Arizona State Board for Charter Schools

Operational Performance Framework and Guidance

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Operational Performance Framework Guidance

The purpose of the Operational Performance Framework ("Operational Framework") is to communicate the State Board for Charter Schools ("Board") compliance-related expectations. to the charter schools holders and the public the State Board for Charter Schools' ("Board") compliance-related expectations. The Operational Framework includes, but is not limited to, expectations the charter school is required to meet through state and federal law, the charter contract, and administrative rule.

The Board, in its oversight of charter holders and the schools that they operate, strives not to be over-reaching, but also recognizes the need to protect the public's interests. Because charter schools are public entities, they must maintain the public's trust that they are implementing their education program as set out in the charter, spending public funds responsibly, and adhering to laws and charter requirements regarding the implementation of the education program and their operational reporting and compliance requirements. The measures incorporated herein are not intended to create a duplicative reporting burden on the charter holder, but rather provide an evaluation of the charter holder's operational compliance based on a collection of information gathered from a variety of sources. The Board is aware of the delicate balance between appropriate oversight and infringement on autonomy and developed the Operational Framework with that balance in mind.

FRAMEWORK STRUCTURE

The framework is divided into broad categories or indicators. Within the indicators are individual measures that help to determine a charter holder's performance on each of the indicators. The metrics are the general means by which to evaluate the measure, and the ratings are the thresholds set to determine whether a charter holder is meeting the standard or not. The Board has evaluated federal and state laws, the charter contract, and its own policies in establishing the measures and metrics included in the Operational Framework. The indicators, measures, metrics, and ratings, as they pertain to the Operational Framework, are explained in more detail below.

Indicators

The framework includes three indicators, or categories, used to evaluate the charter holder's operational performance and compliance.

Implementation of the Education Program. This indicator includes measures of the charter holder's fidelity to the education program, as defined by the charter contract and law. Charter holders must, by means of a charter application (or charter amendment), propose to the Board the education program they plan to implement. The Board approves a charter application package based on the expectation that the charter holder will implement its education program as proposed. This section evaluates the charter holder's adherence to the proposed education program, as it is set out in the charter contract. Additionally, certain aspects of an education program are required by law (e.g. administration of assessments, education of students with disabilities, etc.) and this section also addresses the education requirements established by law that the charter holder must adhere to. The Board has adopted a separate Academic Performance Framework that includes the Board's academic performance

expectations of the charter school and the measurement of sufficient progress toward the academic performance expectations.

Financial and Operational Reporting and Compliance. This indicator includes measures of the charter holder's ability to adhere to financial and operational reporting and compliance requirements. - This section evaluates the charter holder's implementation of sound business operations, ability to properly enroll and report student attendance, provision of a safe environment, transparency in operations, compliance with obligations to the Board, and compliance with reporting requirements of other entities to which the charter holder is accountable.

Additional Obligations. This measure evaluates whether the charter holder complies with all other applicable operational obligations addressed in law, rule, regulation and the charter contract, including the charter holder's history of judgments, court orders, or other obligations of the charter holder not addressed by other measures in the Operational Framework.

Measures

For each of the indicators, the Operational Framework provides a number of measures by which to evaluate charter holders. The measures take the form of a question about each charter holder's performance. For example:

- Is the charter holder maintaining a safe environment consistent with state and local requirements?
- Is the charter holder administering student admission and attendance appropriately?

Information and guidance specific to each measure is provided below in the Measures In Detail section.

Metrics

Metrics are expectations set forth in evaluating a measure. For example, to evaluate whether the charter holder is administering student admission and attendance appropriately we look to a number of areas where the charter holder must meet existing expectations established by laws, rules, regulations, or provisions of the charter contract. Examples of metrics for this measure are:

- Compliance with applicable laws, rules, regulations and provisions of the charter contract relating to enrollment policies, procedures and processes.
- Accurate submission of estimated counts and attendance data to the Arizona Department of Education.

~~Throughout the Operational Framework, the Board set forth the metrics for evaluating the different measures within the "Meets Standard" rating.~~

Rating the Measure

In the area of operational performance, the Board is frequently faced with absolute standards for compliance. Legal and contractual requirements are either met or they are not. But in order to avoid penalizing charter holders for anything less than perfection, the Board has adopted a reasonable measure of sufficiency that acknowledges attentiveness and prudent compliance.

For each measure, a charter holder receives one of three ratings based on evaluation of the established metrics.

Meets Standard. The "Meets Standard" rating is achieved when the charter holder demonstrates compliance with all metrics in the measure.

Does Not Meet Standard. The "Does Not Meet Standard" rating remains consistent for each measure in the Operational Framework and reads:[1]

> "The charter holder has failed to comply in the manner described above[2]; the failure(s) were material, *and* the charter holder has demonstrated remedies that have resulted in compliance or prompt and sufficient movement toward compliance to the satisfaction of the Board."

This means that the charter holder has failed to meet the metrics at any point during the evaluation period; however, the charter holder has either brought the school into compliance or has made sufficient progress toward compliance. See the Evaluation section for information on how the number of "Does Not Meet Standard" designations is incorporated into a determination of whether the charter holder meets the Board's operational performance expectations.

Falls Far Below Standard: The "Falls Far Below Standard" rating also remains consistent for each measure in the ~~Organizational~~ Operational Framework and reads:[3]

> "The charter holder failed to comply in the manner described above, the failure(s) were material, *and* the charter holder has not demonstrated remedies that have resulted in compliance or prompt and sufficient movement toward compliance to the satisfaction of the Board; *or* the charter holder has failed to comply in the manner described above and regardless of whether or not the charter holder demonstrated remedies that have resulted in compliance or prompt and sufficient movement toward compliance, the failure(s) were material or significant to the operation of the school(s)."

"Falls Far Below Standard" means the charter holder is currently not in compliance with the requirement. A charter holder may also receive this rating if the charter holder has implemented remedies to come into compliance, but the initial noncompliance created a significant risk to the operation of the school. Finally, a charter holder may also receive this rating if it has been chronically out of compliance throughout the review period.

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[1] The Operational Framework includes one exception to this rule; see Measure 1.a. in the Measures In Detail section.

[2] "…manner described above" meaning as described in the Meets Standard section which specifies the metrics being evaluated.

[3] The Operational Framework includes one exception to this rule; see Measure 1.a in the Measures In Detail section.

