



ALVAREZ & MARSAL

SOUTH CAROLINA DEPARTMENT OF EDUCATION
SCHOOL DISTRICT EFFICIENCY REVIEW

SOUTH CAROLINA PUBLIC
CHARTER SCHOOL DISTRICT

District Report

6/16/2017





OUTLINE

- I. Executive Summary
- II. District Overview and Overhead
- III. Financial Management
- IV. Human Resources
- V. Procurement
- VI. Transportation

EXECUTIVE SUMMARY

SOUTH CAROLINA CHARTER SCHOOL DISTRICT

PROJECT OVERVIEW

- This document contains observations and recommendations completed in conjunction with the School Efficiency Review conducted for the South Carolina Department of Education and pursuant to Part 1B Section 1 Proviso 1.92 of the FY2016-17 General Appropriations Act.
- A&M conducted School Efficiency Reviews of 79 of the 82 school districts over two phases. Phase 1 included 32 of 34 Abbeville Plaintiff districts. Phase 2 included the reviews of the remaining 47 districts in the state. Three districts did not participate due to previously completed efficiency reports: Clarendon 1 (Plaintiff), Lexington 4 (Plaintiff) and Dorchester Two. The South Carolina Public Charter School District was part of Phase 2 reviews.
- The District Efficiency Review focused identifying opportunities for increased effectiveness and cost savings across the following central operations functions: **(1) Finance; (2) Human Resources; (3) Procurement; (4) Transportation; and (5) Overhead.**
- In conducting its review, A&M gave special consideration to the District's unique responsibilities and limited role in operations. The District's primary responsibilities are to authorize charter schools and hold them accountable for performance. The District also operates as a conduit for school funding, but does not play a role in the day-to-day operational areas covered by the scope of this District Efficiency Review.
- As a result, observations and recommendations included in this report are focused on areas in which the District could provide guidance to schools on pathways to improving processes or practices that will ultimately result in efficiencies and costs savings.

EXECUTIVE SUMMARY

SOUTH CAROLINA CHARTER SCHOOL DISTRICT

PROJECT OVERVIEW

➤ Sources of Information for the Report:

- Interviews were conducted with the Superintendent and Chief Financial Officer. In addition, follow-up conversations took place via phone calls.
- A&M based the recommendations included in this report on summary financial data received from both the State and the District. This data included aggregated expenditure information by individual charter school.
- Where possible, A&M benchmarked District and school data to gain further insight into spending across the functional areas within the scope of this review. **[For a list of information sources, see Appendix A.]**

➤ Limitations of Data:

- A&M relied on aggregated financial data provided by the State and the District to develop observations and recommendations and summary spending data by individual charter school. Detailed school spending or staffing level data for the 35 individual charter schools was not provided or analyzed.
- *As a result of data limitations, savings estimates calculated rely on category level estimates of spending to derive estimates for potential savings.*

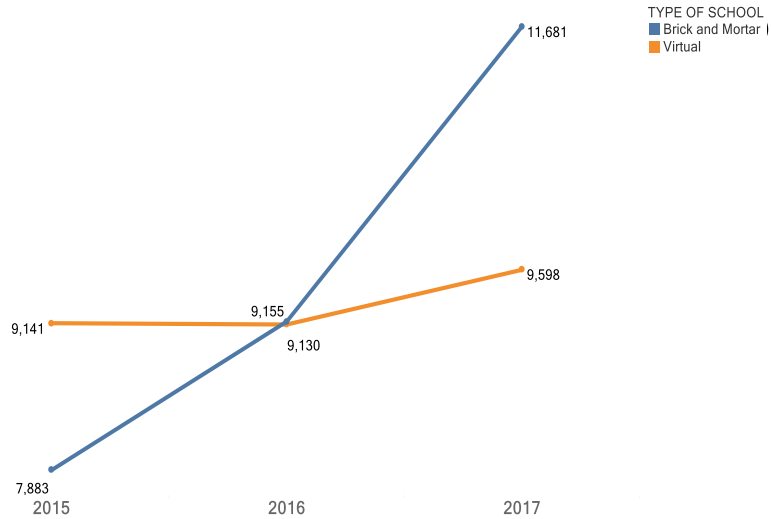
➤ Savings Estimates

- This report includes potential savings estimates based upon assumptions about voluntary cooperation among the schools within the District and supported by guidance and facilitation from District personnel.

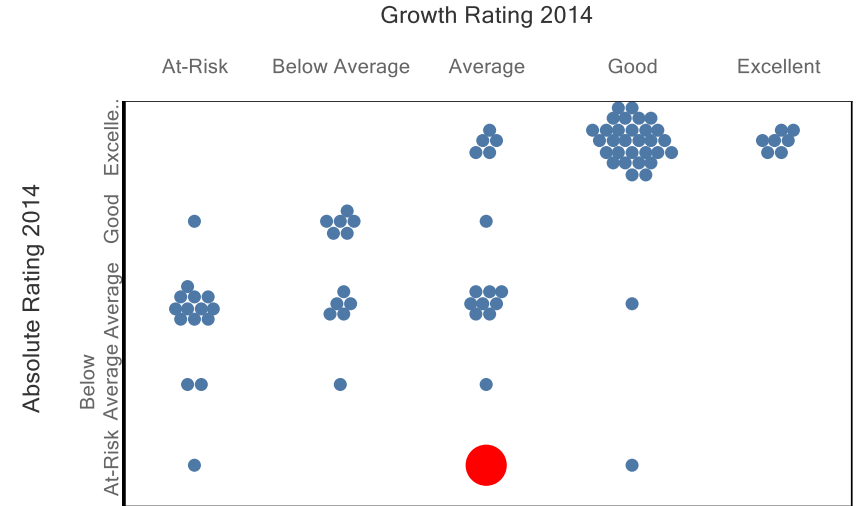
EXECUTIVE SUMMARY

SOUTH CAROLINA PUBLIC CHARTER SCHOOL DISTRICT

Average Daily Membership^[2]



Student Achievement^[1]



General Info

Number of Schools^[2]	35	Total ADM:	21,280
		Virtual ADM	9,129 (50%)
		Brick & Mortar ADM	9,155 (50%)
% Poverty^[1]	51.4%	Number of Schools	35
		Virtual Schools	6 (17%)
		Brick & Mortar Schools	29 (83%)
% Disability^[1]	8.7%		
\$ Per Student^{[2],[3]}	\$8,116		
\$ Per Student Excluding Debt & Capital^{[2],[3]}	\$7,967		

EXECUTIVE SUMMARY

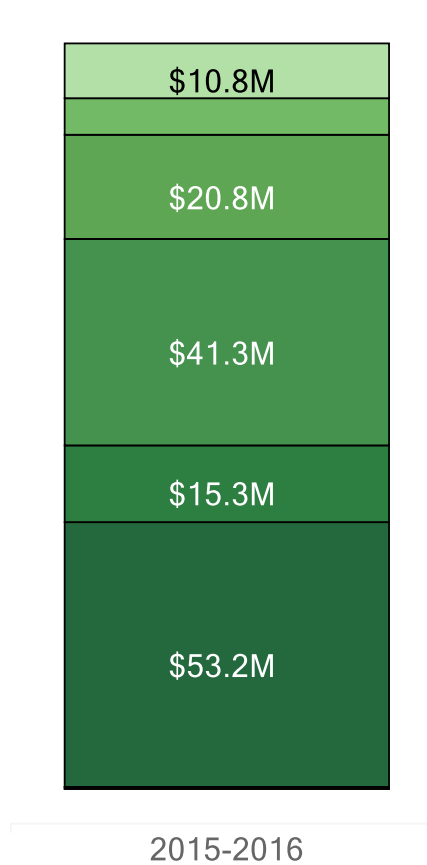
SOUTH CAROLINA PUBLIC CHARTER SCHOOL DISTRICT

