

**Arizona State Board for Charter Schools**

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September 18, 2013

Ms. Debra Davenport, Auditor General  
State of Arizona, Office of the Auditor General  
2910 N 44<sup>th</sup> Street, Suite 410  
Phoenix, AZ 85018

Dear Ms. Davenport:

The Arizona State Board for Charter Schools (Board) appreciates the opportunity to respond to the findings and recommendations included in the performance audit and sunset review of the Board. The Board and staff appreciate the efforts of the audit team to understand the Board's work and the professionalism with which they conducted the audit.

As requested, a response to each of the recommendations included in the report has been provided. Responses to the sunset factors were included as necessary.

Sincerely,

DeAnna Rowe  
Executive Director

## Response to Recommendations and Sunset Factors

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### Recommendations

1.1 To ensure it holds charter schools accountable for academic performance, the Board should continue its efforts to implement its academic intervention policy by conducting annual reviews of charter schools' academic performance, requiring schools to address academic performance that does not meet its standards, and taking disciplinary action as necessary.

The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

1.2 To ensure it holds charter holders accountable for financial performance, the Board should:

- Adopt rules to define operational expectations, including financial framework expectations, and define any actions the Board may take resulting from charter holders not meeting those expectations to support its use of the financial framework; and

The finding of the Auditor General is agreed to and the audit recommendation regarding the adoption of rules to define operational expectations to include the financial framework expectations will be explored and included to the extent possible.

- Develop and implement policies and procedures regarding financial performance measures, including determining when action is needed, formalizing its criteria for taking action, and defining the types of action the Board should take, including requiring more frequent financial reporting from charter holders with continued poor financial performance.

The finding of the Auditor General is agreed to and the recommendation to develop and implement policies and procedures regarding financial performance measures, including determining when action is needed, formalizing its criteria for taking action and defining the types of action the Board would take will be implemented to the extent practicable with the Board's current resources. The report finding and recommendation suggest that more frequent financial reporting be required of charter holders with continued poor financial performance and cites the practices of other authorizers including the Denver Public Schools, the Indianapolis Office of Education Innovation, and the District of Columbia Public Charter School Board. A review of the number of schools authorized by these entities, along with their respective budgets and staffing as compared to that of the Board suggests that such additional review of financial reports could be possible with funds to support additional FTE:

Authorizer	Number of Schools	Authorizer FTE	Authorizer Annual Budget
Denver Public Schools	36	9	\$750,000 plus additional funds to other departments that provide program-based support
Indianapolis Office of Education Innovation	27	4	\$375,000
District of Columbia Public Charter School Board	101	26	\$3,100,000
Arizona State Board for Charter Schools	515	8	\$748,100

Source: Information provided to the Board by the National Association of Charter School Authorizers on July 25, 2013 and August 21, 2013.

1.3 The Board should assess the risk that other internal control weaknesses or deficiencies pose to charter holders' financial operations and based on its available resources, determine for what additional internal control weaknesses or deficiencies it should require corrective action plans.

The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

1.4 The Board should revise its policies and procedures to require charter holders to submit corrective action plans for the additional internal control findings it identifies.

The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

1.5 The Board should develop and implement an operational framework consistent with best practices.

The finding of the Auditor General is agreed to and the audit recommendation will be implemented to the extent practicable. As indicated in the Board's response to the Auditor General's recommendation in 1.2b, there is a significant funding difference between the Board's appropriation and the number of charter schools for which it provides oversight compared to the funding of other authorizers identified as having implemented best practices. The Board will evaluate the recommended best practices for incorporation in its operational framework and will consider their inclusion based on feasibility of implementation with its current capacity and funding.

1.6 To assist in ensuring charter school accountability, the Board should make greater use of its database to monitor all charter holders' complaint and disciplinary actions and performance data and use this information to assist in strategically targeting its oversight efforts.

The finding of the Auditor General is agreed to and the audit recommendation regarding the use of the database to monitor all charter holders' performance data incorporated in the Board's operational framework will be implemented. To the extent that complaint and disciplinary actions align with measures incorporated in the operational framework and funding exists for the further development of the database to track such information, the Board will implement the recommendation for the inclusion of complaint and disciplinary actions.

1.7 To ensure that it can exercise appropriate oversight of charter schools based on its performance standards, the Board should adopt rules to define board standards for academic, financial, and operational performance; sufficient progress toward these standards; and consequences for not meeting standards or making progress toward the standards.

The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

2.1 To better inform the public about charter schools, the Board should:

- a. Follow through with its plans to place additional charter school information on its Web site;

The finding of the Auditor General is agreed to and the audit recommendation will be implemented following the Board's plan to include charter holders' framework dashboards, contracts and other legal documents on the Web site. As the Board has moved to an electronic submission system, contracts, including the approved application, and other legal documents collected and generated moving forward will be made publicly available through ASBCS Online. Framework dashboards are also stored in ASBCS Online. Historical paper

versions of documents collected and created since 1995 will need to be scanned and uploaded to ASBCS Online. The conversion of these documents will occur over time, when existing staff have time to dedicate to the project. A more expeditious conversion could occur if additional resources were provided.

- b. Make information about disciplinary actions available by school or charter holder on its Web site;

The finding of the Auditor General is agreed to and the audit recommendation will be implemented when the resources for merging the historical paper files and the current electronic documents into the operational framework are made available. Until that time, the Board will transition to report current disciplinary actions in accordance with the operational framework, when adopted.

- c. Provide more complete information about complaints on its Web site;

The finding of the Auditor General is agreed to and the audit recommendation will be implemented when the resources for merging the historical paper files and the current electronic documents into the operational framework are made available. Until that time, the Board will transition to report current complaints in accordance with the operational framework, when adopted.

- d. Explore opportunities to provide additional guidance to the public on how to locate charter school and charter holder information on its Web site; and

The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

- e. The Board should consult with its database contractor to determine the feasibility of developing and providing a low-cost report on its Web site that the public can review with important charter school comparative information.

The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

2.2 The Board should revise its processes for collecting and verifying charter school characteristic information to ensure that its Web site accurately captures this information for the charter schools it sponsors.

The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

2.3 The Board should develop and post guidance on its Web site to help inform the public about both ADE and board academic standards and the Board's role in overseeing charter schools' academic accountability.

The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

## Sunset Factors

2. The effectiveness with which the board has met its objective and purpose and the efficiency with which it has operated:

- –To comply with statutory conflict-of-interest requirements, board members and board staff should have conflict-of-interest forms available for public review.

The finding of the Auditor General is agreed to and the audit recommendation has been implemented.

Conflict of Interest forms are sent annually in September to Board members and staff for submission.

Completed forms are available for public review upon request.

- –Review and revise its policies and procedures for collecting new application fees to ensure it follows appropriate internal controls regarding cash transactions.

The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

6. The Board should develop and implement policies and procedures for when and how to conduct further investigation into a complaint.

The finding of the Auditor General is agreed to and the audit recommendation will be implemented when the resources for investigating complaints are available.