~~USING~~ USE OF THE OPERATIONAL FRAMEWORK

Collecting Evidence

Similar to the Academic and Financial Performance Frameworks, the Board will utilize the information it has available in evaluating the various measures of the Operational Framework. The evidence that is necessary to determine whether the charter holder is meeting each measure is based on availability of existing data and the capacity of the Board's staff to collect, analyze, and report out the information. Some measures in the Operational Framework require periodic monitoring to ensure compliance, while others can be analyzed annually during site visits or through reports submitted by the charter holder to the Board. Others may only be reviewed when the Board is presented with information that warrants evaluation.

Common ways the Board will collect data to evaluate charter holders' operational performance, beginning with the least intensive approach, include:

Expectation that the terms of the charter will be honored. The Board does not have the capacity to monitor or review every operational function of each charter holder's activity related to the operation of a school. Nor does the Board desire to burden the charter holder with annual reviews of such operational functions. However, there is an expectation that the charter holder will comply with the contract terms, whether monitored regularly or not. The Operational Framework provides a space for the Board to report any substantiated cases of noncompliance in areas where it may not routinely evaluate the school. For example, there is an expectation that the charter holder will not charge tuition or fees as a condition of enrollment, but the Board does not review the enrollment forms of each charter holder annually. A complaint to the Board may warrant a direct review or investigation of the charter holder's enrollment practices. The burden of providing evidence of compliance lies with the charter holder. Open investigations and findings in which the charter holder is engaged in a right of appeal will not be rated in any performance measure.

Required reporting. Under the law and contract and through established rules, the charter holder is required to report or verify compliance with specific operational functions to the Board. For example, the charter holder is required to submit an annual financial and compliance audit, which is conducted by an independent certified public accountant and includes determinations of compliance with multiple operational functions.

Third-Party reviews. Another way to verify compliance is to seek reviews from a third party reviewer (e.g. the Board may rely on the Exceptional Student Services ~~Section~~ section of the Arizona Department of Education (ADE) to assess compliance with ~~compliant with~~ laws relating to the education of students with disabilities). This allows for the Board to access expert opinions, while at the same time, reducing redundancy in review and evaluation of the charter holder. Open investigations and findings in which the charter holder is engaged in a right of appeal will not be rated in any performance measure.

Observed practice. The Board may determine compliance for certain measures in the Operational Framework through direct observation. For example, students may be counted and attendance practices may be monitored during a site visit to verify compliance with attendance reporting requirements.

Investigations. At times, the Board may receive complaints or assertions from individuals that a school is not in compliance. When the Board receives a complaint and determines that the allegation may be a violation of contract or law, it will investigate. Open investigations will not be rated in any performance measure. Substantiated violations will be reflected in the appropriate measure.

Evaluation

Review of Charter Holder's Operational Performance

A charter holder's operational performance will be considered by the Board throughout the term of the charter contract including, but not limited to:

- When considering a charter contract renewal request submitted by the charter holder
- During five-year interval reviews
- Upon receipt of information that a charter school operated by the charter holder has been assigned a letter grade of "F" under the state accountability system
- If a charter school operated by a charter holder has failed to meet the Board's academic performance standard for three consecutive years
- Addition of a new school that is currently not in operation under an existing charter contract[4]
- Increase in the number of students the charter holder may serve at its school(s)[4]
- Addition of, or change to, an Arizona Online Instruction program of instruction[4]
- Increase in the grade levels the charter holder is approved to serve[4]
- Replication of an existing charter[4]
- Transfer of a charter school from an existing charter contract to its own charter contract ~~held by a charter holder with a different name than the existing charter holder~~[4]
- Transfer of a charter school or charter contract from the current charter holder to an existing charter holder with a different dashboard[4]
- Transfer of the charter contract from another sponsor to the Board
- When a new charter application package is submitted by an officer, director, partner, member or charter representative of the charter holder

Because operational performance can affect a charter holder's ability to meet the obligations of its charter contract or provisions of law, a charter holder's operational performance may also be reviewed at other times when the Board makes decisions related to a charter holder's academic and/or financial performance.

Operational Eligibility for Expansion Requests

A charter holder is eligible to submit or, as applicable, to be the receiving party in the expansion requests identified below if all of the following are true:

1. A dashboard for the charter holder is available through ASBCS Online.
2. The charter holder meets the operational performance standard for the most recent completed fiscal year.
3. The charter holder meets the operational performance standard for the current evaluated year.
4. 75 percent or more of its Associated Charters meets the operational performance standard for the most recently completed fiscal year and the current evaluated year.
5. The charter holder meets the academic and financial eligibility requirements.

[4] The Board has established operational eligibility criteria for this request (see "Operational Eligibility for Expansion Requests" section).

Expansion requests include:

- Adding a new ~~charter~~ school that is currently not in operation under an existing charter contract
- Increasing the number of students the charter holder may serve at its school(s)
- Adding or changing to an Arizona Online Instruction ~~(AOI)~~ program of instruction
- Increasing the grade levels the charter holder is approved to serve
- Replicating an existing charter
- Transferring a charter school from an existing charter contract to its own charter contract
- Transferring a charter school or charter contract from the current charter holder to an existing charter holder with a different dashboard

For eligibility determination purposes, an Associated Charter is:

- A charter operated by the charter holder that contracts with the same education service provider.
- A charter operated by the same charter holder.
- A charter operated by a charter holder with at least 50 percent of the officers, directors, members or partners in common, as reflected in the charter contract.

If during the processing of one of the expansion requests identified above, the Board receives new operational data for the charter holder, Associated Charter(s), or both, then Board staff will update the applicable dashboard(s) and reevaluate the charter holder's eligibility based on the most recent fiscal year operational dashboard.

Overall Rating

To provide historical context, up to five years of operational performance will be included in a charter holder's operational performance dashboard. The evaluation is completed annually and a determination is made as to whether the charter holder met the Board's operational performance standard for the fiscal year. Annual performance is used to determine whether the charter holder met the Board's operational performance expectations.

Meeting the Standard

A charter holder "Meets the Board's Operational Performance Standard" if it receives zero "Falls Far Below Standard" ratings and no more than five "Does Not Meet Standard" ratings across the Operational Framework's nine measures for the evaluated year[5]. A charter holder "Does Not Meet the Board's Operational Performance Standard" if it receives one or more "Falls Far Below Standard" ratings ~~and/~~or more than five "Does Not Meet Standard" ratings across the Operational Framework's nine measures for the evaluated year.