Sources of Funds^[7]
\$153.7



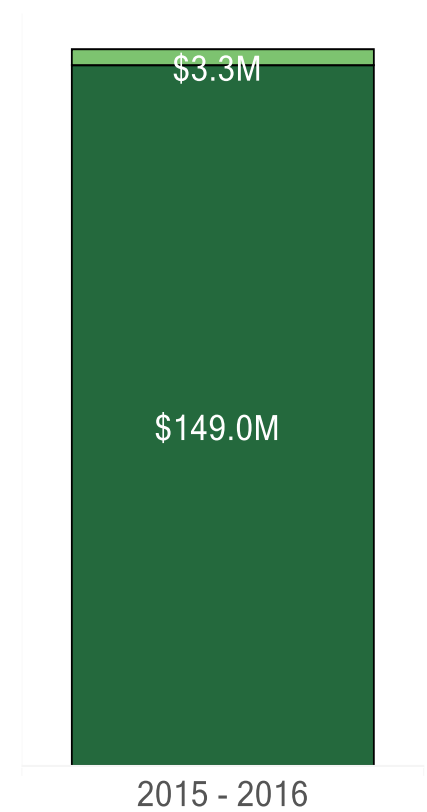
- Federal
- Intergovernmental
- Other
- State

Use of Funds – Type^[10]
\$152.3.0M



- Capital Outlay
- Transfers
- Other Objects
- Supplies and Materials
- Purchased Services
- Employee Benefits
- Salaries

Use of Funds – Function^[10]
\$152.3M



- District
- School

* totals may not tie due to rounding

EXECUTIVE SUMMARY

SOUTH CAROLINA PUBLIC CHARTER SCHOOL DISTRICT

In-Scope \$152.3M

In-Scope \$63.0M	Not In-Scope \$89.3M
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Including procurement spending at the schools, 41.4% of total spend is within scope of the efficiency review.

	In Scope Spend ^[10]	Procurement Component
Finance	\$266,355	\$62,530
Human Resources	\$175,647	\$175,647
Overhead	\$584,668	\$253,788
Transportation	\$0	\$0
Procurement (Community Services, Instruction, Support Services)	61,985,651	61,958,651
TOTAL	\$63,012,321	\$62,450,616

* totals may not tie due to rounding

DISTRICT OVERVIEW AND OVERHEAD

SOUTH CAROLINA CHARTER SCHOOL DISTRICT

Summary of Observations and Recommendations

	Overview
District Overview	<ul style="list-style-type: none">Background: The South Carolina Public Charter School District (SCPCSD or the “District”) was created in 2006 and serves as one of three charter school authorizing bodies in the state. The District currently includes 35 schools, 29 traditional brick and mortar and 6 virtual schools, serving nearly 22,000 students. This represents a net increase of 4 schools and more than 4,200 students (25%) over the prior 3 years.Authority and Responsibilities: The District’s primary responsibilities are to act as authorizer of charter schools and to hold schools accountable based upon performance across a variety of measures. The District actively monitors performance, but does not oversee day-to-day operations of individual schools, nor does it have the authority to hire and fire personnel at individual schools. For purposes of accountability, the District categorizes its schools into three distinct groups: (a) Good Standing; (b) Caution; (c) Breach. Once a school is considered in breach, the District will increase monitoring activities and may attend board meetings to more closely monitor activities. To the extent a school does not meet required levels of improvement the District may opt to revoke its charter and close the school. The District also operates as a fiscal conduit for its charter schools. In FY16, it was responsible for requesting and transferring nearly \$150 million to its schools.Staffing: In support of its objectives and responsibilities, the District structures its activities across three primary functional areas: (a) Access and Equity; (b) New Schools & Accountability; and (c) Finance.

DISTRICT OVERVIEW AND OVERHEAD

SOUTH CAROLINA CHARTER SCHOOL DISTRICT

Goals, Challenges & Achievements

District Goals

Mission: Mission: SCPCSD's mission is to improve student learning and increase learning opportunities in South Carolina through the creation of innovative, high-quality charter schools. Ultimately, the District strives to assist South Carolina in achieving academic excellence.

Goals: To make SCPCSD the highest-performing school district in South Carolina and serve as a model of access and equity in public education.

1. Growth: At least 80% of our schools earn Level 4 or 5 EVAAS growth.
2. Achievement: 100% of schools outperform similarly matched schools, and every school in the top 25% of schools in the state.
3. Gap Closure: We have the fastest rate of achievement gap closure in the state.
4. College Readiness: SCPCSD is in the top 10% for ACT college-readiness in the state.

Achievements

- **Core Performance System:** The District developed a Core Performance System and Performance Framework to outline the District's accountabilities and processes and to provide charter operators and governing boards with transparency into expectations on school performance and the District's monitoring process.
- **Applications:** The District improved its application systems and processes in order to implement a more rigorous application process for operators and ensure high quality authorization.
- **Performance Compact:** The District revised the performance compact to ensure it promoting excellence for all operators.
- **Transparency:** The District publishes results of performance evaluations for individual schools annually.

Challenges

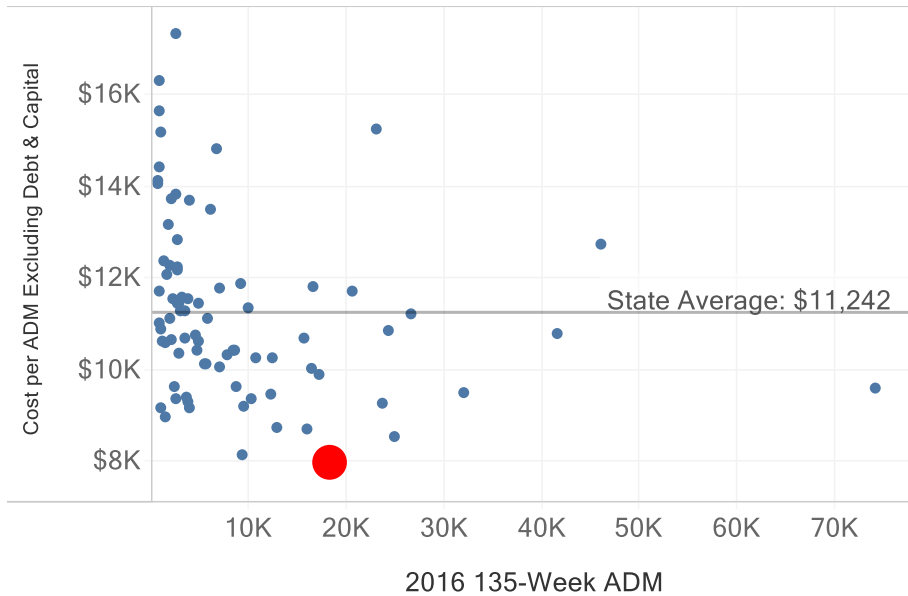
- **Funding:** Funding levels for brick and mortar charters schools remain challenging. The District's funding framework relies on the base per student funding allocations but does not include any local funds. In addition, the District does not receive separate funds for facilities or transportation.
- **Attracting High Quality Charter Operators:** The District must continue to reinforce existing frameworks and evaluate opportunities to develop environments required to attract and retain strong charter school operators.

EXECUTIVE SUMMARY

SOUTH CAROLINA PUBLIC CHARTER SCHOOL DISTRICT

KEY OBSERVATIONS

Per Pupil vs. Enrollment



District Size and Funding vs. Economies of Scale

District Size and Funding

With enrollment near 22,000 students, the District is the 11th largest in the state. However, its unique funding formula leaves it with one of the lowest per pupil funding amounts in the state. Excluding, virtual school enrollment, the District's per pupil still lags state average and districts of a similar size.

Economies of Scale

The District's charter schools in aggregate do not benefit from economies of scale on purchasing and other administrative functions as individual schools are responsible for their own administrative management, including responsibilities for operational areas that are part of the scope of this review.

