

REPORT HIGHLIGHTS PERFORMANCE AUDIT

Our Conclusion

The Arizona State Board for Charter Schools (Board) was established in 1994 to authorize and oversee the operations of charter schools. The Board has increased charter schools' accountability but can further enhance its oversight by continuing to implement its academic performance intervention policy, taking action to address charter holders with poor financial performance, assessing whether it should require charter holders to submit corrective action plans that address a broader range of internal control weaknesses or deficiencies, and establishing an operational framework. Additionally, although the Board provides information about charter schools on its Web site, it can do more to provide comparative information and guidance to better explain academic performance accountability.



2013

Board can further enhance its oversight of charter schools

Charter schools are publicly funded and are subject to many of the same state and federal educational requirements as school districts, such as using state-mandated tests and employing highly qualified teachers. However, charter schools are exempt from some requirements, such as hiring certified teachers. In the 2012-2013 school year, about 145,000 students were enrolled in charter schools throughout the State. As of August 2013, the Board oversaw 511 charter schools, including 503 charter schools sponsored directly by the Board and 8 charter schools sponsored by the Arizona State Board of Education.

The Board's responsibilities include approving charter school applications and renewals, overseeing charter school performance and accountability, and taking corrective action when necessary. Historically, the Board's oversight has focused on charter schools' compliance with financial, legal, and contractual requirements. Board staff reviewed schools' annual financial audits to assess charter schools' performance in these compliance areas, and the Board would take some action for repeated noncompliance. However, prior to 2010, the Board had not historically held charter schools accountable for their academic performance.

Board has improved academic performance oversight—In 2011, the Board worked with the National Association of Charter School Authorizers to enhance its oversight of charter school academic and financial performance. In addition, 2012 legislation required the Board to develop a charter school performance framework that includes academic performance and operational expectations and measures sufficient progress toward those expectations.

Adopted in the fall of 2012, the Board's academic performance framework incorporates more rigorous academic standards than required by the State and evaluates academic performance based on data that the Arizona Department of Education (ADE) already collects. The framework's performance measures give an overall performance rating of exceeds, meets, does not meet, or falls far below for each charter school. The Board used these ratings to conduct an initial analysis of its charter schools, based on ADE's academic performance data for the 2011–2012 school year, and determined that 269, or 60 percent, of its charter schools would have exceeded or met academic standards; 156, or 35 percent, would not have met standards; and 21, or about 5 percent, would have fallen far below standards.

Key charter school definitions

Charter authorizer—Entity authorized to sponsor public charter schools. In Arizona, the Arizona State Board for Charter Schools, the Arizona State Board of Education, the state universities, eligible community colleges, and school districts can sponsor charter schools.

Charter school—A public school that serves as an alternative to school districts. Charter schools receive public monies and cannot charge tuition.

Charter holder—A public body, private person, or private organization that contracts with a charter authorizer to operate one or more charter schools.

In August 2013, the Board adopted an academic intervention policy that guides its annual review of charter school academic performance and the possible intervention the Board may take to address charter schools that do not meet standards. If a charter holder's schools meet or exceed academic performance standards in successive years, they can be waived from annual reviews during certain years. If a charter holder's schools do not meet standards, the Board will consider disciplinary or corrective action.

Board can provide more financial oversight—The Board has also adopted a financial framework based on best practices. The measures for this framework will help the Board assess the financial condition of a charter school. For example, if a charter holder does not have at least 30 days of cash on hand, the holder would not meet the Board's standard for this measure. Board staff will annually calculate the measures for this framework, which the Board will review during its 5-year reviews of charter holders, contract renewals, and requests for certain contract changes. However, the Board does not plan to take action based on poor financial performance alone, but will consider this information when also reviewing a school's academic performance.

Board can better oversee financial, legal, and contractual requirements—The Board relies on the annual financial statement audits and legal compliance checklists completed by certified public accountants to assess charter holders' compliance with financial, legal, and contractual requirements. The Board requires charter holders to submit corrective action plans to address only two types of internal control weaknesses or deficiencies identified in the audits. In addition, although the Board oversees many of the compliance and operational areas suggested by best practices, it has not adopted an operational framework with additional operational indicators and standards that are helpful for evaluating charter holders' operational performance.

Recommendations

The Board should:

- Continue to implement its academic performance intervention policy;
- Adopt rules and develop and implement policies and procedures to guide its actions for addressing poor financial performance;
- Assess whether it should require corrective action plans to address other types of internal control findings; and
- Develop and implement an operational framework.

Board should improve public information about charter schools

The Board makes some information about charter schools available on its Web site, such as some charter holder applications and academic performance. However, some information can only be found in files at the Board's office. Additionally, some information, such as disciplinary action information, is difficult to find on the Board's Web site. The Board has plans to put more information about charter holders on its Web site, such as the academic and financial performance information based on its frameworks. The Board should also determine the feasibility of providing comparative charter school information on its Web site, which can help the public compare charter school performance. In addition, the Board should also provide some guidance on its Web site to help the public understand the differences between the Board's and ADE's assessments of charter school academic performance. For example, in fiscal year 2012, 252 charter schools received B and C (passing) grades from ADE, but 99 of these schools did not meet the Board's academic performance standards.

Recommendations

The Board should:

- Follow through with its plans to improve the information on its Web site;
- Determine the feasibility of providing comparison information about charter schools on its Web site; and
- Provide guidance on its Web site to help explain academic performance measures.