Meeting the Expectations

A charter holder "Meets the Board's Operational Performance Expectations" when it has an overall rating of "Meets the Board's Operational Performance Standard" for the most recent two prior years for which an overall rating was calculated and has no measure that receives a "Falls Far Below Standard" rating in the current year. A charter holder "Does Not Meet the Board's Operational Performance Expectations" when it has an overall rating of "Does Not Meet the Board's Operational Performance Standard" for at least one of the most recent two prior years for which an overall rating was calculated ~~and/~~or has at least one measure that receives a "Falls Far Below Standard" rating in the current year.

[5] Each measure receives a single rating incorporating all metrics in the measure.

Compliance checks will continue to be conducted as part of the amendment request approval and expansion processes.

Unlike with the Board's ~~Academic and~~ Financial Performance Framework~~s~~, charter holders that fail to meet the Board's operational performance expectations will not be required to submit additional documentation to the Board. The Board's Operational Framework translates compliance-related information obtained by the Board through various processes and from various sources into a more concise presentation, but does not change the Board's processes or the processes followed by other entities for responding to the issues referenced in the framework as they occur. As such, the charter holder will have already been provided the opportunity to respond to the issues and the charter holder's demonstration of compliance or prompt and sufficient movement toward compliance to the satisfaction of the Board will be considered. In accordance with statute, the Board shall use the information obtained from the Operational Framework in implementing its oversight and administrative responsibilities.

MEASURES IN DETAIL

The Operational Framework catalogs, in one place, the various requirements that the charter holder must meet according to state or federal law, rules, regulations, policy and provisions of the charter contract. In this section, the measures included in the Operational Framework are defined and background information is provided to better understand each measure and what evidence is used to evaluate the charter holder against the measure.

Indicator 1: Implementation of the education program as defined in the current charter contract and state and federal law

1.a. *Does the delivery of the education program and operation reflect the essential terms[6] of the educational program as described in the charter contract?*
Meets Standard: The charter holder's education program, in operation, reflects the essential terms as described in the charter contract.
Does Not Meet Standard: The charter holder has failed to implement the program in the manner described above; the failure(s) were material, *and* the charter holder has demonstrated remedies that have resulted in compliance or prompt and sufficient movement toward compliance to the satisfaction of the Board.
Falls Far Below Standard: The charter holder has failed to implement the program in the manner described above, the failure(s) were material, *and* the charter holder has not demonstrated remedies that have resulted in prompt and sufficient movement toward compliance to the satisfaction of the Board; *or* the charter holder has failed to implement the program in the manner described above and regardless of whether or not the charter holder demonstrated remedies that have resulted in prompt and sufficient movement toward compliance, the failure(s) were material or significant to the operation of the school(s).

The Board approves new charter school applications on the basis of the proposal of the essential terms of a charter. The approved application is incorporated in the charter contract and is available to the public. The charter holder is expected to serve the grade levels identified in the charter contract and provide a program of instruction reflective of the instructional methodology and instructional delivery format included in the charter application (for example, the school will implement a STEM program, serving grades K-6, in a blended learning educational delivery model). It is anticipated that as a charter school matures, it may evolve and consider changes to its education program. The charter holder is required to request an amendment to the contract if it plans to modify the grades levels served or if the program of instruction will change from what has been incorporated in the contract (e.g., The program of instruction no longer relies on direct instruction and is solely computer based, the population served and the programs used support a transition to Alternative School status, etc.)

If the charter holder modifies or changes the essential terms of the contract without prior consent of the Board, then the charter holder is out of compliance with the contract and is not meeting the standard. ~~For example, if the charter contract states that an essential term of the charter contract is to deliver its program through a blended learning model, yet the school has been unable to purchase the technology necessary to implement this model, and evaluation methods utilized confirm that the charter holder is~~

[6] The essential terms of the charter are the critical characteristics that define the charter school program such that in order to change these characteristics the charter holder must submit a notification or amendment request for Board approval.

~~not providing a blended learning program, the charter holder is not implementing its essential terms and is out of compliance with its charter. To remedy this failure, the charter holder could either begin implementing the blended learning model or propose to the Board a revision to its essential terms and be approved by the Board to implement the change.~~

Sources of Data: The Board may verify implementation of the essential terms through site visit observations, document reviews, interviews with stakeholders in the charter community, and required reports from the charter holder (including information collected as part of an academic performance review, annual reports and renewal applications).

1.b. *Does the charter holder adhere to applicable education requirements defined in state and federal law?*
Meets Standard: The charter holder complies with applicable laws, rules, regulations and provisions of the charter contract relating to education requirements, including but not limited to: • Providing services pursuant to IDEA, Section 504 of the Rehabilitation Act of 1973, and the Americans with Disabilities Act relating to the treatment of students with identified disabilities and those suspected of having a disability • Meeting the required provision of instructional days or hours • Providing any data that is required and requested for the purpose of compiling the school's achievement profile • Implementing mandated programming as a result of state or federal funding
Does Not Meet Standard: The charter holder has failed to comply in the manner described above; the failure(s) were material, *and* the charter holder has demonstrated remedies that have resulted in compliance or prompt and sufficient movement toward compliance to the satisfaction of the Board.
Falls Far Below Standard: The charter holder has failed to comply in the manner described above, the failure(s) were material, *and* the charter holder has not demonstrated remedies that have resulted in prompt and sufficient movement toward compliance to the satisfaction of the Board; *or* the charter holder has failed to comply in the manner described above and regardless of whether or not the charter holder demonstrated remedies that have resulted in compliance or prompt and sufficient movement toward compliance, the failure(s) were material or significant to the operation of the school(s).

Some elements of a public school's education program are fixed in law and may not be waived for charter schools. This measure evaluates the school's adherence to education requirements, including:

- The provision of educational services pursuant to IDEA, Section 504 of the Rehabilitation Act of 1973, and the Americans with Disabilities Act relating to the treatment of students with identified disabilities and those suspected of having a disability. Consistent with the school's status and responsibilities as a Local Education Agency (LEA), the charter holder is required to materially comply with applicable laws, rules, regulations, and provisions of the charter contract relating to the education of students with identified disabilities and those suspected of having a disability.
- The provision of the required number of instructional days and instructional hours.
- The provision of any data that is required and requested and that is necessary to compile the achievement profile, which includes the appropriate administration of State required assessments.