EXECUTIVE SUMMARY

SOUTH CAROLINA CHARTER SCHOOL DISTRICT

OBSERVATIONS: INDIVIDUAL SCOPE AREAS

	Current State
Finance	<ul style="list-style-type: none">• District Oversight: The District finance office operates with a lean staff and is responsible for acting as fiscal conduit for funding to individual charter schools and overseeing the District's operating budget. The District has no authority over day-to-day financial operations of individual charter schools.• School Financial Management: Each individual charter school is responsible for basic financial processing activities. Of the 35 charter schools, all but one use external providers to oversee the finance function.
Human Resources	<ul style="list-style-type: none">• District Oversight: The District has 1.0 FTE in its Human Resources Function and is responsible for supporting benefits processes and inquiries for all school, tracking teacher certifications (coordinating renewals and extensions and overseeing teacher of the year / student of the year programs• Recruiting and Retention: The average teacher salary across the District is \$40,200, 18% below the state average of \$47,600.
Transportation	<ul style="list-style-type: none">• Staffing / Processes: The District does not have any staffing dedicated to transportation.• Transportation Funding: Unlike the rest of the districts in the state, the District does not receive buses for student transportation or direct reimbursement for costs associated with drivers, fuel or maintenance.
Procurement	<ul style="list-style-type: none">• District Oversight: The District does not have resources focused directly on procurement.• Strategic Sourcing: Each individual charter school manages procurement on the own. There is no coordinated buying across the District.
Overhead	<ul style="list-style-type: none">• District Office Staffing: The District has 18 FTEs and structures its activities across three primary functional areas: (a) Access and Equity; (b) New Schools & Accountability; and (c) Finance and has 18 FTEs.• Funding of District Administration: The District retains 2% of the total funding allocated by the state to manage the authorization and accountability of new and existing schools.

EXECUTIVE SUMMARY

SOUTH CAROLINA CHARTER SCHOOL DISTRICT

EFFICIENCY RECOMMENDATIONS

Efforts to continue to enhance advocacy and support, improve monitoring and facilitate collaboration will help improve the effectiveness of the overall processes and operations across the District.

EFFICIENCY RECOMMENDATIONS			
FINANCE	HUMAN RESOURCES	PROCUREMENT	TRANSPORTATION
<p>Advocacy & Support Continue working with state and local leaders to ensure equitable funding for charter schools and identify opportunities for increased funding from state and federal sources and competitive and restricted grants.</p> <p>Monitoring Complete implementation of formalized quarterly financial review processes. Enhance and standardize reporting requirements.</p> <p>Collaboration Encourage voluntary collaboration and sharing of best practices, resources and systems with other charter schools in the District.</p>	<p>Advocacy and Support Consider conducting analyses regarding regional compensation levels and inventory differing incentive programs that may be used by individual schools within the District.</p> <p>Seek opportunities for competitive grants to fund incentive programs to recruit and retain teachers.</p> <p>Collaboration Consider participating in informal collaboration with other districts in the state on Human Resource topics and processes.</p>	<p>Collaboration Consider facilitating opportunities for collaboration within the District on vendor selection and procurement activities and encourage use of state contracts where appropriate.</p> <p>Encourage schools to participate in group purchasing of supplies and technology at defined times prior to the start of and during the school year in order to maximize volume discounts.</p> <p>Encourage schools to participate in shared evaluation and procurement of instructional services and software.</p>	<p>Advocacy & Support. Create an advocacy strategy and work with the State to identify potential opportunities to receive buses and transportation funding.</p> <p>Work with individual schools to assess the impact of the lack of transportation services on enrollment and conduct an analysis of available third party transportation options in areas surrounding charter schools.</p>

EXECUTIVE SUMMARY

SOUTH CAROLINA CHARTER SCHOOL DISTRICT

APPROACH TO SAVINGS

GENERAL APPROACH TO ESTIMATING INVESTMENTS AND SAVINGS

- A&M conducted interviews with the District Superintendent and CFO to discuss the areas subject to the scope of this review.
- In addition, A&M reviewed district wide financial and operational data that was provided by the State, and summary school level spending detail provided by the District.
- A&M gave consideration to the District's unique role as charter school authorizer and limited scope of operations in evaluating potential opportunities for savings.

FINANCE AND HUMAN RESOURCES

- A&M reviewed staffing and spending at the District office in support of its roles supporting charter authorization and accountability.
- A&M also evaluated overall spending on finance and human resources across all charter schools and compared to state average and averages of districts of a similar size.

TRANSPORTATION

- A&M reviewed transportation spending across the District's schools and compared to state average and averages of districts of a similar size.
- Based on the limited provisioning of transportation services to students in the District, no savings opportunities were identified.

PROCUREMENT

- A&M discussed procurement responsibilities with the District and reviewed overall spending by major purchasing category across the District's schools.
- While the District does not have any role in school procurement decisions or activities, A&M estimated potential savings that could be realized across the District's schools in a scenario in which the District's schools voluntarily participated in collaborative purchasing efforts. These estimates were calculated based upon A&M's past experience implementing strategic sourcing initiatives.

EXECUTIVE SUMMARY

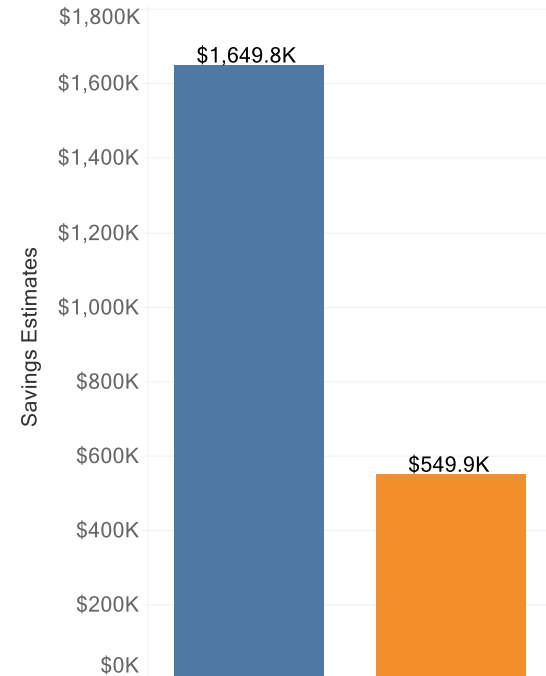
SOUTH CAROLINA CHARTER SCHOOL DISTRICT

CONCLUSION: ESTIMATED ANNUAL SAVINGS

- A&M gave consideration to the District's unique role as charter school authorizer and limited scope of operations in evaluating potential opportunities for savings.
- Based upon the District's limited staffing and absence of a role in day-to-day operations of the areas subject to the scope of this review, savings estimates were only identified for procurement. While each school's charter agreement enables operational autonomy to make spending decisions in support of their specific educational objectives, collaboration on certain buying decisions and aggregation of spend could yield savings for the District's schools.

Estimated Savings Potential:

- While A&M did not have access to individual school level spending detail or contracts, A&M estimated a range of savings opportunities based upon past experience implementing similar strategic sourcing initiatives of \$0.5 - \$1.7 million.
- Actual savings may vary from these estimates based upon:
 - Degrees of voluntary collaboration on spending areas that include instructional services and supplies, technology, building services and non-instructional supplies.
 - Differences in programmatic focus and instructional philosophies
 - Adjustments to reflect the impact of charter management organizations on spending





