



DAVE YOST
Ohio Auditor of State



Community School Overpayments Webinar

September 18, 2017

Presented by:
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Technical Specialist

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Agenda

- Background
- What Community Schools Need to Do
- Additional Information
- Example Calculations

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Background

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★ IMPORTANT NOTE ★

This guidance is not only referring to ODE 'claw backs' – it is referring to ANY changes that affect funding or payments.

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Sample Foundation Settlement

DESCRIPTION	USAS CODE	ANNUAL AMOUNT	YEAR TO DATE PRIOR TO PAYMENT	BALANCE PRIOR TO PAYMENT	MONTHLY PAYMENT
STATE SUPPORT					
OPPORTUNITY GRANT	3110	3,962,086.00	3,638,762.21	323,323.79	323,323.79
TARGETED ASSISTANCE	3110	85,062.77	78,708.20	6,354.57	6,354.57
K-3 LITERACY FUNDING	3110	92,073.40	84,408.54	7,664.86	7,664.86
ECONOMIC DISADVANTAGED FUNDING	3211	599,666.23	566,712.88	32,953.35	32,953.35
LIMITED ENGLISH PROFICIENCY FUNDING	3110	0.00	0.00	0.00	0.00
SPECIAL EDUCATION FUNDING	3110	428,394.67	378,548.74	49,845.93	49,845.93
CAREER TECHNICAL FUNDING	3219	0.00	0.00	0.00	0.00
TRANSPORTATION	3219	0.00	0.00	0.00	0.00
TOT STATE SUPPORT		5,167,283.07	4,747,140.57	420,142.50	420,142.50
ADDITIONAL AID ITEMS					
FACILITIES FUNDING	3190	100,731.00	92,510.91	8,220.09	8,220.09
GRADUATION BONUS	3110	0.00	0.00	0.00	0.00
3RD GRADE READING BONUS	3110	13,232.52	13,232.52	0.00	0.00
TRANSFERS					
ESC CONTRACT DEDUCTION	3110	0.00	0.00	0.00	0.00
ADJUSTMENTS					
UV40 F15 AUDIT FINAL-2	****	-12,071.56	-10,347.06	-1,724.50	-1,724.50
TOTAL PAYMENT BEFORE RETIREMENTS		5,269,175.03	4,842,536.94	426,638.09	426,638.09
RETIREMENT SYSTEM					
SCHOOL EMPLOYEES RETIREMENT - SGRF	221	-131,732.00	-113,232.00	-18,500.00	-18,500.00
STATE TEACHERS' RETIREMENT - SGRF	211	-321,899.00	-294,899.00	-27,000.00	-27,000.00
TOTAL PAYMENT		4,815,544.03	4,434,405.94	381,138.09	381,138.09

June 2016

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Foundation Settlement & FTE Adj. Reports

<http://education.ohio.gov/Topics/Finance-and-Funding/School-Payment-Reports/State-Funding-For-Schools/Community-School-Funding>

- FY2016**
- » Community School Payment Reports
 - » Community School Deductions
 - » FY2016 Final #1 
 - » FY2016 Final #2 
 - » FY2016 Final #3 
 - » FY2016 Final #4 

FTE Adj. Report Example

September 7, 2016

FY 2016 Final #1

Community School Name	CS IRN	Final #1 Amount	June Amount	JV78	Difference	Monthly Adjustment	Rate (Months)
A+ Arts Academy	000556	5,243,511.28	5,281,246.59	0	-37,735.31	-3,773.53	10
A+ Children's Academy	013232	1,170,824.72	1,141,210.64	0	29,614.08	29,614.08	1
Acad of Education Excellence	013195	550,185.49	550,620.45	0	-434.96	-434.96	1
Acad Urban Scholars Yngstwn	013249	1,206,546.84	1,183,631.03	0	22,915.81	22,915.81	1

