



# PALISADES

## CHARTER HIGH SCHOOL

### **CSD Financial Review Report- Areas Noted for Further Growth and/or Improvement ( Page 41 of 52 of CSD Report)**

Based on the CSD's review of sample transactions during the 2017-2018 annual oversight visit, the CSD noted that Palisades Charter HS did not adhere to its approved P's & P's, and/or needs to improve in the following areas:

1. Delays in making credit card payments, which caused the school to pay \$1,309.66 in late fees and interest charges;

**PCHS Response:** The interest paid on the credit cards is due to the requirement by the Board to approve the Executive Director's Expenses prior to payment. Since the Board meets only once a month, there have been unavoidable occasions which caused the payment to be after the due date. These fees, while being paid, would violate the Board Approved PCHS Purchasing policy (see PCHS Fiscal Policy-Board approved 1/17/17) of requiring approval of purchases before paying or reimbursing

2. Lack of adequate responses to the CSD's inquiries:

**PCHS Response:** See attached file (#2) which outlines the timeline of the requests and responses to CSD inquiries. The request of the Operations Liaison involved a significant amount of research and work to compile the information needed. PCHS responded asking for more time to compile the information. This task ultimately took longer than expected but resulted in no subsequent inquiries. PCHS would request that if material request of information is needed, additional time be allocated.

3. Non- adherence to the school's approved fiscal policies and procedures;

**PCHS Response:** No specifics were provided that enable PCHS to respond to this statement. Some exceptions, as identified by the CSD were noted by PCHS, but in the few instance noted, exceptions were reviewed and approved by the Executive Director-Principal as allowed by the Board of Trustees in the Executive Limitations Policy #3.7 and approved by the Board of Trustees on 9/15/15.

4. Lack of guidance in the school's fiscal policies and procedures in the following areas:

- a. Checking – Policies for authorized signatories and checking procedures

**PCHS Response:** PCHS does have policies regarding authorized signatories. Annually, the Board approves the authorized list check signers using the LACOE Certificate of Signatures for the County Treasury account in its' posted Board materials (see Agenda Item XI.A. from the Board meeting posted on 12/12/2017).

The signatories for the external bank (Cathay Bank) are also approved by the Board at a Public meeting and posted in the minutes.



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### b. Procedures for bank reconciliation

**PCHS Response:** PCHS performs monthly reconciliations of all bank accounts and timing differences are cleared within one month of identification

### c. Cash handling procedures

**PCHS Response:** PCHS does have policies regarding cash handling. PCHS would refer the CSD to the Financial Policies Manual on the Web site and review the 3 related Cash policies (pages 2-4) approved by the Board in 2015.

### d. Procurement for Contracts

**PCHS Response:** PCHS does have policies regarding material Contracts. Contracts in excess of \$30,000 (per Executive Limitations Policy #3.7) have been regularly brought to the Board for approval. Samples of these contracts include: Food Services, Transportation and Custodial. All approved contracts can be found in the Board Materials



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Annual Performance-Based Oversight Visit Report

DATE OF VISIT: 5/15/2018

PCHS currently provides medical, dental and vision benefits to approximately 111 eligible active employees. Additionally, as of June 30, 2017, there were 22 retirees eligible for benefits. PCHS provides health benefits to certain eligible employees at retirement. The retiree health benefits provided are a continuation of the medical benefits and also include prescription drugs, dental coverage, and vision benefits provided to active employees. The retiree health coverage is paid for entirely by the charter school for the lifetime of the retiree. Survivors of deceased retirees may continue health coverage at their own expense. The PCHS post-retirement health benefits has designated \$2,005,926 of the unrestricted net assets, and \$17,301,298 in retiree benefits were reported in the school's current and non-current long term obligations, to be used to meet the obligations arising from establishing its own post-retirement health benefit plan.

**Areas Noted for Further Growth and/or Improvement:**

Through conducting fiscal oversight and analyzing the data below, the Charter Schools Division (CSD) requests and receives fiscal documents from Palisades Charter HS (including bank statements, bank reconciliations, credit card statements, and check registers). The Charter Schools Division reviews these financial documents and sampling of checks and credit card transactions, to assess overall compliance with Palisades' Fiscal Policies & Procedures (P's & P's). Any areas noted for further growth and/or improvement relating to its charter schools' overall compliance to the aforementioned manual, and school's segregation of duties conducted at the school site are indicated in charter school's Annual Performance-Based Oversight Visit Report.