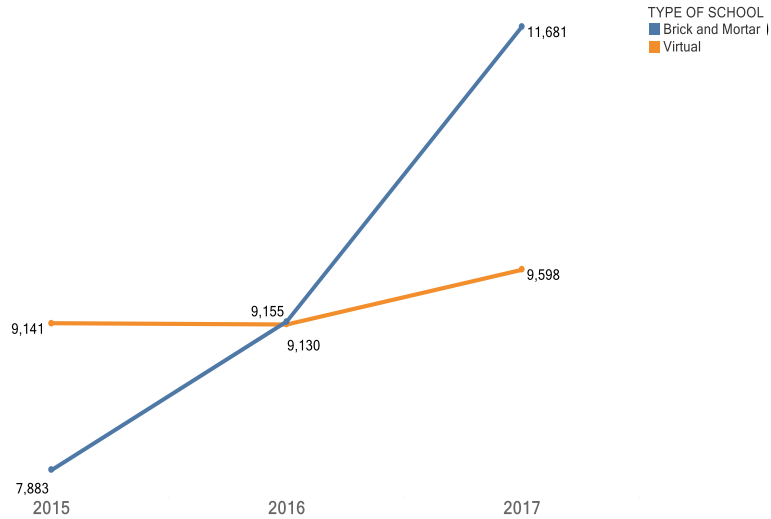
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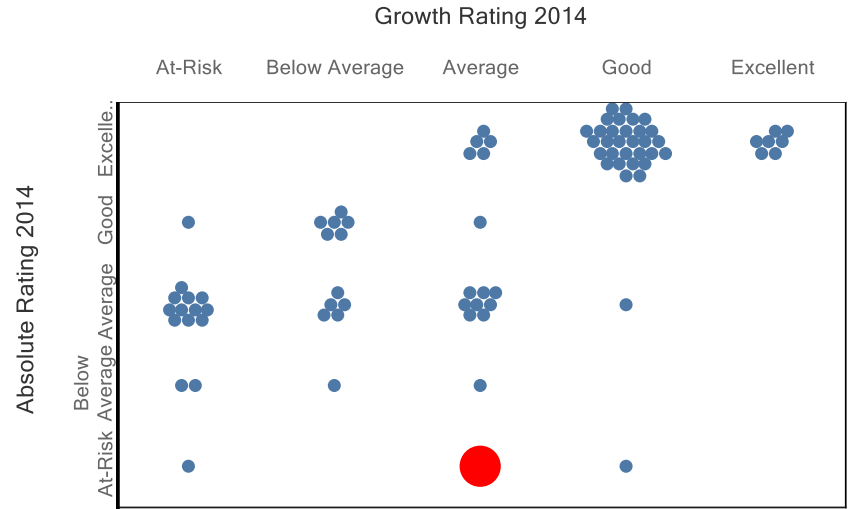
DISTRICT OVERVIEW AND OVERHEAD

SOUTH CAROLINA PUBLIC CHARTER SCHOOL DISTRICT

Average Daily Membership^[2]



Student Achievement^[1]



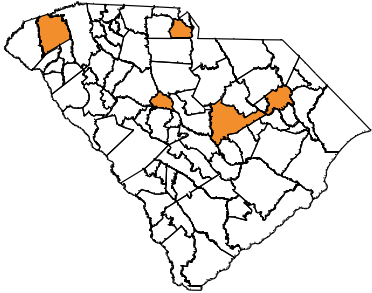
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DISTRICT OVERVIEW AND OVERHEAD

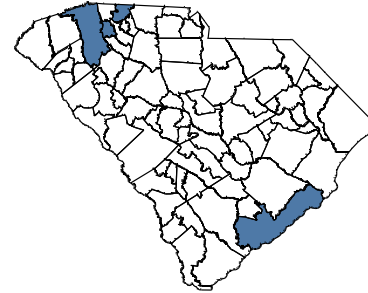
SOUTH CAROLINA PUBLIC CHARTER SCHOOL DISTRICT

Enrollment (20,000 - 40,000)



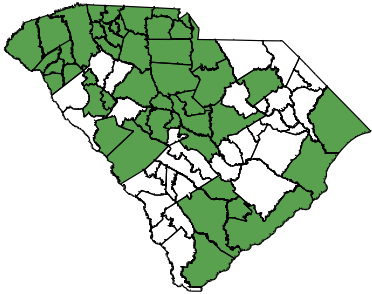
- Aiken
- Beaufort
- Berkeley
- Dorchester 02
- Lexington 01
- Richland 01
- Richland 02

Poverty (50% - 55%)



- Charleston
- Greenville
- Spartanburg 02
- Spartanburg 05

Phase 1 (No)



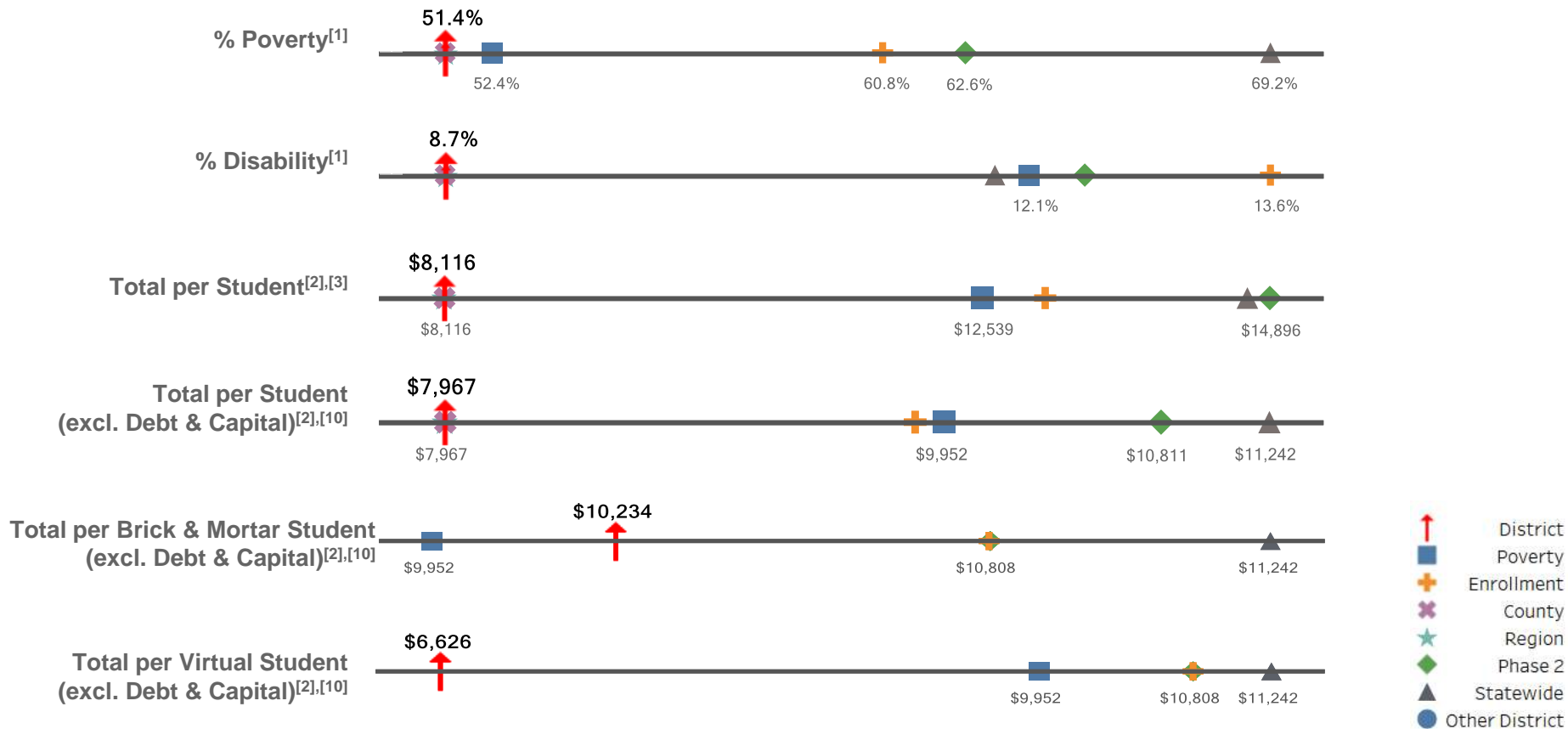
- | | | |
|---------------|--------------------|---------|
| Aiken | Horry | Union |
| Anderson 01 | Kershaw | York 01 |
| Anderson 02 | Lancaster | York 02 |
| Anderson 03 | Lexington 01 | York 03 |
| Anderson 04 | Lexington 02 | York 04 |
| Anderson 05 | Lexington 03 | |
| Beaufort | Lexington/Richland | |
| Calhoun | 05 | |
| Charleston | Newberry | |
| Cherokee | Oconee | |
| Chester | Pickens | |
| Colleton | Richland 01 | |
| Dorchester 02 | Richland 02 | |
| Dorchester 04 | Spartanburg 01 | |
| Edgefield | Spartanburg 02 | |
| Fairfield | Spartanburg 03 | |
| Georgetown | Spartanburg 04 | |
| Greenville | Spartanburg 05 | |
| Greenwood 50 | Spartanburg 06 | |
| Greenwood 51 | Spartanburg 07 | |
| Greenwood 52 | Sumter | |

DISTRICT OVERVIEW AND OVERHEAD

SOUTH CAROLINA PUBLIC CHARTER SCHOOL DISTRICT

KEY PERFORMANCE INDICATORS: KEY DISTRICT RATIOS

The metrics below show how the District compares to other district peer groups based on: (a) statewide averages, (b) similar enrollment levels, (c) similar poverty levels, (d) county peers, (e) regional peers, (f) Phase 2 and (g) other districts.