- The provision of educational services and the administration of federal programs by a charter holder receiving federal funds for such programs, including adherence to the procedures for amending a grant and submitting completion reports timely.

Sources of Data: The Board will evaluate this measure through required reports, site visit observations and interviews ~~of~~ with stakeholders, the annual audit reporting package, or third-party reports or monitoring. The Board will review periodic evaluations completed by the ADE of programs relating to the education of students with disabilities. The Board may follow up if complaints or reports indicate noncompliance. Follow up review could include a request of data to verify compliance, such as school calendars, student records, or reports the school may submit to the ADE (e.g. reports to verify state assessment compliance).

When evaluating the requirement that the charter holder implemented "mandated programming as a result of state or federal funding", the Board will work with divisions within the ADE that oversee these programs (e.g. Title IV) as they have oversight responsibility and processes in place to evaluate and report findings of noncompliance.

Indicator 2: Financial and operational reporting and compliance

2.a. Do the charter holder's annual audit reporting packages reflect sound operations?
Meets Standard: The charter holder complies with applicable laws, rules, regulations and provisions of the charter contract relating to the annual audit reporting package, including but not limited to: • Timely submission of a complete annual audit reporting package • An unqualified audit opinion • An audit where first-time medium impact findings resulting in a corrective action plan (CAP) requirement have been completed • An audit devoid of second-time or repeat medium impact findings • An audit devoid of serious impact findings • An audit devoid of minimal impact findings that have been identified in three or more consecutive annual audit reporting packages
Does Not Meet Standard: The charter holder has failed to comply in the manner described above; the failure(s) were material, *and* the charter holder has demonstrated remedies that have resulted in compliance or prompt and sufficient movement toward compliance to the satisfaction of the Board.
Falls Far Below Standard: The charter holder has failed to comply in the manner described above, the failure(s) were material, *and* the charter holder has not demonstrated remedies that have resulted in prompt and sufficient movement toward compliance to the satisfaction of the Board; *or* the charter holder has failed to comply in the manner described above and regardless of whether or not the charter holder demonstrated remedies that have resulted in compliance or prompt and sufficient movement toward compliance, the failure(s) were material or significant to the operation of the school(s).

State law requires all charter holders be audited annually by an independent certified public accountant. The completed audit, also referred to as an audit reporting package, provides the Board with an independent review of a charter holder's financial records, as well as the charter holder's fiscal and compliance practices. The audit is the one tool ~~that~~ the Board has that annually provides information on the financial and compliance performance of each of the Board's charter holders. As such, the audit is a

key component of the Board's monitoring practices and its timely submission is essential for the Board to carry out its oversight responsibilities.[7]

To guide the review of the annual audits and the follow-up with charter holders on issues identified through the audits, the Board developed the *Audit & Compliance Questionnaire Follow-up Matrix* ("audit matrix"). The audit matrix classifies issues identified through the audits into one of three categories – minimal impact findings, medium impact findings and serious impact findings – and defines each category as follows:

- *Minimal impact finding* – Findings that do not significantly impact students or the operation of the school, but are still required by law or the charter contract to be rectified.
- *Medium impact finding* – Findings that impact the educational environment, operation of the school and/or the school's stakeholders, but are not threats to health and safety or gross violations of Generally Accepted Accounting Principles (GAAP).[8]
- *Serious impact finding* – Findings that have a significant impact to the students or the operation of the school, including threats to the health and safety of students, gross violations of GAAP that increase the opportunity for fraud/theft, and repeat noncompliance.

The audits are reviewed pursuant to the Board's administrative rules and in accordance with the audit matrix. Each charter holder that will be operating in the next fiscal year receives a letter after the audit has been reviewed. Depending on the "impact" of the issues identified, the letter may: a) indicate the charter holder should work towards correcting the issues and that staff will monitor for repeated issues in the next audit ("minimal impact"); b) indicate the audit included repeated issues that had not been addressed from the prior year's audit ("minimal impact"); c) require the charter holder to submit a corrective action plan ("medium impact"); and/or d) state that the charter holder will be placed on an upcoming agenda for possible disciplinary action ("serious impact"). For more information on the audit review and follow-up process and the audit findings that require the submission of a corrective action plan, see Appendix B.

Critical to a charter holder's health and stability is its ability to manage its finances well. The Board has a responsibility to protect the public's interest and must evaluate the extent to which the charter holder is responsibly managing its finances. Charter holders' financial statements should have an unqualified or "clean" auditor's opinion. This means that the auditor found the financial statements to be accurate and complete, which is necessary for evaluating a charter holder's financial health. The Board has adopted a separate Financial Performance Framework that includes the Board's financial performance expectations of the charter holder.

Sources of Data: The annual audit reporting packages submitted to the Board, audit-related communications between the Board and a charter holder and, if applicable, a charter holder's corrective action plans and site visits conducted by Board staff.

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[7] Most charter holders' audits must be submitted by November 15th, which is four and a half months after the end of the fiscal year. If the charter holder's federal grant fund expenditures exceed a certain amount, then the charter holder must undergo a single audit, which, pursuant to federal regulations, must be submitted by March 31st or nine months after the end of the fiscal year. More detailed information is available in the Board's audit guidelines.

[8] Generally Accepted Accounting Principles are the uniform minimum standards for financial accounting and reporting. They govern the form and content of the charter holder's financial statements.

2.b. Is the charter holder administering student admission and attendance appropriately?
Meets Standard: The charter holder complies with applicable laws, rules, regulations and provisions of the charter contract relating to operational requirements, including but not limited to: • Accurate submission of estimated counts and attendance data to the Arizona Department of Education • Tuition and fees • Public school tax credits • Attendance records • Enrollment policies, procedures, and processes
Does Not Meet Standard: The charter holder has failed to comply in the manner described above; the failure(s) were material, *and* the charter holder has demonstrated remedies that have resulted in compliance or prompt and sufficient movement toward compliance to the satisfaction of the Board.
Falls Far Below Standard: The charter holder has failed to comply in the manner described above, the failure(s) were material, *and* the charter holder has not demonstrated remedies that have resulted in prompt and sufficient movement toward compliance to the satisfaction of the Board; *or* the charter holder has failed to comply in the manner described above and regardless of whether or not the charter holder demonstrated remedies that have resulted in compliance or prompt and sufficient movement toward compliance, the failure(s) were material or significant to the operation of the school(s).

