assistance (TA)

- Fiscal Recovery Plan required at all levels
- Fiscal Recovery Plan update each year
- SCDE provides TA at all levels
- SCDE required to visit and inspect districts under Fiscal Caution & Fiscal Emergency





Questions



Molly M. Spearman – State Superintendent of Education



Financial Services Updates

Molly M. Spearman – State Superintendent of Education

Dates to Remember

- March 25th
 - Membership and Student Accountability reporting opens
- April 29th
 - 135-day PCS funding updates
- April 30th
 - Membership and Student Accountability reporting closes
 - Home Instruction
- June 28th
 - Final changes in PCS
 - Funding Flexibility

Importance of Pupil Accounting

- Provide average daily membership (ADM) to calculate weighted pupil units (WPU's) for EFA and most EIA funding
- Available resources
 - PowerSchool Data Collection Manual
 - https://ed.sc.gov/scdoe/assets/File/data/information-systems/power-school/SC%20PS%20Data%20Collection-Specific%20Fields%20Combo%202018-19%20V1_0.pdf
 - Step by Step Guide for Running EFA-EIA Funding Reports
 - <https://ed.sc.gov/scdoe/assets/File/data/information-systems/power-school/StepbyStepGuideforRunningEFA-EIAFundingRptsOctober2016.docx>
 - Pupil Accounting Manual
 - <https://ed.sc.gov/finance/financial-services/manual-handbooks-and-guidelines/pupil-accounting-manual/pupil-accounting-manual/>

Pupil Accounting

- Vocational
 - Pupil assigned in grades 9-12
 - Maintain membership
 - Minimum of 250 minutes weekly in approved CATE course
 - Minimum of 200 instructional minutes daily
 - CATE Student Reporting Procedures Guide
 - <https://ed.sc.gov/instruction/career-and-technology-education/performance-accountability/cate-data-collection-and-reporting/2017-18-cate-student-reporting-procedures-guide/>
 - Activity Coding System
 - <https://ed.sc.gov/districts-schools/state-accountability/high-school-courses-and-requirements/activity-coding-system-for-the-student-information-system/>

Pupil Accounting Verification

- Select data extracts for funding and upload
- Verify data from SCDE reports match extract data
- Email signed Pupil Accounting and Student Accountability Reports to SCDE
 - Membership and Attendance
 - Additional Student Weightings
 - Cumulative Class

National Board Certification

- \$7,500 state supplement
 - Applied prior to July 1, 2010
 - Renew for one additional 10 year cycle for a total of 20 years of funding
 - Funding expiration date extended due to proviso language
 - Certified in 2010-2013 funding began in the following year
- \$5,000 state supplement
 - 10 entry process = 10 year cycle
 - 4 component process = 5 year cycle

PCS & PCCS

- NBC state supplement reconciliation
- State funded Reading/Literacy Coach = PC 87
- Pilot testing March/April
- July/August – “Go Live” date
- New Fields
 - Separation date and reason
 - Local supplement



SCDE Office of Auditing Services Update

SCASBO 2019 SPRING CONFERENCE

One Team...Building the Future

March 6, 2019

Molly M. Spearman – State Superintendent of Education

Status of Annual Audits

- Annual audits were due on December 3, 2019
- 5 reports were not received by the due date (including one report that is still outstanding)

Penalties for Late Audit Submission

- A district will receive a rating of medium for an audit report submitted after the December due date but within 30 days of the due date (January 2)
- Risk rating for audit report is high for submission more than 30 days after the due date (January 3 or later)
- An LEA that submits the audit report 60 days late will be in a state of fiscal caution under the Act 23, Fiscal Practices Legislation (February 1)

Status of Annual Audits

- 1 Audit with Modified Opinions on F/S
- 2 Audits with Modified Opinions on Federal Awards

Fiscal Practice Findings

- Fiscal Practices and Budgetary Conditions Act
 - 5 Districts did not meet the General Reserve Fund Balance test
 - 8 Districts potentially on a FP designation for audit findings
 - Repeat findings
 - Material weaknesses

Common LEA Audit Findings

Common LEA Audit Findings

- Segregation of duties
- Unallowable costs charged to federal grants
- Internal controls
- Preparation of financial statements and note disclosures

Common LEA Audit Findings

- Reconciliations of bank statements
- Reconciliations of fund accounts
- CDL Drug and Alcohol testing
- Time and effort
- Cash management (not claiming reimbursements timely or not at all)