Summary of Observations and Recommendations

	Overview
<p>District Overview</p>	<ul style="list-style-type: none"> <p>Background: The South Carolina Public Charter School District (SCPCSD or the “District”) was created in 2006 and serves as one of three charter school authorizing bodies in the state.</p> <p>The District currently includes 35 schools, 29 traditional brick and mortar and 6 virtual schools, serving nearly 22,000 students. This represents a net increase of 4 schools and more than 4,200 students (25%) over the prior 3 years.</p> <p>Authority and Responsibilities: The District’s primary responsibilities are to act as authorizer of charter schools and to hold schools accountable based upon performance across a variety of measures. The District actively monitors performance, but does not oversee day-to-day operations of individual schools, nor does it have the authority to hire and fire personnel at individual schools. For purposes of accountability, the District categorizes its schools into three distinct groups:</p> <ul style="list-style-type: none"> (a) Good Standing (b) Caution (c) Breach. <p>The District increases monitoring activities for those schools that are not in Good Standing, however, once a school is considered in breach, the District will increase monitoring activities and may attend board meetings to more closely monitor activities. To the extent a school does not meet required levels of improvement the District may opt to revoke its charter and close the school.</p> <p>The District also operates as a fiscal conduit for its charter schools. In FY16, it was responsible for requesting and transferring nearly \$150 million to its schools.</p> <p>Staffing: The District has 18 FTEs focused on supporting its objectives and responsibilities and structures its activities across three primary functional areas: (a) Access and Equity; (b) New Schools & Accountability; and (c) Finance.</p>

DISTRICT OVERVIEW AND OVERHEAD

SOUTH CAROLINA CHARTER SCHOOL DISTRICT

Summary of Observations and Recommendations

	Observations	Recommendations
Funding Framework	<ul style="list-style-type: none">• Funding: The District’s total funding allocation is based upon projected enrollment of its charter schools and has the following major components:<ul style="list-style-type: none">• Base Per Pupil Funding – \$2,350, with incremental funding based upon student demographics.• Charter Supplement: \$1,900 per pupil for Virtual Schools; \$3,600 for Brick and Mortar.• State EIA Funding: The State provides funding related to fringe benefits and retirement for schools.• Federal Funds: Funding from federal grants is provided to charter schools based upon eligibility. <p>In FY16, the District requested and received more than \$150 million based upon its enrollment and the funding components noted above. The District’s total per pupil funding was \$7,967 in FY16,</p> <ul style="list-style-type: none">• Local Funds: The District’s schools do not receive local funds. Local money for educating the children of the District continues to remain in the local school district where the child resides.• District Administration: As per statute, the 2% of the total funding allocation is held back and retained by the District to use to fund the District’s administrative costs associated with performing its responsibilities managing the authorization and accountability of new existing schools.	<ul style="list-style-type: none">• The District should continue working with state and local leaders to ensure equitable funding for charter schools and identify opportunities for increased funding from state and federal sources and competitive and restricted grants (e.g., local funds, transportation support, facilities, Medicaid, food services, other competitive grants, etc.).• <i>[Consider conducting a comprehensive review of all funding streams available to school districts in the state and identifying resulting gaps].</i>

DISTRICT OVERVIEW AND OVERHEAD

SOUTH CAROLINA CHARTER SCHOOL DISTRICT

Summary of Observations and Recommendations

	Observations	Recommendations
Staffing / Organization	<ul style="list-style-type: none">• Role of Superintendent: The Superintendent has six direct reports including: (1) Chief of Access and Equity; (2) Chief of New Schools and Accountability; (3) Chief of Finance and Operations; (4) Director of Strategy; (5) Chief of Staff; and (6) Executive Assistant. There are 18 overall positions in the District Office.	<ul style="list-style-type: none">• Formalize strategies to build local and national philanthropy in support of the District's mission and apply continuous focus on building community engagement and advocacy.• Consider facilitating informal networks of like-minded school leadership to leverage in navigating common challenges.
Enrollment Trends	<ul style="list-style-type: none">• 3-year Enrollment Trend: The District's enrollment has increased by 4,214 students, or nearly 25%, since FY15. While the District is closing schools that are no meeting performance standards, it expects enrollment to continue to grow in the near term.• Student Demographics: 51% of the District's students live in poverty and 9% are special needs, which is below the statewide averages of 69% and 12%, respectively.	<ul style="list-style-type: none">• Continue to evaluate opportunities to create frameworks and develop environments required to attract and retain strong charter school operators.• <i>Consider increasing monitoring activities for low performing schools.</i>



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FINANCIAL MANAGEMENT

SOUTH CAROLINA CHARTER SCHOOL DISTRICT

Summary of Observations and Recommendations

	Observations
Staffing / Organization	<ul style="list-style-type: none">• District Staffing: The District has two FTEs in its finance function, including the Chief Financial Officer and a Director of Finance. The District’s finance function is responsible for allocating funds to individual charter schools and overseeing the District’s operating budget. This includes the following key functions:<ul style="list-style-type: none">• Submitting annual budget requests to the state• Managing budget allocations to individual charter schools• Acting as liaison between individual schools and the state on financial matters• Monitoring charter school financial results• Submitting monthly grant reimbursement claims for District schools• Overseeing the operating budget of the District administrative office.• Overseeing the District audit• Strategic planning for the District• Supporting inquiries about the Smart Fusion accounting system (e.g., creation of account codes) <p>In addition, the Chief Financial Officer oversees Human Resources and Student Information Systems.</p> <ul style="list-style-type: none">• Day to Day Charter School Operations: The District has no authority over day-to-day financial operations of individual charter schools.• District Financial Processes: The District finance office operates with a lean staff and leverages third party support for transactional financial processes.

FINANCIAL MANAGEMENT

SOUTH CAROLINA CHARTER SCHOOL DISTRICT

Summary of Observations and Recommendations

	Observations
Charter School Financial Operations	<ul style="list-style-type: none">• Charter School Finance Responsibilities: Each individual charter school operations is responsible for basic financial processing activities including:<ul style="list-style-type: none">• General Accounting• Accounts Payable• Purchasing• Payroll• Cash Management• Internal Controls• Grants Management• Budget and Financial Planning.• Finance Operations: Of the 35 charter schools, all but one use external providers to oversee the finance function. Individual schools use a number of different providers; however, two vendors provide services to more than 50% of schools. Each school contracts separately with these vendors.• Interactions with District Finance: Charter schools work with the District on matters related to the following:<ul style="list-style-type: none">• Monthly school funding inquiries and cash transfers• Management of the Smart Fusion accounting system (e.g., creation of account codes)• Annual enrollment projections for budgeting and student counts for per pupil funding• Quarterly reporting of school Balance Sheets and Income Statements.

