



MEMORANDUM

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DATE: March 31, 2014
TO: Board of Directors and Executive Directors,
EarlyLearn NYC Providers
FROM: Marcia Gilliard
SUBJECT: ACS Financial Protocol: EarlyLearn Assessment Tool
EL Numbered Memorandum #13

The Administration for Children's Services (ACS) Division of Financial Services is issuing the attached final version of the *ACS EarlyLearn Financial Protocol: EarlyLearn Assessment Tool*. This tool will be used to rate the financial health of EarlyLearn programs and to calculate the financial component of your Fiscal Year 2015 (FY15) VENDEX score.

We thank you for submitted suggestions and questions forwarded to ACS during the comment period and have incorporated revisions where necessary.

As you know, this assessment tool incorporates criteria familiar to EarlyLearn providers as these benchmarks are contained in the EarlyLearn Fiscal Manual issued in October 2012.

In addition to a list of the criteria with a description and the weight that each criterion carries, the assessment tool includes the following:

1. A description of how the overall rating will be calculated, and,
2. A summary of the final rating categories and action items

For Fiscal Year 2015, the *ACS EarlyLearn Financial Protocol: EarlyLearn Assessment Tool* will be used effective July 1, 2014.

As a reminder, the A133 is due April 30, 2014 for Fiscal Year 2013.

If you have any questions, please contact Marcia Gilliard, Executive Director, Financial Services Audit and Banking at 212-676-8855.

ACS FINANCIAL PROTOCOL – EARLYLEARN ASSESSMENT TOOL (Attachment #1)

CATEGORIES*	DEFINITION OF CATEGORIES	ACTIONS/STEPS*	NUMBER OF POINTS **	FINAL RATING
NO REVIEW	<p>The EarlyLearn Provider has performed well on all Financial Indicators.</p> <p>Using the measures ACS Financial Services is looking at, The EarlyLearn Provider was awarded 90-100 points.</p>	<ol style="list-style-type: none"> Notification Letters indicating NO Review will be sent to Board Chair and Executive Director. 	90 - 100	EXCELLENT
ADEQUATE	<p>The EarlyLearn Provider has performed poorly on a very few number of indicators. Identified financial weaknesses can be corrected by the EarlyLearn Provider with minimal assistance from Children’s Services.</p> <p>EarlyLearn Provider was awarded 80-89 points.</p> <p>The EarlyLearn Provider can address specified concerns independently with subsequent monitoring.</p>	<ol style="list-style-type: none"> Notification Letters Of Concern will identify the problem and give the EarlyLearn Provider thirty (30) calendar days to correct the problem, and provide proof of correction. Letters will be sent to Board Chair and Executive Director. EarlyLearn Provider may have the option to respond regarding the findings cited after 30 calendar days. 	80- 89	GOOD
OF CONCERN	<p>The EarlyLearn Provider has performed poorly on a limited number of indicators. Identified financial weaknesses can be corrected by the EarlyLearn Provider with minimal assistance from Children’s Services.</p> <p>EarlyLearn Provider was awarded 70-79 points.</p> <p>The EarlyLearn Provider can address specified concerns independently with subsequent monitoring.</p>	<ol style="list-style-type: none"> Certified Letters Of Concern will identify the problem and give the EarlyLearn Provider thirty (30) calendar days to correct the problem, and provide proof of correction. Letters will be sent to Board Chair and Executive Director. The EarlyLearn Provider will be required to submit a Corrective Action Plan (CAP) addressing the findings. If EarlyLearn Provider does not respond after 30 calendar days, and the item (finding) has not been corrected, the ACS Financial Services’ group/staff will call and e-mail the Provider to follow-up. For items undone and/or not corrected, another letter will be sent giving 15 calendar days to respond and comply. If still no response from the EarlyLearn Provider, they will be moved to Under Review. 	70 - 79	FAIR
UNDER REVIEW	<p>The EarlyLearn Provider has performed poorly on a sufficient number of indicators to suggest that serious financial concerns are developing. The EarlyLearn Provider must meet with ACS Financial Services staff to ensure that corrective actions are immediately implemented and that necessary training and technical assistance will be provided.</p> <p>Result from being awarded 60 up through 69 points on the chart.</p> <p>Also can result from Non-Compliance with “Of Concern” status as initial classification.</p> <p>Issues(s) are more serious, and require oversight, Technical Assistance and subsequent monitoring are indicated.</p>	<ol style="list-style-type: none"> Certified letters will be sent to the Board Chairperson, and Executive Director specifying the deficiencies that must be corrected within six (6) months. The EarlyLearn Provider will be required to submit a Corrective Action Plan (CAP) addressing the findings. If EarlyLearn Provider does not respond after 30 calendar days, and the item (finding) has not been corrected, the ACS Financial Services’ group/staff will call and e-mail the EarlyLearn Provider to follow-up. Technical Assistance followup is offered. EarlyLearn Provider will be monitored one (1) month after Technical Assistance is completed. If the EarlyLearn Provider does not markedly improve their financial condition, i.e., be fully compliant after two months, their status will be downgraded to At-Risk. 	60 - 69	POOR
AT RISK	<p>The level of EarlyLearn financial performance suggests that without substantial, demonstrated improvement the EarlyLearn Provider will be terminated. In addition to the Under Review requirements, Financial Consultants may be assigned to the EarlyLearn program.</p> <p>All requests for payment will require outside approval and a strict timetable for improvement must be followed.</p> <p>Result of being awarded 59 or less points on the chart.</p> <p>The program is at risk of closing or Contract Termination.</p> <p>This is the most serious status.</p>	<ol style="list-style-type: none"> Certified letters will be sent to the Board Chairperson, Executive Director. and DAPC. The EarlyLearn Provider will be placed under “Administrative Review” A meeting with the Board of Directors, Executive Director and Parent Representative(s) will be scheduled. Fiscal Consultant will be hired to initiate and implement a Corrective Action Plan, in addition to monitoring program. The EarlyLearn Provider will be monitored for six (6) months, with monthly meetings with ACS in order to show that it can sustain itself. If it has not shown any progress ACS will then determine what will be the next steps, which include contract termination and program closing. 	59 or below	UNSATISFACTORY