Based on the CSD's review of sample transactions during the 2017-2018 annual oversight visit, the CSD noted that Palisades Charter HS did not adhere to its approved P's & P's, and/or needs to improve in the following areas:

1. Delays in making credit card payments, which caused the school to pay \$1,309.66 in late fees and interest charges;
2. Lack of adequate responses to the CSD's inquiries;
3. Non-adherence to the school's approved fiscal policies and procedures;
4. Lack of guidance in the school's fiscal policies and procedures in the following areas:
  - a. Checking – Policies for authorized signatories and checking procedures
  - b. Procedures for bank reconciliation
  - c. Cash handling procedures
  - d. Procurement for Contracts

Details for the aforementioned areas noted for further growth and/or improvement are documented below.

1. Palisades HS did not consistently submit timely or complete information requested by the CSD. The table below represents a chronology of the CSD's initial and follow-up requests to the school (not all inclusive):





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### **Responses to LAUSD CSD Audit 2017/2018 (Page 42-45 of CSD Report-Attached):**

1. The CSD' comments regarding lack of responsiveness is not in agreement with PCHS' records. The number and timing of inquiries are attached for reference. This timeline was sent to the Executive Director of the CSD for reference.

2. Purchases made on the PCHS credit card for the Executive Director are approved by the board prior to paying the expense. PCHS already has a procedure in place that enables the board to review and approve the school's credit card charges on a monthly report. Report is also reviewed by the Budget & Finance committee which functions as a sub-committee of the board.

3a. Unreconciled bank reconciliation reports for the operating bank accounts are due to timing differences between the book entries on PeopleSoft (our General Ledger), the issuance of manual checks for payroll adjustments, and when the checks are cleared by the bank.

3b. PCHS **did not** incur NSF/overdraft fees in our operating bank account. These checks were issued as a courtesy to employees who incurred NSF/overdraft fees in their bank account due to a timing issue between ADP and Banks making payroll deposits/checks available as a result of Columbus Day.

3c. PCHS has documented the correspondences with the CSD offices. PCHS has complied with all of the CSD requests until CSD began requesting same day responses for items previously provided or for items that would take more than a day to respond. PCHS Finance Office provided all items requested to CSD one month prior to their visit in May (as requested by CSD) and has complied with all additional requests afterwards.

4. PCHS does its best to enforce the board approved policies and procedures throughout the school. Items such as payment for instruction are standing items part of an approved contract done in the beginning of the year via the HR office. Yearbook invoice is sent during the summer where the advisor over the yearbook & the ASB bookkeeper is off during the summer.

5. PCHS does its best to enforce board approved policies throughout the school, but at times there are circumstances which yield a slight exception to the policy. PCHS club accounts purchased scrip donations from the booster club (a fundraising arm of PCHS, and not regular "gift cards" from the store) through money received in donations or sales for this specific purpose. While the reimbursement does not align with the Board Policy, the matter is brought to the Executive Director/Principal for final approval/rejection. In this case the request was approved.

5a. Please see response 3a above. The unreconciled amount for track and field has been corrected prior to December 2017 but did not get off the report.

5b. PCHS has implemented the recommendation of the CSD into action by recording the expenses of when manual checks in the other accounts outside of payroll when issued. However, any material check is not issued and is automatically recorded when issued.



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### **LAUSD-CSD Charter School Division Financial Correspondence Timeline:**

April 2<sup>nd</sup>, 2018: Initial request for documents pertaining to fiscal oversight visit (deadline of 4/16/18)

April 17<sup>th</sup>, 2018: Documents submitted via dropbox, link to EPA & board meeting minutes shared

Documents sent via dropbox:

- 1a/b: 2<sup>nd</sup> interim report
- 1c: 3-year cash flow
- 4. STRS/PERS/OASDI/MEDI payment evidence
- 10. Fiscal policies manual
- 14. Contracts
- 17. Credit Card Statements
- 17. Commercial warrant register
- 19. Bank Reconciliations
- 20. ASB Financials (Trial Balance, Income Statement, Balance Sheet, ASB Budget, ASB Bank Recs/Bank Statements (Bank statements provide copy of cleared checks))
- 21. Depreciation schedule
- 25. 16-17 Audit Report

April 17<sup>th</sup>, 2018: Acknowledgement of materials received. Additional request of disclosure of legal issues & board minutes of school approved fiscal policies, 16-17 audit discussion, and discussion of 16/17 oversight report

April 19<sup>th</sup>, 2018: Response provided to additional requests made on 4/17