Risk Assessment

SCDE's Subrecipient Risk Assessment Process

- The Office of Auditing Services will send correspondence to each District's Superintendent, School Business Official, and Federal Programs Director notifying them of the District's overall risk score.
- All subrecipients who are identified as at risk of noncompliance (high risk) will be notified directly by the Office of the State Superintendent. The SCDE can and will impose specific subaward conditions, allowable under 2 CFR Part 200.207(b), on the federal funds that pass-through the SCDE to the subrecipient.
- Medium risk subrecipients are urged to review the regulations in 2 CFR Part 200 and take immediate action, as nonfederal entities, to come into compliance.

FY 2017-18 Risk Assessment

- Risk scores should be distributed beginning next week
- Superintendent, federal programs director, and each school board member will receive notification

LEA Subrecipient Risk Assessment Results

	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18* (One audit report not submitted)
HIGH	1	3	5	3
MEDIUM	10	11	7	11
LOW	71	68	70	67

Due To

- Invoices will be sent to districts on March 18, 2019
- Finance is determining payments already received
- Districts should only be invoiced for what is due
- If you have already paid an amount that is listed as being due to and receive an invoice, contact us

Independent Auditor Training

- Training for auditors who perform annual audit
- May 15 – Richland CDC 9:00 a.m.
- Presentations from Finance, Grants, OAS, and major program areas
- Inform your independent auditor of training

LEA Indirect Cost Methodology Status

Submitted indirect cost rate proposal to USDE in February 2018 for approval

- SCDE requested change from fixed with carry-forward rate to a predetermined rate
- Received approval from USDE to issue 2018-19 indirect cost rates using current fixed with carry-forward rate while plan under review by USDE
- October 2018 requested by USDE to submit additional information

LEA Indirect Cost Methodology Status cont'd

- January 2019 assigned a new Federal Negotiator
 - SCDE requested by USDE to submit additional information in February 2019
- Indirect cost rate proposal is still under review by USDE
 - 2019-20 indirect cost rates may still be issued using the fixed with carry-forward method if proposal not approved by USDE soon

New to Indirect Cost Methodology

SCDE began capping indirect cost rates during fiscal year 2018-19

- Received approval from USDE to cap indirect cost rates
- Restricted rate capped at 15%
- Unrestricted rate capped at 30%

Vocational Weighting Audit

- Audit of vocational 1.29 EFA weighting
- Districts claiming the weighting for students not enrolled in an approved CATE course in PowerSchool
- FY 2017-18 current scope; may expand to include the current year also

Status of State Audits

The Office of Auditing Services is now conducting audits of the state funds received by school districts.

OAS has:

- Completed first state audit
- Currently, conducting fieldwork for the second state audit
- Plans to begin two more state audits before the end of fiscal year 2018-19

Scope of State Audits

Scope of state audit:

- State Funds Issued under:
 - Education Finance Act of 1977 (EFA)
 - Education Improvement Act of 1984 (EIA)
 - Child Early Reading Development and Education Program (CERDEP)
 - Non-Flexed Funds
- Procurement

Scope of State Audits cont'd

Includes but not limited to:

- EFA
 - Minimum Teacher Salary Requirement (Certified Teacher and Administrator Salary Requirement)
 - Local Required Support (Minimum Revenue Requirement)
 - EFA Classifications
 - 85% Requirement (85% of the funds expended directly and indirectly to serve the students who generated the funds)

Scope of State Audits cont'd

- EIA
 - District Minimum Salary Schedule Compliance
- Non-Flexed Funds
 - NBC Salary Supplement
 - Teacher of the Year
 - Technical Assistance – State Priority Schools
 - Teacher Supplies
 - Aid to Districts – Special Ed

Scope of State Audits cont'd

- Non-Flexed Funds continued
 - EEDA Supplies and Materials
 - EEDA Career Specialists
 - Science Kit Refurbishment
 - Career and Technology Education
- Procurement
 - Compliance with written procurement policies and procedures

Questions

?

Office of Auditing Services

Contact Information

Melissa A. Myers, Director

(803) 734-8453

mmyers@ed.sc.gov

Hershula Davis, Audits Manager

(803) 734-6022

hdavis@ed.sc.gov

Debra Wolfe, Administrative Assistant

(803) 734-8180

dwolfe@ed.sc.gov

auditingervices@ed.sc.gov