CRITERIA	Number of Points to be Deducted, if cited	RESPONSIBILITY AREA	DESCRIPTION
Under - Enrollment	5	FS Budget	Indicator will be based on latest Early Childhood and Education (ECE) monthly utilization report for the period being evaluated.
Insurance Status	5	FS	EarlyLearn Provider has received notice of delinquency / non-payment of their quarterly insurance premium. Site Licensure has been revoked or is in jeopardy due to issues associated with insurance coverage.
In-Kind NFM	5	FS Budget	Using the EL Budget Template submitted, contractor reported less than the minimum amount for Non-Federal Match (NFM). This indicator will be evaluated every 6 months.
CIRS/Pension/401k Issues	10	FS	The EarlyLearn Provider was cited for Cultural Institutions Retirement System (CIRS), Pension and/or 401k issues, e.g., non-payment, or other findings that require resolution. Points will remain in an additional quarter after the contractor provides evidence that issue has been resolved.
Contractor Contribution	3	FS Budget	Using the EL Budget Template submitted, contractor reported less than the required minimum amount for Contractor Contribution. This indicator will be evaluated every 6 months.
Renovation Issues	10	FS Budget	EarlyLearn Provider used funds released for pre-approved renovation for other expenses. Score remains until renovation funds are restored and EarlyLearn Provider remedies the cause of cash flow.
Late/Missed Payroll	10	FS Budget	EarlyLearn contractor missed operational payroll and/or operational payroll was paid later than the regular normal scheduled date.
Late Tax Payments/Problems	10	FS Budget	These points will be assessed to contractors with any Liens (Bank or property), IRS issue, Department of Finance fine or/and notification. Assessed points will be removed the subsequent quarter the contractor submits evidence that the issue has been corrected.
Non Filing of 990 &/or CHAR 500	5	Contracts	The IRS 990 was either not submitted or was submitted late. The CHAR 500 was either not submitted or was submitted late.
Cost Allocation /Cost Allocating Plans	5	FS Budget	1) The Cost Allocation Plan was not completed or submitted to ACS within the established deadline, and/or 2) The Cost Allocating Plan was not completed or submitted to ACS within the established deadline.
Late Submissions/ Missed Deadlines	3	FS Budget	<ul style="list-style-type: none"> The EarlyLearn Provider fails to submit budget template or; does not submit the budget template within the established deadlines; or requests an extension for the submission of the budget template. The program has missed application, audit or other financial services-related deadlines. Score remains until deadline is met and the program resolves the cause of tardy submissions.
Non-Responsive	10	FS Budget	Financial Services can document that EarlyLearn Provider has been non-responsive in the last 30 days. Score remains until the EarlyLearn Provider responds to Financial Services Unit and remedies the cause of non-responsiveness.
Cash Management	10	FS Budget	A. Contractor reported expenses in Budget Template exceeded revenue for same period. B. Contractor reported cash/need/shortfall during period. Points will remain for another quarter as the contractor reports a clean quarter.
Problems In Other Funding Streams	5	FS Budget	Cash flow or other fiscal-related deficient indicators are reported in non- funding streams [e.g., CACFP, and UPK]. Score remains until deficiency is resolved.
Repeated Requests for Advances	3	FS	The EarlyLearn Provider has requested repeated advances.
Late Audit	10	FS Budget	The final Audit was: <ol style="list-style-type: none"> Submitted late (past the ACS deadline). Incomplete or non-compliant reports will not count as "submitted" Score remains until the Audit Report is submitted to ACS and the EarlyLearn Provider remedies the cause of delinquency.
Late Audit – 2 Consecutive Years	10	FS Budget	Late submission of both the final Audit Reports during two consecutive years.
Close-out; Repeat Findings Amounts Owed to ACS	10	FS Budget	The EarlyLearn Provider has not timely returned the close-out amounts owed to ACS. Score remains until issue has been resolved.
Repeat Findings	5	FS Budget	Same findings in two subsequent Audits. Score remains until underlying findings are resolved.
Board Composition	10	ECE	The EarlyLearn Provider has not complied with Board Composition Requirement as stipulated in EarlyLearn. Score will remain until composition validated by ACS Early Childhood and Education Division.

