B.3.2 Contracted Services

a) Areas which may require the Applicant to seek outside expertise

Several key leadership functions for NAS-Phoenix will be filled by external consultants, specifically the New America School nonprofit, the school attorney and the school business manager. Each such contractor's performance is reviewed annually and, if its performance merits, renewed. If necessary and a new contractor is required, the Governing Council will issue an RFP and undergo an extensive search process for a suitable replacement.

Financial Management: The Governing Council of NAS-Phoenix recognizes it is ultimately responsible for the fiscal oversight and compliance of the school. The GC intends to contract with an Arizona school business manager, who will report to the principal, to complete employee payroll services and financial reporting.

NAS will, in consultation with the NAS-Phoenix GC and the school business manager, develop policies and procedures for a comprehensive financial management and accounting system tailored to Arizona public school finance laws. NAS employs experienced public school accountants who will assist the GC in understanding public school finance laws and rules so that the GC will be competently prepared to employ the necessary level of scrutiny to all school business transactions.

The Governing Council will consider in a timely manner all requests for budget adjustment requests by the business manager. They will help prepare, review and approve the school's budget. The Governing Council will approve a policy stating that the principal will immediately report to the Governing Council any notices from the sponsor or the Arizona Department of Education should the school fail to follow reporting requirements or violations of any procedure or rules that may potentially affect the school's good standing.

The Governing Council will also seek out the necessary training to understand public school finances, the school budgeting process and applicable laws and rules. As part of its oversight responsibilities, the Governing Council will require the business manager or his/her designee to attend regular Governing Council meetings to report out on the status of the school's financial affairs. The business manager will be required to prepare regular monthly reports and to review those reports at the regular meetings. The treasurer of the Governing Council will chair the Governing Council's Finance Committee and be designated to meet with the business manager to prepare appropriate financial reports. The treasurer will also chair the Finance Audit Committee.

The business manager's duties will include:

- Assisting and advising the principal on the budgetary impact of benefit rate changes, salary increases and the feasibility of related reporting deadlines mandated by the sponsor and other official agencies
- Supervising and evaluating all finance department personnel and ensuring compliance with all finance operation procedures
- Communicating with the superintendent and CBO as needed
- Assuming responsibility for correctly classifying and accurately recording financial transactions and certifying the correctness of all checks, cash and wire transfers, and bank deposits for all assigned accounting sections
- Generating all financial and human resources reports and all other reports as needed
- Maintaining all financial records and human resources records for school
- Assisting with the development of the annual budget

- Assuming primary responsibility for the development of financial system applications and system control procedures designed to provide the finance department with the most accurate information in the most efficient manner
- Assuming primary responsibility for planning data processing activities including system analysis and programming projects; evaluating and recommending software selection and hardware upgrades
- Preparing the school's annual budget, including completion of all salary schedules and other salary related reports required by the state
- Reviewing and interpreting Federal, State and Local regulations mandated by governing agencies including the Internal Revenue Service, Social Security Administration, Arizona Taxation and Revenue Department, Arizona Employee Retirement Board and Arizona Public School Insurance Authority. Initiating any necessary changes to ensure full compliance with all laws.

NAS will, in consultation with the NAS-Phoenix GC and the school business manager, develop policies and procedures for a comprehensive financial management and accounting system tailored to Arizona public school finance laws. These policies will address the following aspects of the school business:

- Procurement
- Budget policies: fiscal year, budget preparation, budget maintenance standards; budget adjustment requests
- Segregation of duties; anti-nepotism policies
- Internal controls
- Cash management program to safeguard cash in custody
- Procedures for expenditure projections to identify school staffing and equipment needs
- Receipt of funds
- Cash disbursement
- Procedures for Bank Reconciliation (monthly review and reconciliation); personnel and payroll policies (contracts, personnel/payroll action forms, certification records, employment eligibility, federal/state withholding, pay deduction authorizations, Educational Retirement Act plan and direct deposit authorizations)
- Compliance with the annual school audit
- Conflict of interest disclosure statement and policy
- Policy defining the relationship to the charter authorizer
- Charter amendment procedure
- Such other policies necessary to implement the charter

The three-year budget approximates expenses for this contract at $30,000 per year[1] based on a quote from the service provider, Michele Diamond.

Legal Counsel. The Governing Council will also seek support from legal counsel on a variety of school related matters and as such may request that legal counsel attend the monthly GC meetings on a regular basis.

The Legal Counsel's duties will include:

- Preparation for, documentation of, and if necessary attendance at Governing Council meetings
- Governing Council and staff trainings
- Compliance with Arizona education law
- Compliance with State Board for Charter Schools rules and regulations

[1] The budget accounts for increased support requirements billed back by the contracted business manager in Year 2 and 3.

