



Board Agenda Item #	IV B- Action Item
Date:	7-23-2020
To:	Magnolia Board of Directors
From:	Alfredo Rubalcava, CEO & Superintendent
Lead:	Nanie Montijo, Chief Finance Officer
RE:	LAUSD Fiscal Oversight Report 2019-20 and Plan of Action

Proposed Board Recommendation

Staff recommends approval of the proposed actions and next steps to be taken by MPS as recommended by LAUSD Oversight staff.

Background

LAUSD'S annual oversight report includes recommendations for areas of growth and improvements. These are listed in the attached document, with a brief background and the plan of action implemented by MPS staff to align with the LAUSD's recommendation.

To comply with the oversight requirement, the attached report is presented to board to describe the improvements and changes to fiscal processes and continued implementation of recommendations.

Budget Implications

None

Attachments:
MPS' Action Plan

<p>1. Late Fees Based on the CSD's review of the school's credit card statements and supporting documentation for the period from May 2019 through October 2019, the CSD noted 13 card statements that referenced late fees totaling \$1,470.94 in the aggregate. These late fees are summarized below.</p>	<p>Previously process includes completion of the AMEX monthly statements first before payments are made.</p>	<p>Automatic payments have been set up to post payments on time and eliminate late fees. Reconciliation is done after payments are made to ensure accuracy. The automatic payments started March 2020. In the event of any default in the automatic payment set up, an alert has been put in place to notify finance staff of the impending fees before the fees are incurred.</p>
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Item #	School	Month	Transaction Date	Amount	Transaction Description
1	MSA 4	May 2019	5/1/2019	\$292.56	Delinquent Charges
2	MSA 4	July 2019	7/1/2019	\$92.96	Delinquent Charges
3	MSA 4	August 2019	8/1/2019	\$77.93	Delinquent Charges
4	MSA 4	October 2019	10/1/2019	\$48.75	Delinquent Charges
5	MSA 6	August 2019	8/1/2019	\$96.72	Delinquent Charges
6	MSA 6	September 2019	9/1/2019	\$244.01	Delinquent Charges
7	MSA 7	May 2019	5/1/2019	\$71.51	Delinquent Charges
8	MSA 7	July 2019	7/1/2019	\$149.64	Delinquent Charges
9	MSA 7	August 2019	8/1/2019	\$220.88	Delinquent Charges
10	MSA Bell	July 2019	7/1/2019	\$37.44	Delinquent Charges
11	MSA Bell	August 2019	8/1/2019	\$31.28	Delinquent Charges
12	MSA Bell	September 2019	9/1/2019	\$29.00	Delinquent Charges
13	MSA Bell	October 2019	10/1/2019	\$78.26	Delinquent Charges
			TOTAL	\$1,470.94	

<p>2. Late Payments to Vendors: Based on the CSD's review of the school's check register for the period spanning from October 1, 2018 through October 1, 2019, a sample of 46 checks and 12 bank transactions were selected for further review. The CSD noted that 3 out of the 46 checks referenced sample of 46 checks and 12 bank transactions were selected for further review. The CSD noted that 3 out of the 46 checks referenced invoices that were paid late (including one that referenced late fees and interest charges). The items in question are summarized below.</p>	<p>Coolsis June 2018 invoice was received by MPS in February 10, 2019. Coolsis is aware that the invoice was submitted late and no late payment fees are charged to MPS.</p>	<p>Effective immediately, finance staff contacts all vendors with recurring payments and other contracted vendors on a regular basis to request for their billing statements and aging reports to ensure all invoices are processed on a timely manner.</p>
	<p>The billing address being used by the vendor was incorrect and was only discovered upon receipt of an email from the vendor. No late charges were assessed due to the incorrect billing address.</p>	<p>The correct billing address has been updated and sent to the vendor. All payments have been on time since then.</p>
	<p>Pitney Bowes invoice term was "due upon receipt" when the agreement was entered into from years ago by previous management.</p>	<p>Automatic payment has been set up to avoid any late fees starting March 2020.</p>

Item #	Check #	Check Issuance Date	Invoice Due Date	Payee	Check Amount	Transaction Description
1	90154	3/4/2019	6/29/2018	CoolSIS Technologies, Inc.	\$1,342.00	"CoolSIS Tech June not paid Services."
2	73602	6/17/2019	4/1/2019	Eco Home Safe, Inc.	\$175.00	"Monthly Pest Services April."
3	DDP-00000153	8/16/2019	8/1/2019	Pitney Bowes (Purchase power)	\$451.39	"Late fees \$39.99; Finance charges \$9.68."

<p>3. Use of Alternative Payment Methods for School Expenditures (PayPal): Based on the CSD's review of a sample of the school's credit card transactions, the CSD noted one school expenditure purchased through a PayPal account for the month of May 2019 (in the amount of \$1,203.16, dated 5/3/2019 and payable to PayPal).</p>	<p>The vendor is Graduation Source. And Paypal is the vendor's preferred payment method. However, MPS paid using AMEX in their website.</p>	<p>Paypal wasn't used in this payment transaction even if the vendor is listed as "Graduation Source (Paypal)" in our credit card statement. Our payment was made directly to the vendor using the vendor's website. MPS does not have a Paypal account.</p>
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<p>4. Intraorganizational Borrowing: Based on the CSD's review of various MERF governing board meeting minutes during its 2019-2020 fiscal review (including minutes dated October 10, 2016, February 8, 2018, June 13, 2019, July 18, 2019, November 22, 2019, and March 5, 2020), the CSD noted that dated October 10, 2016, February 8, 2018, June 13, 2019, July 18, 2019, November 22, 2019, and March 5, 2020), the CSD noted that the MERF schools have been engaging in intraorganizational borrowing/lending.</p>	<p>MERF's June 13, 2019 meeting minutes disclosed that its CFO presented the intraorganizational loan repayment plan to the MERF governing board. These meeting minutes indicate that MERF's CFO discussed the previous repayment schedules and shared that some MERF schools had defaulted on their original repayment schedules, and for that reason, a revised repayment schedule was recommended (which was approved by MERF's governing board on June 13, 2019).</p>	<p>At the 2019-20 Unaudited Actuals Reports, staff will revise the format of the Intra Organization Loan Payment Schedule presented to the board. We will utilize the format as recommended by FCMAT and have an actual Intraorganizational Loan Agreement in place to help strengthen the documentation process for all future IO loans to align as closely as possible with the FCMAT recommended procedure. In addition, current LA county annual interest rate will be applied to all unpaid balances as of year end. Fiscal policies and procedures, incorporating the FCMAT guidelines regarding intraorganization loans, will be revised and presented to board for approval as soon as possible.</p>
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