Charter schools are public schools open to all eligible students. Except for the requirement that the student reside within the state, a charter school does not have enrollment boundaries. A charter holder is required to enroll all eligible pupils who submit a timely application, unless the number of applications exceeds the capacity of a program, class, grade level or building. Should the applications exceed the school's capacity, a fair and equitable enrollment process must be implemented. The revenue a charter holder generates is, in part if not all, based on its equalization (state aid) payments. These payments are initially generated from the estimated counts the charter holder provides to the ADE and subsequently from periodically uploaded attendance data. A charter school may not charge tuition, but may charge fees for any extracurricular activity and specific events or programs or courses in accordance with the law. Any assessment of fees shall contain a provision that allows the fees to be waived in the event of economic hardship to the pupil. Additionally, nonpayment of fees charged by a public school may not prevent a pupil from enrolling in, applying to or remaining enrolled in a public school. A charter holder may collect public school tax credits as prescribed by law.

Sources of Data: The Board may verify admissions processes and documents, tuition and fees, and tax credits through review of website information, document reviews, interviews with stakeholders in the charter community, and required reports from the charter holder. Attendance reporting may be verified through site visits, document review, interviews with stakeholders, and required submissions to the ADE.

2.c. Is the charter holder maintaining a safe environment consistent with state and local requirements?
Meets Standard: The charter holder complies with applicable laws, rules, regulations and provisions of the charter contract relating to operational requirements, including but not limited to: • Maintaining appropriate facility documents, including a certificate of occupancy, fire marshal inspection report, county or municipal health inspection report, liability and property loss insurance coverage, and/or other applicable documents • Ensuring all employees, personnel, vendors and other individuals have been properly fingerprinted and background checked
Does Not Meet Standard: The charter holder has failed to comply in the manner described above; the failure(s) were material, *and* the charter holder has demonstrated remedies that have resulted in compliance or prompt and sufficient movement toward compliance to the satisfaction of the Board.
Falls Far Below Standard: The charter holder has failed to comply in the manner described above, the failure(s) were material, *and* the charter holder has not demonstrated remedies that have resulted in prompt and sufficient movement toward compliance to the satisfaction of the Board; *or* the charter holder has failed to comply in the manner described above and regardless of whether or not the charter holder demonstrated remedies that have resulted in compliance or prompt and sufficient movement toward compliance, the failure(s) were material or significant to the operation of the school(s).

The evaluation of a school's physical structure for safety purposes does not fall within the Board's purview. However, a charter holder must obtain and be able to provide documents regarding inspections, certificates and reports supporting a facility that is safe for the operation of school and related activities. Additionally, a charter holder must be able to produce documents indicating processes have been followed and documents have been obtained which confirm and support that the appropriate checks have been completed of required personnel for the purpose of protecting the safety of students.

Sources of Data: The annual audit reporting packages submitted to the Board, audit-related communications between the Board and a charter holder and, if applicable, a charter holder's corrective action plans, information and documents obtained during site visits, materials provided to the Board, and information provided by stakeholders.

2.d. Is the charter holder transparent in its operations?
Meets Standard: The charter holder complies with applicable laws, rules, regulations and provisions of the charter contract relating to operational requirements, including but not limited to: • Academic performance notifications • Availability of teacher resumes • Open Meeting Law • Alignment of officers, directors, members and partners of the charter holder on record as part of the charter contract with Arizona Corporation Commission submissions
Does Not Meet Standard: The charter holder has failed to comply in the manner described above; the failure(s) were material, *and* the charter holder has demonstrated remedies that have resulted in compliance or prompt and sufficient movement toward compliance to the satisfaction of the Board.

Falls Far Below Standard:
The charter holder has failed to comply in the manner described above, the failure(s) were material, *and* the charter holder has not demonstrated remedies that have resulted in prompt and sufficient movement toward compliance to the satisfaction of the Board; *or* the charter holder has failed to comply in the manner described above and regardless of whether or not the charter holder demonstrated remedies that have resulted in compliance or prompt and sufficient movement toward compliance, the failure(s) were material or significant to the operation of the school(s).

Charter holders generally operate as private entities. Each entity contracts with an authorizer, such as the Board, for the purpose of operating a charter school. As a private entity operating in the public sector, a charter holder is required to produce and/or hold open certain documents for public inspection and to follow the law with regard to required notices.

Sources of Data: Correspondence sent by the school, information reviewed during site visits, annual audit reporting packages submitted to the Board, audit-related communications between the Board and a charter holder, information provided by stakeholders, and materials submitted for amendment requests.

2.e. Is the charter holder complying with its obligations to the Board?
Meets Standard: The charter holder complies with applicable laws, rules, regulations and provisions of the charter contract relating to operational requirements, including but not limited to: • Timely submissions of required documents, notification requests and amendment requests • Limited substantiated complaints • Favorable actions taken by the Board
Does Not Meet Standard: The charter holder has failed to comply in the manner described above; the failure(s) were material, *and* the charter holder has demonstrated remedies that have resulted in compliance or prompt and sufficient movement toward compliance to the satisfaction of the Board.
Falls Far Below Standard: The charter holder has failed to comply in the manner described above, the failure(s) were material, *and* the charter holder has not demonstrated remedies that have resulted in prompt and sufficient movement toward compliance to the satisfaction of the Board; *or* the charter holder has failed to comply in the manner described above and regardless of whether or not the charter holder demonstrated remedies that have resulted in compliance or prompt and sufficient movement toward compliance, the failure(s) were material or significant to the operation of the school(s).

The Board is required to exercise general supervision and has oversight and administrative responsibility for the charter schools that it sponsors. In order to carry out these responsibilities, the Board depends on the charter holder to comply with reporting requirements in a timely manner.

Sources of Data: Correspondence between the Board and a charter holder, information reviewed during site visits, annual audit reporting packages submitted to the Board, audit-related communications, information provided by stakeholders, and material submitted for amendment requests.