FINANCIAL MANAGEMENT

SOUTH CAROLINA CHARTER SCHOOL DISTRICT

Summary of Observations and Recommendations

	Observations	Recommendations
Total Spending	<ul style="list-style-type: none"> • Finance Cost / Pupil: The District spent more than \$1.8 million on financial management in FY16 across all of its schools, with more than 90% of this total managed and control by individual schools. The District's Finance Cost Per Pupil is \$97, lower than districts of a similar size at \$112, and lower than the state average of \$138. 	
Internal Controls / Financial Statements	<ul style="list-style-type: none"> • Audits: Individual charter schools are separately audited on a stand-alone basis and their financials are ultimately included in the District audit as component units. In FY16, eight charter schools had audit findings noted in their consolidated annual financial reports. 	<ul style="list-style-type: none"> • The District should consider convening voluntary workshops for school based personnel and site-based finance personnel to discuss best practices and guidelines related to segregation of duties and accounting processes.
Grants Management	<ul style="list-style-type: none"> • Grants Management: Individual charter schools are responsible for managing and reviewing spending to ensure compliance with grant requirements. <p>The District finance office receives grant spending information from individual charter schools and is responsible for submitting claims on a monthly basis.</p>	<ul style="list-style-type: none"> • The District office should considering issuing a grants manual to school districts on requirements and potential uses of federal grant dollars.

FINANCIAL MANAGEMENT

SOUTH CAROLINA CHARTER SCHOOL DISTRICT

Summary of Observations and Recommendations

	Observations	Recommendations
Reporting and Monitoring	<ul style="list-style-type: none">• The District has historically reviewed financial activity on an annual basis; however, it is in the process of implementing a process to conduct quarterly financial reviews. The District also reviews individual Charter School audit reports to evaluate the impact of issues, findings or weaknesses identified by auditors.• For charter schools that are identified as breach status, the District will increase monitoring activities that may include more frequent reviews and increased levels of interaction with schools (e.g., attendance at school board meetings, review of board minutes, etc.).	<ul style="list-style-type: none">• Complete implementation of formalized quarterly financial review process. This process should leverage standardized financial metrics and operating benchmarks of its 35 schools. This could include:<ul style="list-style-type: none">• Analysis of budget vs. actual results across key revenue and expense areas, including metrics of spending by ADM or FTE where possible.• Financial viability metrics (e.g., fund balance, days cash on hand, days payable outstanding, grant management, etc.).
Collaboration	<ul style="list-style-type: none">• Schools within the the District do not coordinate with each other on finance-related activities.	<ul style="list-style-type: none">• Consider facilitating opportunities for a voluntary collaboration model that allows for sharing of best practices, resources and systems with other charter schools in the District. This could include evaluating collaboration related to the following activities: (a) shared third-party finance training and transactional support; (b) grants management; (c) Medicaid claims support; (d) other transactional finance related activities.



OUTLINE

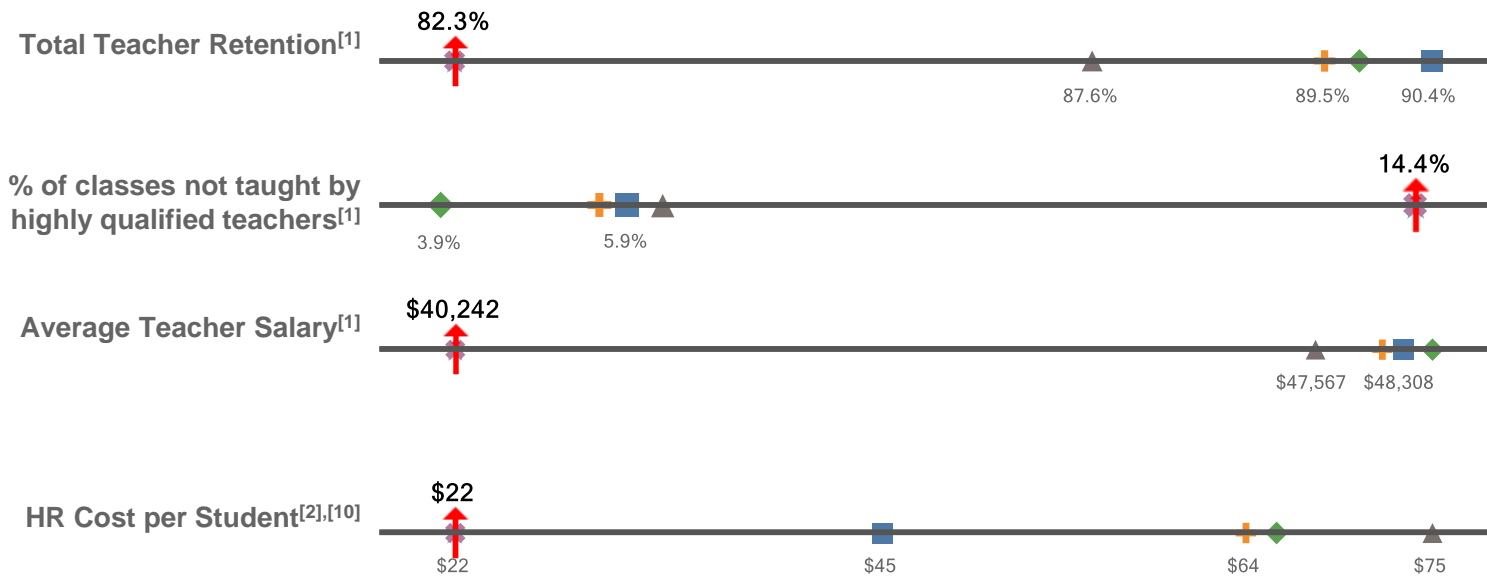
- I. Executive Summary
- II. District Overview and Overhead
- III. Financial Management
- IV. Human Resources
- V. Procurement
- VI. Transportation

HUMAN RESOURCES

SOUTH CAROLINA PUBLIC CHARTER SCHOOL DISTRICT

KEY PERFORMANCE INDICATORS: HUMAN RESOURCES

The metrics below show how the District compares to other district peer groups based on: (a) statewide averages, (b) similar enrollment levels, (c) similar poverty levels, (d) county peers, (e) regional peers, (f) Phase 2 and (g) other districts.



HUMAN RESOURCES

SOUTH CAROLINA CHARTER SCHOOL DISTRICT

Summary of Observations and Recommendations

	Observations	Recommendations
District Staffing / Organization	<ul style="list-style-type: none"> • Staffing: The District has one FTE in its Human Resources function and is responsible for the following <ul style="list-style-type: none"> • Supporting benefits processes and inquiries for all schools • Tracking teacher certifications (coordinating renewals and extensions) • Overseeing teacher of the year and student of the year programs • Day-to-Day Operations: The District does not have a role in hiring / firing decisions, compensation decisions or teacher evaluations. 	<ul style="list-style-type: none"> • The District should consider conducting analyses regarding regional compensation levels and inventory differing incentive programs that may be used by individual schools within the District. • The District should seek opportunities for competitive grants to fund incentive programs to recruit and retain teachers that could include: (a) signing bonuses that vest over a period of time to encourage retention; (b) housing incentive signing; (c) tuition reimbursement; (d) differentiated salaries for hard to staff positions; (e) innovative professional development programs.
Charter School Resources	<ul style="list-style-type: none"> • Human Resources Cost / ADM: The District's Human Resources Cost / ADM is \$21.60, lower than districts of a similar size of \$64.50 and the state average of \$73.70. This reflects the fact that the majority of individual charter schools typically leverage resources to help support multiple roles, including recruiting. 	
Recruiting and Retention	<ul style="list-style-type: none"> • Average Teacher Salary: The average teacher salary across the District is \$40,200, 15% below the state average of \$47,497. 	

HUMAN RESOURCES

SOUTH CAROLINA CHARTER SCHOOL DISTRICT

Summary of Observations and Recommendations

	Observations	Recommendations
Technology	<ul style="list-style-type: none">The District leverages CERRA for recruiting, application screening, processing and onboarding, but does not leverage any other third party applications to support these efforts.	<ul style="list-style-type: none">The District should consider supporting schools in evaluation of technology to help enhance and automate recruiting, application screening, processing and on-boarding.
Collaboration	<ul style="list-style-type: none">The District does not collaborate with other nearby school districts on recruiting, human resource system licenses, or arrangements with international or local staffing agencies.	<ul style="list-style-type: none">Consider participating in informal collaboration with other districts in the state and facilitating collaboration among charter schools on Human Resources topics and processes.