Sample Foundation Settlement

DESCRIPTION	USAS CODE	ANNUAL AMOUNT	YEAR TO DATE PRIOR TO PAYMENT	BALANCE PRIOR TO PAYMENT	MONTHLY PAYMENT
STATE SUPPORT					
OPPORTUNITY GRANT	3110	3,661,680.00	3,391,641.93	270,038.07	270,038.07
TARGETED ASSISTANCE	3110	88,749.18	82,852.74	5,796.44	5,796.44
K-3 LITERACY FUNDING	3110	100,681.60	92,768.54	7,913.06	7,913.06
ECONOMIC DISADVANTAGED FUNDING	3211	527,478.89	494,932.81	32,546.08	32,546.08
LIMITED ENGLISH PROFICIENCY FUNDING	3110	0.00	0.00	0.00	0.00
SPECIAL EDUCATION FUNDING	3110	275,328.87	268,178.08	7,150.79	7,150.79
CAREER TECHNICAL FUNDING	3219	0.00	0.00	0.00	0.00
TRANSPORTATION	3219	0.00	0.00	0.00	0.00
TOT STATE SUPPORT		4,653,918.54	4,330,474.10	323,444.44	323,444.44
ADDITIONAL AID ITEMS					
FACILITIES FUNDING	3190	122,056.00	113,054.74	9,001.26	9,001.26
GRADUATION BONUS	3110	0.00	0.00	0.00	0.00
3RD GRADE READING BONUS	3110	2,034.90	2,034.90	0.00	0.00
TRANSFERS					
ESC CONTRACT DEDUCTION	3110	0.00	0.00	0.00	0.00
ADJUSTMENTS					
COLLEGE CREDIT PLUS DEDUCT (JV09)	479	0.00	0.00	0.00	0.00
MISSING AMOUNT FUNDING	****	0.00	0.00	0.00	0.00
JV56 FTE AUDIT FINAL-1	****	-37,735.31	-33,961.78	-3,773.53	-3,773.53
TOTAL PAYMENT BEFORE RETIREMENTS		4,740,274.13	4,411,601.96	328,672.17	328,658.90
RETIREMENT SYSTEM					
SCHOOL EMPLOYEES RETIREMENT - SGRF	221	-153,999.00	-139,359.00	-14,640.00	-14,640.00
STATE TEACHERS' RETIREMENT - SGRF	211	-306,956.00	-281,630.00	-25,326.00	-25,326.00
TOTAL PAYMENT		4,279,319.13	3,990,612.96	288,706.17	288,692.90

June 2017

Why FTE & Foundation Rev. Change

- Ohio Rev. Code § 3314.08 provides the formula by which community schools are funded.
- The community school's Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student.
- Comm. schools enter data concerning the students into EMIS and the EMIS data populates the SOES which is used by ODE to inform public districts about their students who are enrolled in community schools.

Why FTE & Foundation Rev. Change

Based on the reported numbers, ODE calculates and subtracts the appropriate amount of state aid from each traditional school district. The amount subtracted is paid to the corresponding community school entitled to receive those funds.

Community schools are able to continuously update estimated student FTE information in EMIS, but must report actual FTE information no later than the end of the school year.

ODE continues to adjust the FTE used for the funding formula as the school updates its information throughout the year.

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Why FTE & Foundation Rev. Change

#1

At the close of the school's fiscal year, ODE will reconcile the Final FTE Foundation payments and determine whether the school has a corresponding receivable from or payable due to ODE based upon the accumulation of student FTE's throughout the year.

These adjustments are referred to in the remaining slides as 'Final FTE Adjustments'.

In prior years ODE has made anywhere from 1-5 Final FTE Adjustments for each year.

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Why FTE & Foundation Rev. Change

#2

Ohio Rev. Code § 3314.08 also mandates FTE reviews, which ODE performs to verify the accuracy of the enrollment and attendance data reported by community schools into EMIS.

These reviews can also result in a corresponding receivable from or payable due to ODE based upon the results.

If these results are not appealed, they are included in the Final FTE Adjustments.

When the results are appealed, they are handled through a different process by ODE.

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What Community Schools Need To Do

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Summary of What to Do Now

<p>#1 Review All Contracts</p>	<p>#2 Create Written Policy</p>	<p>#3 Perform True-up Calculation(s)</p>
<p>#4 Obtain Legal Opinion(s)</p>	<p>#5 Initiate Repayments</p>	<p>#6 Determine Financial Statement Impact</p>
<p>#7 Maintain File of Support for Audit</p>		

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#1 Review All Contracts

Community Schools must review all contracts/agreements to determine if paid on a percentage or number of ADM/FTE, students, revenues, etc. (anything that changes).

Examples of such contracts / agreements include:

<p>Sponsor Agreements</p>	<p>Management Company / Operator Agreements</p>	<p>Vendors (ie. education service providers, online software, etc.)</p>
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#2 Create a Written Policy

- How often the true-up calculations/payments will occur
- If contract is based on number of 'students' – legal interpretation/definition of such
- Based on agreements, which components from the Foundation Settlement are considered in payment calculation

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#2 Create a Written Policy

- If the same vendor/sponsor/management company is still being used, will current year payments be calculated net of adjustments or in a true-up at end
- If change vendor / sponsor / management company, will the school require full repayment prior to the change – will the school include a clause in agreements for such
- Depending on the financial stability of the management company/sponsor/vendor, will the school require collateralization or other assurances of potential future repayments

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TOTAL PAYMENT		4,815,544.03	4,434,405.94	381,138.09	381,138.09

#3 Perform True-Up Calculation(s)

ODE's
'Final
FTE Adj's'

- Fy 16 - #1, #2, #3, #4
- These include both 'flags' in the system being resolved and adj's due to FTE rev's when the school did not appeal the results.