April 19<sup>th</sup>, 2018: LAUSD-CSD sends email to Dr. Magee in regards to same additional requests made on 4/17

April 26<sup>th</sup>, 2018: LAUSD-CSD repeats request made on 4/17 and sends additional request of warrant back-up & credit card back-up (deadline of 5/1/18)

May 1<sup>st</sup>, 2018: Dropbox link of warrant back-up & credit card statement back requested provided to LAUSD-CSD

May 2<sup>nd</sup>, 2018: LAUSD-CSD acknowledges receipt of items

May 2<sup>nd</sup>, 2018: Dropbox link to April 17<sup>th</sup> request of legal issues & board minutes provided-Duplicate Request

May 3<sup>rd</sup>, 2018: LAUSD-CSD requests additional pages of credit card statements (deadline 5/4/18)

May 4<sup>th</sup>, 2018: Dropbox link provided again for credit card supporting documents

May 15<sup>th</sup>, 2018: LAUSD-CSD Oversight visit

May 17<sup>th</sup>, 2018: LAUSD-CSD request for signature pages of bank recs & ASB check register (deadline 5/17/18)

May 18<sup>th</sup>, 2018: requested documents from 5/17 sent to LAUSD-CSD



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### **LAUSD-CSD Charter School Division Financial Correspondence Timeline:** **(Continued)**

May 21<sup>st</sup>, 2018: LAUSD-CSD acknowledges receipt of materials from 5/17 request

May 23<sup>rd</sup>, 2018: LAUSD-CSD requests additional supporting documents for check numbers 24254142 and 24256743, along with consultant contract for Small Axe Group

May 23<sup>rd</sup>, 2018: LAUSD-CSD requests additional credit card statements in preferred format (no deadline given)

May 24<sup>th</sup>, 2018: Credit card statements sent to LAUSD-CSD

May 24<sup>th</sup>, 2018: LAUSD-CSD acknowledges receipt of credit card statements from 5/23

May 24, 2018: Checks & contract from 5/23 request sent

May 24, 2018: LAUSD-CSD acknowledges receipt of checks/contract from 5/23

May 24, 2018: LAUSD-CSD requests supporting documents pertaining to check# 4056 (payroll) (No deadline given)

May 24<sup>th</sup>, 2018: LAUSD-CSD wants to know if Rocky & Richard are the same person & his employment status

May 24<sup>th</sup>, 2018: response is provided to LAUSD-CSD

May 24<sup>th</sup>, 2018: LAUSD-CSD acknowledges response to Rocky request

May 24, 2018: LAUSD-CSD requests supporting documents for ASB checks (deadline 5/30/18)

May 30<sup>th</sup>, 2018: Supporting documents for ASB checks sent to LAUSD-CSD

May 31<sup>st</sup>, 2018: LAUSD-CSD acknowledges receipt of ASB supporting documents

May 31<sup>st</sup>, 2018: LAUSD-CSD requests process/procedures on how checks are requested/approved (deadline 5/31)

May 31<sup>st</sup>, 2018: response provided to LAUSD-CSD on check requests

June 1<sup>st</sup>, 2018: LAUSD-CSD acknowledges receipt of responses, asks additional questions on bank rec process, bank accounts, operating accounts, why certain checks were issued

June 1<sup>st</sup>, 2018: Supporting document for scholarship cashier's check sent to LAUSD-CSD

June 4, 2018: LAUSD-CSD requests additional information in regards to ASB account (Deadline 6/5/18)

June 4, 2018: LAUSD-CSD requests additional information on why there are 2 credit cards with 2 different numbers (deadline 6/5/18)







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Date	Email or Phone Correspondence (sent by the CSD staff)	Email Recipients	Palisades HS Personnel copied on the Email inquiries	Comments
5/17/2018	CSD - left a voicemail regarding filming revenue	Operations Liaison	CBO	No response received
5/18/2018	CSD sent an email follow up on filming revenue.	Operations Liaison	CBO	No response received
5/23/2018	CSD sent an email follow up on filming revenue with a deadline of 5/24/2018	Operations Liaison	CBO	No response received
5/24/2018	CSD sent a final email follow up on filming revenue with extended due date on 5/29/2018.	Operations Liaison	CBO	CSD received email response on 5/25/2017 requesting for more time.
5/25/2018	CSD received an email from Director of Operations promised that the information from filming revenue will be submitted by 6/1/2018.	CSD	ED, CBO, Operations Liaison	CSD received filming revenue response on 6/5/18.

The CSD requests that school provide timely and complete responses to the CSD's requests.