OUTLINE

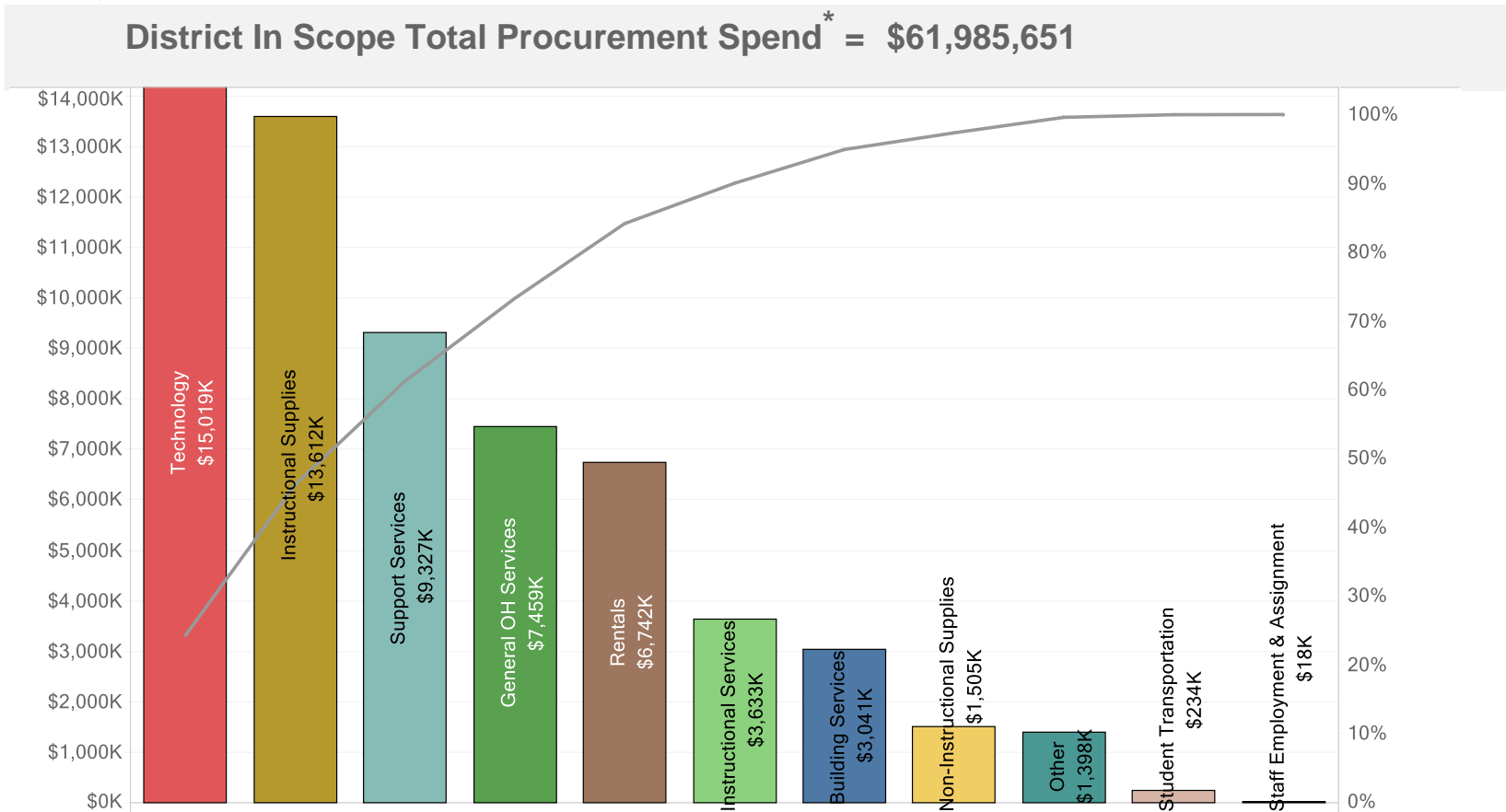
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PROCUREMENT

SOUTH CAROLINA PUBLIC CHARTER SCHOOL DISTRICT

PROCUREMENT OVERVIEW

The chart below shows spending by major category for the district as a whole by major category for FY16.



**Totals reflects spending groupings included in summary financial reporting only. Detailed spending data by vendor within this categorization was not available for review.*

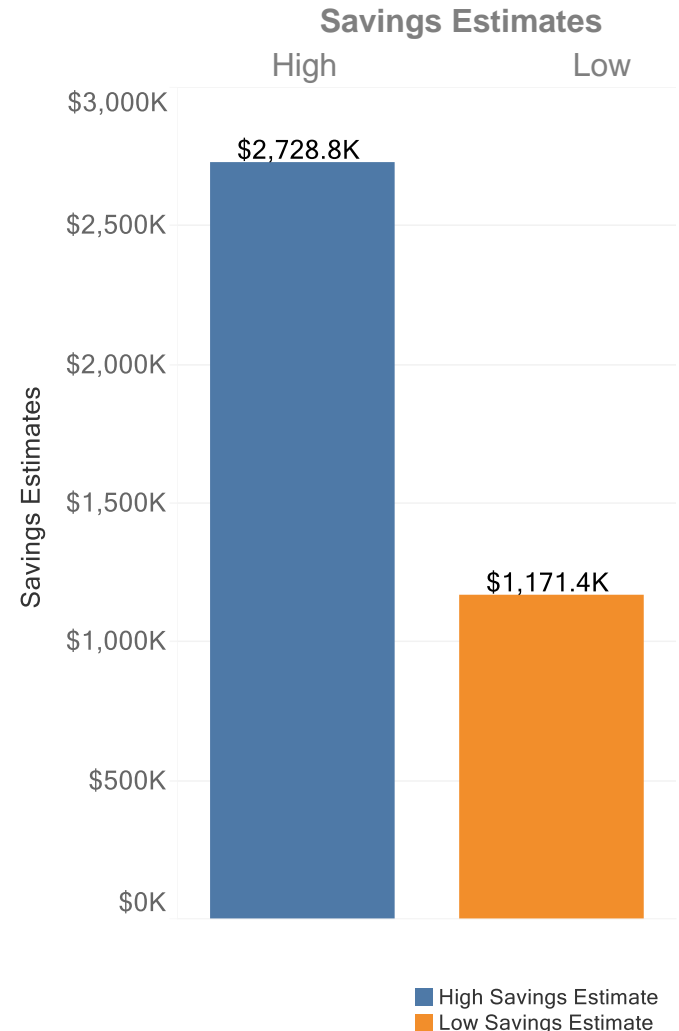
ESTIMATED PROCUREMENT SAVINGS

While each each school's charter agreement enables operational autonomy to make spending decisions in support of their specific educational objectives, collaboration on certain buying decisions and aggregation of spend could yield savings for the District's schools.

While A&M did not have access to individual school level spending detail or contracts, A&M estimated a range of savings opportunities, based upon past experience implementing strategic sourcing initiatives of [X% - Y%].

Actual savings may vary from these estimates based upon:

1. Difference in programmatic focus and instructional philosophies.
2. Degrees of collaboration on spending areas that include instructional services and supplies, technology, building services and non-instructional supplies.
3. Adjustments to reflect the impact of charter management organizations on spending.



PROCUREMENT

SOUTH CAROLINA CHARTER SCHOOL DISTRICT

Summary of Observations and Recommendations

	Observations	Recommendations
Organization / Staffing	<ul style="list-style-type: none"> The District does not have any staff solely focused on purchasing and procurement. These activities are the responsibility of individual charter schools. 	<ul style="list-style-type: none"> Facilitate opportunities for collaboration within the District on vendor selection and procurement activities. Consider requesting additional reporting from individual schools on vendor spend by school in order to identify common vendors and opportunities for potential discounts from aggregated purchasing and negotiation.
Spending by Vendor	<ul style="list-style-type: none"> Each individual charter school manages procurement on the own. Spending efforts are made based upon the needs of individual schools and aggregated purchasing decisions across the District are not made. 	<ul style="list-style-type: none"> The District should allow schools to voluntarily participate in group purchasing of supplies and technology at defined times prior to the start of and during the school year in order to maximize volume discounts. The District should encourage communication and collaboration across schools in order to allow for piggybacking off contracts and improving pricing on areas that include: <ul style="list-style-type: none"> Instructional services and supplies Instructional software Technology Non-instructional supplies The District should seek opportunities to better leverage buying power by facilitating participation in Group Purchasing Organizations (e.g. US Communities, Amazon, etc.). The District should encourage use of state contracts to get best pricing and consider including a list (with links) of key state contracts on its website.