Appealed
FTE
Reviews

- When the School did appeal their FTE review results, these are considered isolated instances and therefore do not run through the normal 'Final FTE Adjustment' process. There would be an additional adjustment made once the hearing or settlement agreement is finalized.

#4 Obtain Legal Opinion(s)

Policy

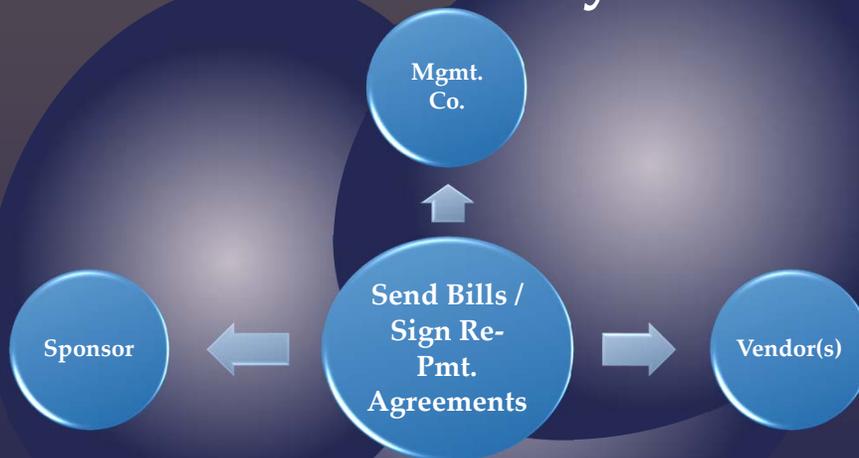
Calculation(s)

Whether Reimb.
is Due to the
Comm. School

Legal counsel must be independent of the sponsor / management co. / vendor the consultation involves.

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#5 Initiate Re-Payments



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#6 Determine Financial Statement Impact

Auditors will check for the true-up's beginning with the Fy 2016 FTE Adj's.

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#6 Determine Financial Statement Impact

Fy 2017 Financial Statements

Fy 16 FTE Adj's

- Determine if a receivable / payable needs booked
- Determine if Net Position at Beginning of year needs restated
- Determine if repayment plan(s) need disclosed in footnotes
- If school appealed and not settled yet, determine if disclosure is needed (including disclosure on potential repayment from/to sponsor/mgmt. co./vendor).

Fy 17 FTE Adj's

- Adj. #1 occurred on 9/14/17 foundation settlement
- Adj. #2 planned for December 2017
- Determine if need Comm. School foundation contingency footnote (including appeal if applicable) & if should be expanded to include amounts due from/to Sponsor/Mgmt. Co./Vendor

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#6 Determine Financial Statement Impact

Fy 2016 Financial Statements

Fy 16 FTE Adj's

- If audit fieldwork is not yet complete
 - Determine if a receivable / payable needs booked
 - Determine if repayment plan(s) need disclosed in footnotes
 - If school appealed and not settled yet, determine if disclosure is needed (including disclosure on potential repayment from/to sponsor/mgmt. co./vendor).

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#7 Maintain File of Support for Audit

Auditors will review the schools calculations and assess if a reasonable conclusion was reached. Schools must maintain a file for auditors including:

Listing of
Contracts /
Agreements

Copies of
Affected
Agreements

Written Policy

Each True-Up
Calculation

Related Legal
Consultations

Repayment
Plans if Not
Pd. In Full

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Additional Information

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Finding For Recovery (FFR)

Ohio Rev. Code § 117.28 authorizes the Auditor of State to report a *finding for recovery* in audit reports when legal action may be appropriate to recover public money or property.

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Auditors Will Likely Issue FFR's When:

The true-up calculation(s)/evaluation(s) have not been performed and the auditor determines an amount is due, OR

An unreasonable legal evaluation/determination has been relied on, OR

The amount due has not been repaid, or is not in the process of being repaid under the terms of a reasonable and enforceable repayment agreement.

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Calculations Resulting in Underpayments

Only overpayments to community schools are being covered in this presentation (ie. money due back to ODE from the school).

However, if a school had Final FTE Adjustments from ODE that resulted in positive amounts (additional money due to the community school from ODE), they should also perform a true-up calculation/payment to their sponsor / vendor / management company.

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Closed Schools – Pmts. Received

Occasionally a school receives July/August foundation when they were not eligible.