- Based on the CSD's review of the school's nine credit card statements for the months of July 2017 through March 2018, it was noted that seven of the nine credit card statements reviewed reflected late fees and interest charges. The late credit card payments caused the school to incur \$1,309.66 in late fees and interest charges. Details concerning these late charges are shown below.

Date	Source	Document Description	Amount
March 2018	Credit Card Ending xxx5620	Late and Interest Charges	398.19
February 2018	Credit Card Ending xxx5620	Late and Interest Charges	199.61
January 2018	Credit Card Ending xxx5620	Late and Interest Charges	57.07
October 2017	Credit Card Ending xxx5620	Late and Interest Charges	196.50
September 2017	Credit Card Ending xxx5620	Late and Interest Charges	160.48
August 2017	Credit Card Ending xxx5620	Late and Interest Charges	84.58
July 2017	Credit Card Ending xxx5620	Late and Interest Charges	213.23
<b>TOTAL</b>			<b>1,309.66</b>



This issue was also noted in the prior year's oversight report (2016-2017), which included the CSD's observation that the school paid \$387.10 in late fees and interest charges during Fiscal Year 2016-2017. The above exception was also noted whereby the school paid the total amount of \$387.10 for late fees and interest charges. According to the school, it will continue to pay late fees and interest charges because it is important for the board to conduct monthly reviews of all of credit card expenses.

Most credit card companies provide a 30-day grace period for payment of the balance due on the account. There are alternative ways to mitigate the assessment of late fees and interest charges while meeting the governing board's request to review and approve the school's credit card charges. The CSD recommends that the school implement a procedure that enables the board to review and approve the school's credit card charges in a manner that prevents the school from incurring late fees and interest charges.

3. Palisades Charter HS did not submit or respond to the CSD's requests for supporting documents or inquiries regarding the following:
  - a. Unreconciled bank reconciliation reports for the Track & Field/Transportation bank account ending in xxx 1334, and the Operating bank account ending in 6940;
  - b. Clarification regarding six checks that were made paid to various individuals that caused the school to incur overdraft and non-sufficient funds fees (which are summarized below);

Date	Check Number	NSF/Over Draft Fees	Amount
10/11/2017	8004	Over Draft Fee	22.00
10/11/2017	8005	NSF	102.00
10/12/2017	8006	Over Draft Fee	35.00
10/12/2017	8007	Over Draft Fee	12.00
10/13/2017	8008	NSF	81.00
10/13/2017	8009	NSF	34.00
<b>Total</b>			<b>286.00</b>

- c. Failure to provide supporting documents to the CSD for several items as requested (and summarized below).

Check No.	Date	Payee	Memo/Account	Amount	Details of the Requests
10890	10/26/2017	Nxxx Fxxx	Reimbursement for Comedy Club	\$ 5,050.17	Please provide copy of receipts for reimbursement amounts \$218.50 and \$196.01. Also, please provide approved travel request regarding the trip for Rxxx Cxxx Kxxx.
10991	11/20/2017	Palisades Charter	Fisrbank card Purchases	\$ 14,288.73	Please provide supporting documentation for the credit card purchases.
11593	5/4/2018	Palisades Charter	April Busing Fees	\$ 58,184.48	Is collecting bus fees part of Student Body functions, if so, please explain. Also, provide the details for the adjustment for the credit card fees.
11628	5/10/2018	Smart&Final	Purchase 4/27/18 - Cxxx	\$ 560.33	Please provide explanation for the purpose of these purchases.
10901	10/27/2017	Junior State Foundation		\$ 3,500.00	Memo/Account field is blank - Please provide a description/purpose for this check



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The CSD recommends that school provide timely and complete responses to the CSD's requests and inquiries. The school's history of providing late and/or incomplete responses to the CSD's requests and/or inquiries constitutes a violation of the terms of the charter with LAUSD, as well as the applicable provisions under Ed Code § 47604.3.

4. Non-Adherence to the School's Approved Fiscal Policies And Procedures:

Some expenditures showed no evidence of approval prior to purchase transactions being made. Page 3 of the school P's & P's it states: "Prior to submitting the request, confirm that the required approval signatures have been obtained on the right side of the form from the either of the following: 1) Financial Manager, 2) Coach/Department Chair/or Faculty Club sponsor, and 3) ED/AD or AP." The P & P's further state: "No Purchase Order or Check can be issued if the 'bluie' is not appropriately approved." Based on the CSD's review of selected transactions, it was noted five instances whereby the expenditures were not approved prior to the purchase transactions being made (which are reflected on the school's procurement form). Details regarding these exceptions are provided below.