2.f. Is the charter holder complying with reporting requirements of other entities to which the charter holder is accountable?
Meets Standard: The charter holder complies with applicable laws, rules, regulations and provisions of the charter contract relating to operational requirements monitored by other entities to which the charter holder is accountable, including but not limited to: • Arizona Corporation Commission • Arizona Department of Economic Security • Arizona Department of Education • Arizona Department of Revenue • Arizona State Retirement System (if participating) • Equal Employment Opportunity Commission • Industrial Commission of Arizona • Internal Revenue Service • U.S. Department of Education
Does Not Meet Standard: The charter holder has failed to comply in the manner described above; the failure(s) were material, *and* the charter holder has demonstrated remedies that have resulted in compliance or prompt and sufficient movement toward compliance to the satisfaction of the Board.
Falls Far Below Standard: The charter holder has failed to comply in the manner described above, the failure(s) were material, *and* the charter holder has not demonstrated remedies that have resulted in prompt and sufficient movement toward compliance to the satisfaction of the Board; *or* the charter holder has failed to comply in the manner described above and regardless of whether or not the charter holder demonstrated remedies that have resulted in compliance or prompt and sufficient movement toward compliance, the failure(s) were material or significant to the operation of the school(s).

Charter holders generally operate as private entities. Each entity contracts with an authorizer, such as the Board, for the purpose of operating a charter school. As a private entity operating in the public sector, a charter holder has a fiduciary responsibility to comply with applicable laws, rules, and regulations including certain reporting requirements to other public entities.

Sources of Data: Correspondence between the Board and a charter holder, information reviewed during site visits, annual audit reporting packages submitted to the Board, audit-related communications, information provided by stakeholders, and communications and documents from other entities to which the charter holder is accountable.

Indicator 3: Additional Obligations

3. Is the charter holder complying with all other obligations?
Meets Standard: The charter holder complies with applicable laws, rules, regulations and provisions of the charter contract relating to operational requirements, including but not limited to: • Judgments or court orders issued by a court of competent jurisdiction • All other obligations to which the charter holder is subject to that have not been addressed by the framework's other measures
Does Not Meet Standard: The charter holder has failed to comply in the manner described above; the failure(s) were material, *and* the charter holder has demonstrated remedies that have resulted in compliance or prompt and sufficient movement toward compliance to the satisfaction of the Board.
Falls Far Below Standard: The charter holder has failed to comply in the manner described above, the failure(s) were material, *and* the charter holder has not demonstrated remedies that have resulted in prompt and sufficient movement toward compliance to the satisfaction of the Board; *or* the charter holder has failed to comply in the manner described above and regardless of whether or not the charter holder demonstrated remedies that have resulted in compliance or prompt and sufficient movement toward compliance, the failure(s) were material or significant to the operation of the school(s).

Charter holders generally operate as private entities. Each entity contracts with an authorizer, such as the Board, for the purpose of operating a charter school. As a private entity operating in the public sector, a charter holder has a fiduciary responsibility to comply with applicable laws, rules, and regulations.

Sources of Data: Correspondence between the Board and a charter holder, information reviewed during site visits, annual audit reporting packages submitted to the Board, audit-related communications, information provided by stakeholders, and communications and documents from other entities to which the charter holder is accountable.

APPENDICES

Appendix A Operational Performance Framework

Appendix B Audit Review & Follow-up Process

Appendix A

Operational Performance Framework

Indicator 1: Implementation of the education program as defined in the current charter contract and state and federal law

1.a. *Does the delivery of the education program and operation reflect the essential terms[9] of the educational program as described in the charter contract?*
Meets Standard: The charter holder's education program, in operation, reflects the essential terms as described in the charter contract.
Does Not Meet Standard: The charter holder has failed to implement the program in the manner described above; the failure(s) were material, *and* the charter holder has demonstrated remedies that have resulted in compliance or prompt and sufficient movement toward compliance to the satisfaction of the Board.
Falls Far Below Standard: The charter holder has failed to implement the program in the manner described above, the failure(s) were material, *and* the charter holder has not demonstrated remedies that have resulted in prompt and sufficient movement toward compliance to the satisfaction of the Board; *or* the charter holder has failed to implement the program in the manner described above and regardless of whether or not the charter holder demonstrated remedies that have resulted in prompt and sufficient movement toward compliance, the failure(s) were material or significant to the operation of the school(s).
1.b. *Does the charter holder adhere to applicable education requirements defined in state and federal law?*
Meets Standard: The charter holder complies with applicable laws, rules, regulations and provisions of the charter contract relating to education requirements, including but not limited to: • Providing services pursuant to IDEA, Section 504 of the Rehabilitation Act of 1973, and the Americans with Disabilities Act relating to the treatment of students with identified disabilities and those suspected of having a disability • Meeting the required provision of instructional days or hours • Providing any data that is required and requested for the purpose of compiling the school's achievement profile • Implementing mandated programming as a result of state or federal funding
Does Not Meet Standard: The charter holder has failed to comply in the manner described above; the failure(s) were material, *and* the charter holder has demonstrated remedies that have resulted in compliance or prompt and sufficient movement toward compliance to the satisfaction of the Board.
Falls Far Below Standard: The charter holder has failed to comply in the manner described above, the failure(s) were material, *and* the charter holder has not demonstrated remedies that have resulted in prompt and sufficient movement toward compliance to the satisfaction of the Board; *or* the charter holder has failed to comply in the manner described above and regardless of whether or not the charter holder demonstrated remedies that have resulted in compliance or prompt and sufficient movement toward compliance, the failure(s) were material or significant to the operation of the school(s).

[9] The essential terms of the charter are the critical characteristics that define the charter school program such that in order to change these characteristics the charter holder must submit a notification or amendment request for Board approval.