OUTLINE

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TRANSPORTATION

SOUTH CAROLINA CHARTER SCHOOL DISTRICT

Summary of Observations and Recommendations

	Observations	Recommendations
Background	<ul style="list-style-type: none">• Availability of Student Transportation: The majority of charter schools in the District do not provide transportation for students.• Schools do not receive specific funding allocations for transportation and are not required to not provide transportation to students.• Only 4 of the District’s schools spent more than \$40,000 on student transportation in FY16. In aggregate, across the 35 schools, the District spent less than \$400,000 or \$43 per ADM (excl. virtual).• Responsibility for Transportation Operations: Unlike the rest of the state, the District does not receive buses for student transportation or direct reimbursement for costs associated with drivers, fuel or maintenance. <p>For other public school districts in the state, responsibility for school transportation operations is shared by the State and the District. The State provides buses based upon estimates of required eligible student routes, pays for maintenance, fuel and a portion of bus driver salaries.</p> <ul style="list-style-type: none">• Impact on Enrollment Growth and Equity: The lack of transportation may impede enrollment growth and / or access for students in need.	<ul style="list-style-type: none">• Create an advocacy strategy and work with the State to identify potential opportunities to receive buses and transportation funding.• Work with individual schools to assess the impact of the lack of transportation services on enrollment and conduct an analysis of available third party transportation options in areas surrounding charter schools.

APPENDIX A: DATA SOURCES



APPENDIX B: DATA SOURCES

SOUTH CAROLINA CHARTER SCHOOL DISTRICT

[1] FY 16 District Report Card

[2] State-provided enrollment numbers:

- **FY 15 135-Day ADM:** The only use of the FY 15 enrollment numbers is for the enrollment trend
- **FY 16 135-Day ADM:** All calculations made using FY 16 expense data and enrollment data rely on the FY 16 135-Day ADM
- **FY 17 45-Day ADM:** All calculations made using FY 17 personnel data and enrollment data rely on the FY 17 135-Day ADM

*Number of schools calculated using state ADM files

[3] State-provided FY 16 district expenses

*In-scope procurement and categorization is determined by a mapping completed by A&M based on expense function & object codes. These values exclude all expenses where fund code = 400, 500, or 700 (Debt, Capital, and Pupil Activity funds respectively).

[4] District-provided FY 17 personnel rosters

[5] State-provided FY 16 district revenue

[6] A&M Functional Area Mapping

- If "Function Code" begins with 1## Then "Instruction"
- If "Function Code" = 252, 257, or 259 Then "Financial Management"
- If "Function Code" = 264 Then "Human Resources"
- If "Function Code" = 231, 232, 261, 262, or 265 Then "Overhead"
- If "Function Code" = 251 or 255 Then "Transportation"
- If "Function Code" begins with 2## and not in lists above Then "Support Services"
- If "Function Code" begins with 3## Then "Community Services"
- If "Function Code" begins with 4## Then "Other"
- If "Function Code" begins with 5## Then "Debt"

[7] FY 16 Comprehensive Annual Financial Report (CAFR)

[8] Historical A&M Procurement Savings and assumption of district collaboration in the procurement function

[9] FY 16 State-provided transportation data

[10] District-provided FY 16 summary financial information.

APPENDIX B: FORMULAS DEFINED

SOUTH CAROLINA CHARTER SCHOOL DISTRICT

Sources [2],[3]

- \$ Per Student = Total Cost ^[3] / FY 16 135-Day ADM ^[2]
- \$ Per Student Excluding Debt & Capital = Total Cost ^[3] / FY 16 135-Day ADM ^[2] (Where Fund Name ≠ “Capital Projects Fund” or “Debt Service Fund”)
- Financial Management Cost per Student = Total Cost ^[3] (Where A&M Functional Group = “Financial Management” and Fund Name ≠ “Capital Projects Fund” or “Debt Service Fund”) / FY 16 135-Day ADM ^[2]
- HR Cost / Student = Total Cost ^[3] (Where Function Code = “Human Resources”) / FY 16 135-Day ADM ^[2]
- Transportation Cost / Student = Total Cost ^[3] (Where A&M Functional Group = “Transportation”) / FY 16 135-Day ADM ^[2]

Sources [2],[4]

- Students Per Instructional Services FTE = FY 17 45-Day ADM ^[2] / FTE ^[4] (Where Category Description = “Instruction,” “Instructional Staff Services,” “School Administration,” or “Pupil Services”)
- Students Per Overhead FTE = FY 17 45-Day ADM ^[2] / FTE ^[4] (Where Category Description = “Gen Admin,” “Finance,” “Technology,” “Central Services,” or “Human Resources”)
- Students Per School Support FTE = FY 17 45-Day ADM ^[2] / FTE ^[4] (Where Category Description = “Food Services,” “Facilities,” “Transportation,” “Support Services” or “Community Services”)
- Students to All Positions = FY 17 45-Day ADM ^[2] / FTE ^[4]
- Students To Total FTE = FY 17 45-Day ADM ^[2] / FTE ^[4]
- ADM to Financial FTE = FY 17 45-Day ADM ^[2] / FTE^[4] (Where Category Description = “Finance”)
- ADM to HR FTE = FY 17 45-Day ADM ^[2] / FTE ^[4] (Where Category Description = “Human Resources”)

APPENDIX B: FORMULAS DEFINED

SOUTH CAROLINA CHARTER SCHOOL DISTRICT

Source [5]

- Grant Funds as Percent of Total Budget = $((\text{Total Special}^{[5]} + \text{Special EIA Revenue}^{[5]}) / \text{Total Revenue Excluding})$ Where Fund Name \neq “Capital Projects Fund” or “Debt Service Fund”
 - * Special Revenue = Fund Code 200
 - * Special EIA Revenue = Fund Code 300
 - * Debt & Capital = Fund Code 400 & 500

Source [3],[7]

- Days Cash on Hand = $(\text{Cash: Unrestricted, general fund}^{[7]} + \text{Investments: general fund}^{[7]} + \text{AR: County}^{[7]}) / (\text{General Fund Expenditures}^{[3]} / 365)$
 - *General Fund Expenditures = expenses where fund code = 100
- Days Payable Outstanding = $(\text{Accounts Payable: General Fund}^{[7]} / (\text{Non-Personnel Expenditures}^{[3]} / 365))$
 - *Non-Personal Expenditures = expenses where Object Code between 300 – 700

Source [5],[7]

- Unrestricted Fund Balance as % of General Fund = $\text{Fund balance} - \text{unrestricted}^{[7]} / \text{General Fund Revenue}^{[5]}$
- Grants Receivables Days Outstanding = $(\text{Grants Receivable from State}^{[7]} + \text{Grants Receivable from Federal}^{[7]}) / (\text{total grant funds from statewide revenues}^{[5]}/365)$
 - *Total Grant Fund From Statewide Revenue is revenue where fund code = 200 & 300
- Total Debt Outstanding/Total Revenue = $\text{Total Debt Outstanding}^{[7]} / \text{Revenue}^{[5]}$ (Where Fund Name \neq “Capital Projects Fund” or “Debt Service Fund”)

Source [9]

- Routes Per Bus = $\text{Number of Routes}^{[9]} / \text{Number of Buses}^{[9]}$
- Average Ridership = $\text{Total Ridership}^{[9]} / \text{Number of Routes}^{[9]}$
- Average Route Time = $\text{Total Route Minutes}^{[9]} / \text{Number of Routes}^{[9]}$
- Average Mileage Per Bus = $\text{Total Route Miles}^{[9]} / \text{Number of Buses}^{[9]}$

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