



Board Agenda Item #	Agenda # III A- Action Item
Date:	April 10, 2018
To:	Magnolia Finance Committee
From:	Caprice Young, Ed.D., CEO & Superintendent
Staff Lead:	Nanie Montijo, Chief Financial Officer
RE:	Back Office Service Provider Contract

Proposed Board Recommendation

I move that the Finance Committee recommend the full board to authorize Dr. Caprice Young, CEO and Superintendent of Magnolia Public Schools (MPS), to enter into exclusive negotiations and execute a contract with Delta Managed Solutions (DMS) for back office services and transition support to bring back office activities in-house over a three year period for a sum not to exceed \$110 per ADA, approximately \$440,000, (or nor to exceed \$125/ADA over 2 year period) and to hire four regional school site entry level accounting clerks (one per approximately 1,000 students), after appropriate legal review of the services contract.

Background

On July 1, 2015, MPS transitioned from internal management of back office financial systems (QuickBooks), to external management of these services by EdTec. This provided MPS with the experienced enhanced services needed to update all financial policies and procedures, and extra support to complete various audits and investigations then in progress from various agencies including the State Auditor, FCMAT, and LAUSD’s Office of Inspector General. With hard work and long ours on the part of our current and previous MPS CFOs and staff, with the expert support from EdTec, especially Vice President Kristin Dietz, these audits have been completed without material findings and their recommendations have been addressed. In addition, EdTec has helped MPS transition to a new Human Resources Information System (including payroll), a new external auditor, and a new CFO. We are thankful to EdTec for their support and expertise during these transitional years.

Our current back office service contract with EdTec ends June 30, 2017. The contract has the option to extend for another year as full back office service provider or to assist in the turnover process to a new firm. On January 24, 2018, MPS posted a Request for Proposals seeking firms to provide a bid for cost and scope of services as back office service provider.

A committee (composed of the CEO, CFO, COO and two Senior Financial Analysts), was formed to review and assist in the selection process. The selection committee evaluated each proposal based on the following criteria:

1. Cost
2. Accounting/Procurement System Software

3. Staff Training
4. Ability to Self-Serve
5. Check and Balance
6. Audit Compliance/Zero Audit Findings
7. Need for Coolsis

Four (4) firms submitted their proposals and rated as follows:

Criteria:		EDTEC*	EDTEC**	CHARTER IMPACT	CSMC	DMS
Annual Cost:						
	Year 1	\$ 746,375	\$ 736,375	\$ 800,000	\$ 474,000	\$110 per ADA approx. \$440,000
	Year 2	\$ 761,300	\$ 746,300	\$ 824,000	\$ 510,000	
	Year 3	\$ 776,500	\$ 756,500	\$ 848,720	\$ 540,000	
	Initial set up	none	none	\$ 10,000	\$ 30,000	\$39,500
		<i>*If renewed 1 year at a time</i>	<i>** If renewed for 3 years</i>			
Financial Software						
	General Ledger		<i>Net Suite</i>	custom database	Charter Vision	Escape
	Procurement		<i>none</i>	none	none	Escape
Rating 1-4 (4 =most desirable)						
1.	Cost		2	1	3	4
2.	Full Financial/Accounting/ Procurement Software		2	1	3	4
3.	Staff Training		4	1	3	2
4.	Ability to Self Serve		3	1	2	4
5.	Check and Balance		3	1	2	4
6.	Audit Compliance/ Zero Audit Findings		1	2	3	4
7.	Need for Coolsis		0	0	0	4

Based on the analysis above, the MPS evaluation teams recommends contracting with DMS while focusing over the next two years on transitioning to internal management of back office services on a new comprehensive financial system. While DMS was the lowest price bidder, the biggest advantage is that their underlying financial systems AptaFund and Escape are industry leading, web-enabled financial systems that fully integrate budgeting, procurement and accounting. Currently our system requires the use of Excel for budgeting and COOLSIS for procurement, at a cost of nearly \$120,000 annually organization-wide. These systems handoffs require double entry for data and multiple uploads of documentation, which becomes poorly archived and difficult to retrieve. While CSMC has the most attractive user interface, and EdTec has the deepest understanding of MPS, only DMS has a fully integrated, comprehensive underlying system onto which MPS can transition for the long term.

The process for doing that would be phased:

Phase 1: 2018-19

1. Shift to a new back office service provider currently using a comprehensive financial system that integrates budgeting, procurement and accounting. Phase one will include shifting to a back office provider currently using the comprehensive financial system we need and benefitting from its already established processes and procedures and experienced staff.
2. Hire four entry-level clerks to be located on school sites regionally (one per approximately 1,000 students, 2-4 schools) responsible for supporting the principal in completing accounting, procurement, budget, human resources, and data entry technical tasks.
3. Throughout the annual account cycle, document how processes and procedures will need to change as responsibilities and activities are brought in house.

Phase 2: 2019-20/2020-21 (depending primarily on authorizer approval, budget availability, and internal readiness)

1. Establish transition plan.
2. Identify needed internal resources.
3. Transition back office responsibilities and activities to internal staff.

This transition is not without risks. After three years with EdTec, we have well-established processes and procedures based on extensive work with auditors and hours of staff training. Moving off of Coolsis and onto a new financial system with a new back office provider will require enormous effort at both the home office and school sites at the same time as we are transitioning our enrollment system from Coolsis to Illuminate. While the new system will be less labor intensive in the long run, as we consolidate from three systems to one, the immediate impact will be more work at a time when principals are already struggling to keep up with administrative tasks required by the heightened, authorizer-driven compliance environment and the uploading of new staff documentation as we hire for the 2018-19 school year. The primary reason for hiring the regional clerks is to reduce this burden on the principals while ensuring that we continue to be in compliance with all regulations, requirements, and checks and balances.

Budget Implications:

Annual cost will be included in the 2018-2019 Budgets to be presented to Board in May 2018; however, the overall savings to the organization is approximately:

New Expense:

DMS \$440,000

Clerks \$250,000

Savings:

EdTec (\$736,375)

Coolsis (\$120,000)

Net Savings: (\$166,375)

How Does This Action Relate/Affect/Benefit All MSAs?

This action helps all MPS schools by decreasing the Home Office costs, school site expenses, and duplicative data entry, while increasing school site support, enabling real time reporting and information access, and improving documentation.

Name of Staff Originator:

Nanie Montijo, Chief Financial Officer

Attachments

All four proposals are available electronically from Barbara if you would like to review them.