Indicator 2: Financial and operational reporting and compliance

2.a. Do the charter holder's annual audit reporting packages reflect sound operations?
Meets Standard: The charter holder complies with applicable laws, rules, regulations and provisions of the charter contract relating to the annual audit reporting package, including but not limited to: • Timely submission of a complete annual audit reporting package • An unqualified audit opinion • An audit where first-time medium impact findings resulting in a corrective action plan (CAP) requirement have been completed • An audit devoid of second-time or repeat medium impact findings • An audit devoid of serious impact findings • An audit devoid of minimal impact findings that have been identified in three or more consecutive annual audit reporting packages
Does Not Meet Standard: The charter holder has failed to comply in the manner described above; the failure(s) were material, *and* the charter holder has demonstrated remedies that have resulted in compliance or prompt and sufficient movement toward compliance to the satisfaction of the Board.
Falls Far Below Standard: The charter holder has failed to comply in the manner described above, the failure(s) were material, *and* the charter holder has not demonstrated remedies that have resulted in prompt and sufficient movement toward compliance to the satisfaction of the Board; *or* the charter holder has failed to comply in the manner described above and regardless of whether or not the charter holder demonstrated remedies that have resulted in compliance or prompt and sufficient movement toward compliance, the failure(s) were material or significant to the operation of the school(s).
2.b. Is the charter holder administering student admission and attendance appropriately?
Meets Standard: The charter holder complies with applicable laws, rules, regulations and provisions of the charter contract relating to operational requirements, including but not limited to: • Accurate submission of estimated counts and attendance data to the Arizona Department of Education • Tuition and fees • Public school tax credits • Attendance records • Enrollment policies, procedures and processes
Does Not Meet Standard: The charter holder has failed to comply in the manner described above; the failure(s) were material, *and* the charter holder has demonstrated remedies that have resulted in compliance or prompt and sufficient movement toward compliance to the satisfaction of the Board.
Falls Far Below Standard: The charter holder has failed to comply in the manner described above, the failure(s) were material, *and* the charter holder has not demonstrated remedies that have resulted in prompt and sufficient movement toward compliance to the satisfaction of the Board; *or* the charter holder has failed to comply in the manner described above and regardless of whether or not the charter holder demonstrated remedies that have resulted in compliance or prompt and sufficient movement toward compliance, the failure(s) were material or significant to the operation of the school(s).

2.c. Is the charter holder maintaining a safe environment consistent with state and local requirements?
Meets Standard: The charter holder complies with applicable laws, rules, regulations and provisions of the charter contract relating to operational requirements, including but not limited to: • Maintaining appropriate facility documents, including a certificate of occupancy, fire marshal inspection report, county or municipal health inspection report, liability and property loss insurance coverage, and/or other applicable documents • Ensuring all employees, personnel, vendors and other individuals have been properly fingerprinted and background checked
Does Not Meet Standard: The charter holder has failed to comply in the manner described above; the failure(s) were material, *and* the charter holder has demonstrated remedies that have resulted in compliance or prompt and sufficient movement toward compliance to the satisfaction of the Board.
Falls Far Below Standard: The charter holder has failed to comply in the manner described above, the failure(s) were material, *and* the charter holder has not demonstrated remedies that have resulted in prompt and sufficient movement toward compliance to the satisfaction of the Board; *or* the charter holder has failed to comply in the manner described above and regardless of whether or not the charter holder demonstrated remedies that have resulted in compliance or prompt and sufficient movement toward compliance, the failure(s) were material or significant to the operation of the school(s).
2.d. Is the charter holder transparent in its operations?
Meets Standard: The charter holder complies with applicable laws, rules, regulations and provisions of the charter contract relating to operational requirements, including but not limited to: • Academic performance notifications • Availability of teacher resumes • Open Meeting Law • Alignment of officers, directors, members and partners of the charter holder on record as part of the charter contract with Arizona Corporation Commission submissions
Does Not Meet Standard: The charter holder has failed to comply in the manner described above; the failure(s) were material, *and* the charter holder has demonstrated remedies that have resulted in compliance or prompt and sufficient movement toward compliance to the satisfaction of the Board.
Falls Far Below Standard: The charter holder has failed to comply in the manner described above, the failure(s) were material, *and* the charter holder has not demonstrated remedies that have resulted in prompt and sufficient movement toward compliance to the satisfaction of the Board; *or* the charter holder has failed to comply in the manner described above and regardless of whether or not the charter holder demonstrated remedies that have resulted in compliance or prompt and sufficient movement toward compliance, the failure(s) were material or significant to the operation of the school(s).

2.e. Is the charter holder complying with its obligations to the Board?
Meets Standard: The charter holder complies with applicable laws, rules, regulations and provisions of the charter contract relating to operational requirements, including but not limited to: • Timely submissions of required documents, notification requests and amendment requests • Limited substantiated complaints • Favorable actions taken by the Board
Does Not Meet Standard: The charter holder has failed to comply in the manner described above; the failure(s) were material, *and* the charter holder has demonstrated remedies that have resulted in compliance or prompt and sufficient movement toward compliance to the satisfaction of the Board.
Falls Far Below Standard: The charter holder has failed to comply in the manner described above, the failure(s) were material, *and* the charter holder has not demonstrated remedies that have resulted in prompt and sufficient movement toward compliance to the satisfaction of the Board; *or* the charter holder has failed to comply in the manner described above and regardless of whether or not the charter holder demonstrated remedies that have resulted in compliance or prompt and sufficient movement toward compliance, the failure(s) were material or significant to the operation of the school(s).
2.f. Is the charter holder complying with reporting requirements of other entities to which the charter holder is accountable?
Meets Standard: The charter holder complies with applicable laws, rules, regulations and provisions of the charter contract relating to operational requirements monitored by other entities to which the charter holder is accountable, including but not limited to: • Arizona Corporation Commission • Arizona Department of Economic Security • Arizona Department of Education • Arizona Department of Revenue • Arizona State Retirement System (if participating) • Equal Employment Opportunity Commission • Industrial Commission of Arizona • Internal Revenue Service • U.S. Department of Education
Does Not Meet Standard: The charter holder has failed to comply in the manner described above; the failure(s) were material, *and* the charter holder has demonstrated remedies that have resulted in compliance or prompt and sufficient movement toward compliance to the satisfaction of the Board.
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Indicator 3: Additional Obligations

3. Is the charter holder complying with all other obligations?
Meets Standard: The charter holder complies with applicable laws, rules, regulations and provisions of the charter contract relating to operational requirements, including but not limited to: • Judgments or court orders issued by a court of competent jurisdiction • All other obligations to which the charter holder is subject to that have not been addressed by the framework's other measures
Does Not Meet Standard: The charter holder has failed to comply in the manner described above; the failure(s) were material, *and* the charter holder has demonstrated remedies that have resulted in compliance or prompt and sufficient movement toward compliance to the satisfaction of the Board.
Falls Far Below Standard: The charter holder has failed to comply in the manner described above, the failure(s) were material, *and* the charter holder has not demonstrated remedies that have resulted in prompt and sufficient movement toward compliance to the satisfaction of the Board; *or* the charter holder has failed to comply in the manner described above and regardless of whether or not the charter holder demonstrated remedies that have resulted in compliance or prompt and sufficient movement toward compliance, the failure(s) were material or significant to the operation of the school(s).

