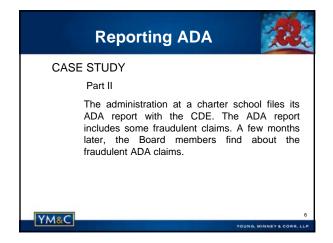






Reporting ADA CASE STUDY Part I A new student transfers to a charter school on February 1st. The student was not enrolled in any school during the month of January. The charter school claims ADA for the student for the entire semester.



California False Claims Act The California False Claims Act ("CFCA"), Cal. Gov. Code § 12650 et seq. is violated by any person who does any of the following: • (1) ". . . knowingly presents or causes to be presented to the State or any political subdivision thereof, a false claim for payment or approval . . ." • (2) ". . . knowingly makes, uses, or causes to be made or used a false record or statement to get a false claim paid or approved by the State or by any political subdivision . . ." YM&C **California False Claims Act** The CFCA is violated by any person who does any of the following: • (3) " . . . conspires to defraud the State or any political subdivision by getting a false claim allowed or paid by the State or any political subdivision . . . " or YM&C **California False Claims Act** The CFCA is violated by any person who does any of the following: • (4) ". . . is a beneficiary of an inadvertent submission of a false claim to the State or a political subdivision, subsequently discovers



YM&C

the falsity of the claim, and fails to disclose the false claim to the State or the political subdivision within a reasonable time after discovery thereof" (Wells v. One2One Learning Foundation (2006) 39 Cal.4th 1164, 1187, citing Cal. Gov. Code § 12651(a).)

		_		
	California False Claims Act			
	The Wells v. One2One Learning Foundation			
	case found that the CFCA applies to charter schools that knowingly present false claims of attendance to a school district or the State.			
	YM&C			
		-		
	California False Claims Act			
l	Treble Damages			
	Under the CFCA, false claims are serious matters. A violation gives rise to liability for three times the amount of the damages to the State or			
	political subdivision—e.g., the CDE and School District—and for the costs of a civil action brought to recover those penalties or damages.			
	(Cal. Gov. Code § 12651(a).) Additional civil penalties are assessed in the amount of \$5,500 to \$11,000 for each violation. (<i>Id</i> .)			
	YM&C			
	YOUNG, MINNEY & CORR, LEP	1 .		
		ı		
	California False Claims Act			
	Reduction of Treble Damages		 	
	However, liability may be reduced to two times the amount of damages if the charter			
	school furnishes the State or political subdivision "with all information known" within 30 days of			
	obtaining the information, fully cooperates with an investigation, and the charter school is not yet			
	aware of any legal action against it. (<i>Id.</i> § 12651(b).)			



False Claims TAKE AWAYS • Does it seems sketchy or tricky? • Not just "thinking outside the box," thinking outside the law. • Do you feel like you've outsmarted the law? • Would you be okay pointing it out to your auditor?

False Claims How Does A Charter School Get Caught? • A disgruntled employee notifies the charter authorizer • An otherwise happy employee feels uncomfortable following directions • The charter authorizer is looking for a way to revoke the charter; starts looking for violations • An auditor notices something unusual • A parent complains to your authorizer about a related issue, and your authorizer starts doing additional digging.





	Teacher Appreciation	-22
(CASE STUDY The charter school has a budget surp API due to efficient use of funds and the charter school teachers regular	the fact that ly go above
	and beyond the call of duty. The ch wants to show appreciation to teach for a successful year. The charter s	ers and staff
	authorizes \$25 Starbucks gift card teacher and a travel mug inscribed w	ds for each ith the name
	of the Charter School at the cost of each teacher and staff member out of surplus.	•
YM	&C ************************************	16
	Gift of Public Funds	Co.
(California Constitution, art. XVI, sec. 6 Text:	
	"The Legislature shall have no power	
	any gift or authorize the making of an public money or thing of value to ar municipal or other corporation whatev	ny individual,
	municipal of other corporation whatev	01,
YM	&C	17
	Gift of Public Funds	188
(California Constitution, art. XVI, sec. 6 The basic principle is that "there is c	
	legislature the right to make direct ap to individuals from general consid	opropriations derations of
	charity or gratitude, or because of son moral obligation resting upon the p state It was because of abuse	eople of the
	crept into legislation that the plegislature was thus limited" (\$	ower of the
	Colgan (1891) 91 Ca. 649, 651.)	



Gift of Public Funds



California Constitution, art. XVI, sec. 6

- The basis test is:
 - -"... the primary and fundament subject of inquiry is whether the money is to be sued for a public or private purpose. If it is for a public purpose within the jurisdiction of the appropriating board or body, it is not, generally speaking, to be regarded as a gift" (Patrick v. Riley (1930) 209 Cal. 350, 367.)

YM&C

.

Dinner for Major Donors



CASE STUDY

Part I

A charter school receives a lot of support from private donors. The charter school wants to use funds to take major donors out to dinner at a nice local restaurant in order to generate more donations. All donations go toward educational materials for the students.

YM&C

MINNEY & GOD

Dinner for Major Donors



CASE STUDY

Part II

A charter school wants to get around the prohibition on the gift of public funds. The charter school sets up a private foundation to conduct fundraising, accept donations, and take private donors out to dinner in order to generate more donations.