- ie. Failure to obtain minimum # of students
- ie. Planning to open, but does not

Often in these cases ODE requires 100% of these funds to be repaid to ODE.

In these cases for any contracts/agreements paid on a percentage or number of ADM/FTE, students, revenues, etc. the community school must assess their contracts and make a determination whether such payments made are due back to the community school.

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Closed Schools – \$ Owed to ODE

Occasionally a school closes and still owes \$ to ODE

- ie.. Final FTE Adj. from prior or current year
- ie. FTE review hearing/settlement agreements from prior or current yr.

Occasionally the foundation settlement or Final FTE Adj. report may 'appear' that the community school received some funds, but ODE actually did not remit those funds to the school.

Be sure to evaluate whether the school *actually* received all amounts showing on the Foundation Settlement and Final FTE Adj. reports when performing these true-up calculations.

In situations where a community school closes and still owes ODE money, a Finding for Recovery will be issued.

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Example Calculations

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School A – Fy 2016 FTE Adj's

- Had both positive and negative 'final FTE adj's' (#1-#4)
- Had a claw back due to ODE FTE review/appeal
- Had a Mgmt. Co. contract based on % of revenue
- Had a Sponsor contract based on % of revenue
- Had a Software Vendor contract based on % of revenue

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School A – Fy 2016 FTE Adj's

	Amt. Paid to Mgmt. Co.	Amt. Should Have Been Pd.
Total State Support Received	\$1,000,000	\$1,000,000
+ Additional Aid Items	+ \$7,000	+ \$7,000
+/- Fy 2016 Final FTE Adj. #1		+ \$6,000
+/- Fy 2016 Final FTE Adj. #2		(\$1,000)
+/- Fy 2016 Final FTE Adj. #3		+ \$3,000
+/- Fy 2016 Final FTE Adj. #4		\$0
FTE Review/Appeal Decision		(\$40,000)
Total	\$1,007,000	\$975,000
Mult. By % Due	3%	3%
Equals Amount Paid/Due	\$30,210	\$29,250
Overpayment to Mgmt. Co.		\$960

School A – Fy 2016 FTE Adj's

	Amt. Paid to Sponsor	Amt. Should Have Been Pd.
Total State Support Received	\$1,000,000	\$1,000,000
+ Additional Aid Items	+ \$7,000	+ \$7,000
+/- Fy 2016 Final FTE Adj. #1		+ \$6,000
+/- Fy 2016 Final FTE Adj. #2		(\$1,000)
+/- Fy 2016 Final FTE Adj. #3		+ \$3,000
+/- Fy 2016 Final FTE Adj. #4		\$0
FTE Review/Appeal Decision		(\$40,000)
Total	\$1,007,000	\$975,000
Mult. By % Due	3%	3%
Equals Amount Paid/Due	\$30,210	\$29,250
Overpayment to Sponsor		\$960

School A – Fy 2016 FTE Adj's

	Amt. Paid to Software Vendor	Amt. Should Have Been Pd.
Total State Support Received	\$1,000,000	\$1,000,000
+ Additional Aid Items	+ \$7,000	+ \$7,000
+/- Fy 2016 Final FTE Adj. #1		+ \$6,000
+/- Fy 2016 Final FTE Adj. #2		(\$1,000)
+/- Fy 2016 Final FTE Adj. #3		+ \$3,000
+/- Fy 2016 Final FTE Adj. #4		\$0
FTE Review/Appeal Decision		(\$40,000)
Total	\$1,007,000	\$975,000
Mult. By % Due	5%	5%
Equals Amount Paid/Due	\$50,350	\$48,750
Overpayment to Software Vendor		\$1,600

School B – Fy 2016 FTE Adj's

Had only negative 'final FTE adj's' (#1-#4)

No claw back due to ODE FTE review/appeal

No Mgmt. Co.

No vendor contracts based on rev, students, FTE/ADM, etc.

Had a Sponsor contract based on % of revenue

School B – Fy 2016 FTE Adj's

	Amt. Paid to Sponsor	Amt. Should Have Been Pd.
Total State Support Received	\$5,000,000	\$5,000,000
+ Additional Aid Items	+ \$35,000	+ \$35,000
+/- Fy 2016 Final FTE Adj. #1		(\$60,000)
+/- Fy 2016 Final FTE Adj. #2		(\$50,000)
+/- Fy 2016 Final FTE Adj. #3		(\$20,000)
+/- Fy 2016 Final FTE Adj. #4		\$0
Total	\$5,035,000	\$4,905,000
Mult. By % Due	2%	2%
Equals Amount Paid/Due	\$100,700	\$98,100
Overpayment to Sponsor		\$2,600



Community School Overpayments Webinar

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