



MAGNOLIA PUBLIC SCHOOLS

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STATE AUDIT FINDS MAGNOLIA PUBLIC SCHOOLS FINANCIALLY SOUND

An eight-month state investigation concludes there was no misappropriation of state funds at the high-performing network of public charter schools

Los Angeles – A sweeping [audit](#) of [Magnolia Public Schools](#) released today by the California State Auditor revealed that the high-performing network of 11 public charter schools is financially stable and sound.

The report, a culmination of an eight-month investigation, recommended that the charter network strengthen procedures and internal controls to continue to maintain its strong financial condition—changes the new leadership and administrative teams at Magnolia have already begun to implement over the past four months.

“We recognize that being able to provide a high-quality public educational experience must go hand-in-hand with the financial, reporting and internal controls that ensure transparency and accountability,” said longtime public education leader and former president of the L.A. Unified school board Caprice Young, who was named Magnolia’s CEO in January. “We started to implement changes to strengthen and improve our processes while the audit was taking place to reinforce our ongoing commitment to high educational outcomes.”

The report, which reinforced that Magnolia is a high-performing network of schools that generally outperforms their neighborhood schools, also includes findings that the investigation did not identify any misappropriation of state funds.

Other key findings in the report included:

- The review called out the Los Angeles Unified School District for prematurely rescinding in June 2014 its conditional approval of charter petitions for two academies.
- Magnolia’s expenditures to hire skilled math and science teachers from abroad were “lawful and appropriate.”
- Magnolia’s truancy underreporting was due to an incorrect application of the state truancy definition and inadequate staff training. The schools have developed new reporting procedures and immediately retrained staff, but the underreporting had no effect on Magnolia’s funding or student achievement scores.



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- Magnolia's inter-school loans were appropriate and necessary given the state's deferral of \$10 million in funding to Magnolia. The loans "served a useful purpose because they enabled the struggling academies to continue to serve their students."

Assemblyman Adrin Nazarian requested the state audit on July 23, 2014, the Joint Legislative Audit Committee (JLAC) ordered the audit on August 14 and the investigation began on September 3. JLAC appropriated \$322,000 for the audit.

Magnolia has made significant improvements to the key areas of fiscal controls, compliance and accountability since it put in place a new management team led by Young. The board hired a new CFO with extensive experience successfully managing the fiscal operations of a nonprofit with multiple sites. Magnolia also created and filled the position of controller to ensure that effective fiscal controls, compliance and accountability are in place and maximized.

Magnolia also implemented expenditure controls as well as payroll controls, training and oversight that were previously lacking. They instituted a new, transparent fiscal structure to ensure accurate accounting of revenues and expenditures in schools as part of a larger effort to strengthen its financial operations.

The organization is also in the process of bringing on board a new auditor and educational services provider and has agreed to fiscal oversight by Fiscal Crisis & Management Assistance Team (FCMAT). In addition, the board created a finance committee and an audit committee to involve all stakeholders in the accountability and oversight of Magnolia's finances.

"We are confident the progress we have made and our continuing commitment to improving financial, reporting and other internal controls will be apparent when the California State Auditor reviews our efforts moving forward," Young said. "Our goal is to be recognized as a model charter school leader in California and to continue to provide a high-quality, STEM-focused public education to our students."

About Magnolia Public Schools

Magnolia Public Schools is a high-performing network of 11 public charter schools in Los Angeles, San Diego, Santa Clara and Orange County that provides a college preparatory educational program emphasizing science, technology, engineering and math (STEM). Magnolia's mission is to prepare students to succeed in college through a rigorous academic program while reinforcing core values through character development classes that cultivate respect for self and others. Magnolia's vision is to create scientific thinkers who contribute to the global community as socially responsible and educated members of society.
www.magnoliapublicschools.org

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