Receipt/Invoice Date	"Bluie Date"	Check Date	Check No.	Payee	Description	Amount
7/13/2017	8/1/2017	8/2/2017	10647	Balfour Yearbooks	INV# 37005672 - 2016/2017 Yearbooks	\$ 74,261.00
9/8/2017	9/13/2017	9/28/2017	10756	United Spirit Association	BAL DUE	\$ 4,513.31
9/14/2017	9/15/2017	10/10/2017	10810	Sxxx Dxxx	Color Guard Instruction for September 2017	\$ 1,200.00
4/7/17, 9/15/17	9/18/2017	10/10/2017	10811	Mxxx Sxxx	Reimbursement & Sept Instruction	\$ 1,027.73
No date on invoice - Dates for camp						
2/28/18 - 3/2/18	3/6/2018	3/6/2018	11359	CIMI Toyon Bay	INV# 100-20123 - 2.27 - 3.1.18	\$ 14,760.00

5. Non-Adherence to the School's Approved Fiscal Policies and Procedures for Gift Cards:

Page 1 of the school's P's & P's states: "Gift cards are not allowed to be purchased through Associate Student Body (ASB) and General Funds. This is considered a gift of public funds and a violation of the California Constitution." Based on the CSD's review of sample transactions, the CSD noted two instances whereby checks issued to Palisades HS Booster Club were identified as "gift card purchases." For these transactions, the check request forms were merely supported by an invoice issued by the Palisades HS Booster Club which indicated "gift cards." The actual receipts for these purchases were not provided as supporting documentation. The two checks in question are summarized below.

Check No.	Date	Payee	Description	Amount
10942	11/7/2017	Palisades HS Booster Club	60 Starbucks cards @ 5.00/ea	\$ 300.00
11610	5/8/2018	Palisades HS Booster Club	Pal/Cares Gift Cards (50 Subway cards @ \$10 ea. ; 50 Target cards @ \$10 ea.)	\$ 1,000.00

The CSD recommends that the school's leadership shares the above-noted findings at its next board meeting, but, in any event, no later than 90 days following the school's receipt of this report. Within 90 days, please provide the CSD with the approved board meeting minutes and proof of implementation of the mitigating actions taken by the school. The CSD staff will continue to monitor these issues through oversight.



**Other Observations (Items described in this section, while not addressed in the charter school's Fiscal Policies and Procedures, are recommended for improvement to align with optimal business practices).**

- a. The school's P's & P's lack the necessary guidelines that will provide for the accurate review and approval of the monthly bank reconciliation reports. Based on the analysis of the bank reconciliation statements for school's nine bank accounts for the months of July 2017 through December 2017, it was noted that Track and Field and Operating accounts bank accounts were not reconciled. Details of this exception are provided below.

Operating Account – Bank account ended in xxx6940 - Unreconciled bank account amounts

July 2017	August 2017	September 2017	October 2017	November 2017
\$18,427.82	\$20,903.31	\$16,663.75	\$4,925.71	\$3,700.69

Track and Field Account – Bank account ending in xxx1334 – Two bank statements for July and August were not provided. The bank reconciliation report shows an unreconciled amount of \$996.29 for August and December.

August 2017	December 2017
\$996.29	\$996.29

- b. The CSD noted that manual checks were not recorded in the school's books when issued. The school's practice is to record the manual checks as they are cleared by bank and at the time of the bank reconciliation preparation. Best practices and the accrual basis of accounting requires the recording of expenses when incurred. Due diligence should be exercised to record all expenses at the time the manual checks are written (instead of after checks have been paid by the bank). This will provide for a more accurate reporting of the school's fiscal condition, which will be reflected in the monthly financial statements. It was also noted that Check #'s 4090 and 4091 in the amounts of \$118.88 and \$171.73 respectively, were cleared by the bank in November 2017. However, these transactions were not posted in the school's books until December 2017.

The CSD recommends that the school update its fiscal and procedures policies to address the various concerns involving the specific issues pertaining to the review and approval of the bank reconciliation reports, cash handling, and procurements.

The Charter Schools Division will review the recommended updates to the school's fiscal policies by the next oversight visit. Results may be factored into the school's rating for next year. The CSD staff looks forward to ongoing discussion with the CBO and additional members of the Palisades team.

**Corrective Action Required:**

None noted that require immediate action to remedy concerns noted in this report.