YM&C

YOUNG MINNEY & CORR I



Employee Bonuses
CASE STUDY
Part III At the end of a year, a charter school Board is
proud of the teachers for achieving the highest API scores in the school district. Out of the
budget surplus, the Board wants to approve \$1000 bonuses to each teacher in recognition of the excellent job performance over the past year.
the excellent job performance over the past year.
YM&C
Extra Compensation
California Constitution, art. XI, sec. 10(a)
Text:
"A local government body may not grant extra
compensation or extra allowance to a public officer, public employee, or contractor <u>after</u> service has been rendered or a contract has been
entered into and performed in whole or in part, or pay a claim under an agreement made without
authority of law."
YM&C YOUNG, MINNEY & CORR, LEF
Employee Bonuses
CASE STUDY Part IV
At the beginning of a school year, the charter school teacher's employment contracts state that
teachers will receive a \$1000 bonus if the school reaches an API score of 875. The charter school
scores an 876 and the teachers receive a bonus under their employment contract.



Political Activities



Limitations on Charter Schools

- Use of public funds: As recipients of public funds, various laws impact a charter schools' political activities.
- Employees must act as individuals and not as representatives of the school; they can discuss politics and solicit contributions for political purposes outside working hours.
- For example, they cannot use school time to urge the passage or defeat of any ballot measure or candidate, or use school equipment for the preparation or reproduction of political campaign materials.

YM&C

Political Activities



Limitations on Charter Schools

501(c)(3) tax-exempt status: As 501(c)(3) tax-exempt organizations, the I.R.S. limits/restricts charter schools' political activities. In general, the IRS permits a 501(c)(3) organization to attempt to influence legislation only insofar as it is not a substantial part of its activities. Further, a 501(c)(3) is absolutely prohibited from participating in or intervening in any political campaign on behalf of/in opposition to any candidate for public office.

YM&C

YOUNG, MINNEY & CORR, LL

Political Activities



Case Study

A bill before the State Legislature and a measure on the ballot in the next voter election each have the potential to close down a charter school. Three influential members of the charter school administration goes to the State Capitol to express opposition to the bill in the State Legislature. Meanwhile, the charter school staff make phone calls to parents urging them to vote "no" on the ballot measure in the next election.

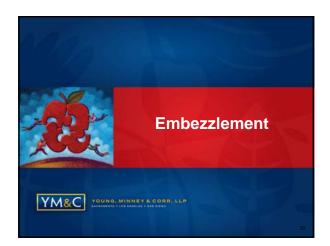
YM&C

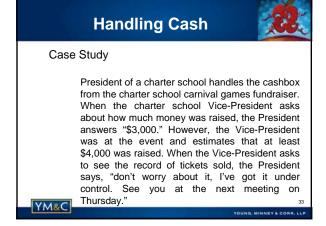
YOUNG MINNEY & CORR !



	Political Activities	-22
Atten	ndance at the State Legislature	
	The legislative body of a local agency agency may attend the Legislature or legislative body and present information	any other
	passage of legislation it deems benefic prevent the passage of legislation it de detrimental to the local agency. (Califo Government Code § 50023 & 53060.5	eems ornia
YM&C	Must not be substantial part of activitie 501(c)(3) status.	es due to
	, , , , , , , , , , , , , , , , , , ,	G. MINIET & CORN. ELP
T (Political Activities	22.
Supp	oort/Oppose Candidates or Ballot N	Measures
	Local agencies are <u>prohibited</u> from public funds to support or opposition or candidates for put (California Government Code § 54964)	oose ballot blic office.
	A public agency cannot spend public urge the voters to vote for or again measure, unless the expenditure authorized by law. (Stanton v. Motic 2002)	nst a ballot is explicitly
YM&C	C.3d 206.)	29
	Political Activities	22.
Case	e Study	
	The Chairman of the Board at a charte running for office as the local Assembly California State Legislature. He regular to the charter school office on Fridays the copiers to print flyers for his campa also regularly enlists the help of staff mathematical when work is slow.	yman in the rly goes in and uses aign. He

Political Activities Criminal Misappropriation of Public Funds California Penal Code § 424 – public officers are prohibited from misappropriating public funds. This includes using public funds and resources for the purpose of an official's political campaign. A county supervisor was convicted for using his county staff and county office equipment for his personal political campaign. (People v. Battin (1978) 77 Cal.App.3d 635.)





Handling Cash Best Practices Have at least two people present when accepting cash at fundraisers Sell tickets for a set price. Keep a record of the number of tickets sold Have two people take the cash deposit to the bank and require a receipt from the bank reflecting the amount of the deposit

Fiscal Controls Best Practices Require two signatures on checks above an amount set by the governing board. Use notification features on bank account to notify officers of properly issued checks. Have the bank send bank statement to someone other than the person responsible for cash disbursement. Require preapproved purchase orders to be submitted for all checks.

Fiscal Controls Best Practices • Have receipts received and tallied by someone other than persons responsible for cash disbursements • Have bank reconciliation performed by someone other than the person responsible for cash disbursements • Make sure internal controls apply to EVERYONE. The CEO and CFO must follow internal controls. Volunteers too. • Establish confidential reporting system