- Compliance with Arizona Open Meeting Law
- Compliance with Arizona corporate law including tracking and filing annual reports
- Review and counsel regarding agreements with independent contractors, employees, vendors, consultants, service providers, licenses, lessors, lessees, financing etc.
- Advice and counsel regarding Governing Council/staff relationships, responsibilities, and delegation of authority
- Corporate structure and the formation of affiliated entities
- Strategic alliances, public/private partnerships, affiliations and collaborations
- Reviews of Forms 990 and 990-T
- Executive compensation and the avoidance and correction of intermediate sanction penalties
- Unrelated business income issues
- Referrals to trusted professionals for legal matters outside are sphere of expertise and assistance in managing those relationships
- Advice and counsel with respect to policies and procedures including policies regarding the following:
    - Signature Authority Policy
    - Compensation
    - Fundraising and Gift Acceptance
    - Parent Teacher Organizations
    - Travel and Expense Reimbursement
    - Conflict of Interest
    - Record Retention
    - Whistleblower
    - Student Enrollment Procedures
    - Conflict of Interest
    - Student Handbooks
    - Student Discipline

The three-year budget estimates that expenses for this item will be $5,000 per year for years 1-3. This estimate was arrived at through conversations with Mackenzie Woods of Carter Law Group, P.C.

Other contract services. The three-year budget includes $3,000.00 in expenditures per year for Professional Development (including MAP, SIOP and differentiation training) for staff and the Governing Council based on conversations with Tracey McCormick, NAS Professional Development Coordinator. However, NAS-Phoenix anticipates being able to leverage the in-house expertise of school staff and of the NAS nonprofit to provide additional, non-expensed Professional Development. Other areas that will require contracted services include ancillary special education services such as OT/PT, speech pathologists, and psychological services (estimated in the three-year budget at $15,000, $20,000 and $25,000 per year based on contracted services costs from five other NAS schools for these services) and auditor services budgeted at $5,000, $7,500 and $7,500 per year as quoted by John Cutler, CPA. In addition, each year $5,000.00 are provided for Student Management Software (SMS) support a quoted by Schoolmaster, $5,000.00 for technology support (as quoted by CKS LAN, LLC) and $30,000.00 for NAS-Network consulting and services.

b) Professional qualifications

<u>Qualifications of Business Manager</u>

- Alignment with the New America School vision and mission
- Excellent oral and communications skills
- Minimum of a Bachelor's of Accounting degree

- Experience in working with charter school financing and accounting management
- Availability to attend monthly Governing Council and GC Finance Committee meetings
- Competitive costs
- Valid fingerprint clearance card

The Governing Council has been working with a firm that meets these qualifications, Diamond Financial Solutions, an organization that provides school finance and business services to Arizona charter schools. The individual with whom the board has worked with most closely is:

- **Michele Diamond**, founder, who worked for five years as the Director of Finance for the Arizona Charter School Board and was responsible for overseeing the financial accountability and compliance of charter schools. She assisted in the development of Charter Board policy, and provided technical assistance to charter schools regarding the Uniform System of Financial Records for charter schools (USFRCS), generally accepted accounting principles (GAAP) and state procurement laws. Diamond also served for eight years as the Senior Performance Auditor for the Arizona Office of the Auditor General.

<u>Qualifications of Legal Counsel</u>

- Alignment with the New America School vision and mission
- Member in good standing with the Arizona Bar Association
- Experience in working with charter schools
- Knowledgeable of charter school laws and regulations
- Competitive costs
- Valid fingerprint clearance card

The Governing Council has been working with a firm that meets these qualifications, Carter Law Group, P.C. The individuals with whom the board has worked with most closely are:

- **Ellis McGehee Carter**, J.D., LL.M. in Taxation, is the founder and managing partner of Carter Law Group P.C., in Phoenix, Arizona. Carter Law Group exclusively represents tax-exempt organizations, including approximately 50 charter schools, with respect to corporate, regulatory and tax needs. Ellis spent 13 years practicing with large firms, forming Carter Law Group in 2010. Ellis has been selected by her peers for inclusion in Best Lawyers in America, Nonprofit/Charities law (2007-2014) and is peer rated "AV Preeminent" (the highest rating available) by Martindale Hubbell. Carter Law Group has been named a "first tier firm" for Nonprofit/Charities law by U.S. News/Best Lawyers.® Ellis is also the publisher and primary contributor to the blog, CharityLawyer, where she demystifies nonprofit law one post at a time. Ellis has also been named by Phoenix Magazine as a Top Lawyer for Nonprofit-Charities Law and named Non-Profit Advocate of the Year by Arizona's Volunteer Lawyers Program.
- Ellis is assisted by **Mackenzie Woods**, a 2014 graduate of the Sandra Day O' Connor College of Law at Arizona State University who will sit for the bar in the fall of 2014. Before law school, Mackenzie began his career in education reform as an eighth grade science teacher with Teach for America. During his second year of law school, Mackenzie was selected as an Aspiring Leaders Fellow by the Arizona Charter Schools Association where he and his cohort visited top-performing charter schools across the nation and distilled the key levers necessary to creating sustainable, high-achieving schools. He further applied his knowledge of what it takes to reform urban education by working with Building Excellent Schools during the summer of 2013 where he analyzed high-performing schools in Boston, MA and completed an intensive leadership residency with a start-up charter school in Phoenix, AZ. Mackenzie then worked as an extern, assisting the compliance office of the Arizona State Board for Charter Schools to draft new rules and regulations for the charters they authorize. His work focuses on charter school compliance, entity selection, corporate governance, education law and policy, and maintenance of tax-exempt status.