CRITERIA	Number of Points to be Deducted, if cited	RESPONSIBILITY AREA	DESCRIPTION
UPK Targets	3	FS Budget	The EarlyLearn Provider has not met the contractual UPK enrollment target by the end of the fiscal year.
VENDEX Issues	3	Contracts	Any issue reported on the VENDEX system that impedes the Contractor to secure a timely contract. Score remains until issue has been resolved.
DOI Investigation	20	FS Contract	ACS is notified that a program is under investigation by NYC Department of Investigation (DOI). Score remains until investigation is resolved.
EXCEPTION FINDINGS (TBD)	10	TBD	Any major fiscal related issue that affects funded services and/or operation, i.e., late or non-payment to vendors. Additional score for flagrant disregard of indicators, instructions, mandates, etc. Score will remain for an additional quarter after the contractor resolves issue.

The Financial Protocol is a tool to insure the continued financial health of the NYC Administration For Children's Services' EarlyLearn Providers.

Monthly, each EarlyLearn Provider will be reviewed for its performance on twenty-four (24) Financial Indicators. Every EarlyLearn Provider will be reviewed quarterly and awarded points based upon Financial Services' staff review of the criteria used in the Financial Protocol Chart.

- ❖ A EarlyLearn Provider that performs poorly on a financial indicator (criteria) will be assigned points that are associated with that indicator. The sum total number of points of cited findings/criteria will then be subtracted/deducted from the perfect score 100 points.
- ❖ The higher the points that are deducted for a cited deficiency, the more danger an EarlyLearn Provider is of Financial Risk.
- ❖ Actions to be taken are suggestions and may vary (see Action/Steps column on page 1 of chart). These actions are also subject to change depending on change of financial status and receipt of supporting documentation verifying resolution of the finding from the EarlyLearn Provider.

The Goal of the Financial Protocol is to identify financial problem before a crisis occurs and be able to assist EarlyLearn Providers in correcting problems.

◆. The Financial Protocol is an assessment tool that encompasses key indicators from within Financial Services and Program operations. These indicators are used to identify Fiscal issues in EarlyLearn Providers. These indicators taken together provide ACS Financial Services with a tool to identify, monitor, and correct financial problems.

◆. The Financial Protocol begins with a Quarterly (see FP Quarterly Chart below) review of all EarlyLearn Providers. ACS's Financial Services staff will review the criteria and identify those organizations whose performance exhibits those characteristics. Points are assigned to each of the criteria. The points given to each EarlyLearn Provider are categorized into one of the following groups:

~ No Review ~ Adequate ~ Of Concern ~ Under Review ~ At Risk

FINANCIAL PROTOCOL (FP) ASSESSMENT POINTS / RATINGS		
CATEGORY	POINTS	ANNUAL VENDEX PERFORMANCE EVALUATION RATINGS (PERS)
No Review	90 - 100	Excellent
Adequate	80 - 89	Good
Of Concern	70 - 79	Fair
Under Review	60- 69	Poor
At Risk	59 or below	Unsatisfactory

FINANCIAL PROTOCOL QUARTERLY REVIEW	
Monthly Periods Covered	Quarter Number
July, August, September	One (1)
October, November, December	Two (2)
January, February, March	Three (3)
April, May, June	Four (4)

The Vendex Annual Contractor Performance Evaluations (PE) are based on 4th Quarter Findings