Appendix B

Audit Review & Follow-up Process

The audit reporting packages are reviewed pursuant to Board administrative rule and in accordance with the Board's *Audit & Compliance Questionnaire Follow-up Matrix* ("audit matrix"). Each charter holder that will be operating in the next fiscal year receives a letter after the audit reporting package has been reviewed. Depending on the "impact" of the issues identified, the letter may: a) indicate the charter holder should work towards correcting the issues and that staff will monitor for repeated issues in the next audit ("minimal impact findings"); b) indicate the audit reporting package included repeated issues that had not been addressed from the prior year's audit ("minimal impact findings"); c) require the charter holder to submit a corrective action plan ("medium impact findings"); and/or d) state that the charter holder will be placed on an upcoming agenda for possible disciplinary action ("serious impact findings"). For more information, see the "Medium and Serious Impact Findings" and "Minimal Impact Findings" sections below.

Medium and Serious Impact Findings

If certain noncompliance issues are identified through the audit reporting package, the audit letter notifies the charter holder that a corrective action plan must be submitted. Additionally, the audit letter may be used to request additional information from the charter holder to determine whether the issue involves noncompliance or to indicate that information from the audit reporting package has been forwarded to or will be reviewed by another entity with jurisdiction over the particular issue. In determining the "impact" level, the Board's audit review and follow-up process focuses less on how the issue was classified by the audit firm and more on what the issue is. Therefore, corrective action plans or additional information may be required to be submitted for material weaknesses, "no" answers in the compliance questionnaire, or because of information disclosed in the notes to the financial statements. The issues covered by this paragraph are considered medium impact findings.

After a medium impact finding has been identified in a charter holder's audit reporting package, the charter holder must have two "clean" audits to avoid having the issue classified as a "second time" or "third time". In accordance with the audit matrix, the third time Board staff identifies the same issue, which the first time required a corrective action plan, the issue will be considered a serious impact finding and the charter holder will be brought to the Board for disciplinary action. There are two possible exceptions to the charter holder being brought before the Board.

- In the first scenario, the audit identifies third-time fingerprinting issues. Due to the amount of time that has passed since the audit firm conducted its testing and the charter holder's ability to quickly address fingerprinting issues and return to compliance, the charter holder is not brought to the Board after third-time noncompliance has been identified. If the submitted corrective action plan identifies noncompliance with fingerprinting requirements, staff may proceed with civil penalties as permitted by A.R.S. §15-185 and addressed through the Board's civil penalties policy.
- In the second scenario, the charter holder's corrective action plan demonstrates the charter holder is currently in compliance. For example, the charter holder has submitted the corporate filings identified in the audit and has demonstrated that the current year's report has been filed.

Audit Issue Areas Table

The table below reflects the issue areas currently considered medium impact findings. If the medium impact finding is not sufficiently addressed by the charter holder, it may become a serious impact

finding. In accordance with the audit matrix, findings that have a significant impact to the students or the operation of the school, including threats to the health and safety of students and gross violations of Generally Accepted Accounting Principles (GAAP) that increase the opportunity for fraud/theft, would be considered serious impact findings too.

In the table below, the dark tan identifies an issue area that requires the submission of a corrective action plan to the Board while the light tan indicates that a corrective action plan is not required to be submitted to the Board. If, in the case of the dark tan areas, the audit firm indicates in the audit that the issue has been corrected subsequent to the testing date, then a corrective action plan (CAP) is not required. However, since the charter holder was not in compliance at the time the audit firm did its testing, the matter becomes part of the charter holder's compliance history and is designated as a "no CAP" issue.

The table below in no way precludes the Board from requiring corrective action plans through the audit review and follow-up process for issues identified through the audit reporting packages that are not encompassed by the areas identified below.

	Issue Description	**Follow-up Required**
Arizona State Retirement System	The audit reporting package indicates the charter holder has not remitted all employee and employer contributions to the Arizona State Retirement System.	The charter holder must submit a corrective action plan. The noncompliance becomes part of the charter holder's contractual and legal compliance history.
Attendance Record Retention	The audit reporting package indicates the charter holder has not retained student attendance records as noted by statements such as, "Unable to test due to lack of attendance records" or "School did not retain sign-in/sign-out sheets". This does not include isolated incidents, such as failure to retain one student's withdrawal form. (See also "Instructional Hours" and "Student Attendance Matters".)	The charter holder must submit a corrective action plan. The noncompliance becomes part of the charter holder's contractual and legal compliance history.
Audit Opinion	The independent auditor's report on the charter holder's financial statements includes a modified opinion (i.e., qualified opinion, disclaimer of opinion or adverse opinion) rather than an unqualified or "clean" opinion. Modified opinions resulting solely from the financial statements being prepared assuming the charter holder will continue as a going concern do not fall into this category. The going concern disclosure is considered under the Board's Financial Performance Framework.	The charter holder must submit a corrective action plan. The noncompliance becomes part of the charter holder's contractual and legal compliance history. If the reason cited for the modified opinion is a departure from GAAP, then the issue will be considered a serious impact finding. In addition to requiring a corrective action plan, the charter holder will be placed on an agenda for Board consideration.
Classroom Site Fund	The audit reporting package indicates	The charter holder must submit a

	the charter holder: a) does not have sufficient cash at year-end to cover the Classroom Site Fund (CSF) cash carryover balance at year-end; b) has used CSF monies for expenses not authorized by the CSF statute; and/or c) has used CSF monies to supplant, rather than supplement, existing funding from other sources.	corrective action plan. The noncompliance becomes part of the charter holder's contractual and legal compliance history.
Corporate/ Contract Filings	The audit reporting package indicates the charter holder has not made the appropriate corporate filings with the Arizona Corporation Commission or other similar bodies or the charter holder has not submitted to the Board the appropriate requests to amend its charter contract, and at the time the audit was reviewed, the filings or requests were still outstanding.	The charter holder must submit a corrective action plan. The noncompliance becomes part of the charter holder's contractual and legal compliance history.
Current with Payment Plan	The audit reporting package indicates the charter holder: a) has paid all audited fiscal year taxes and/or contributions to the applicable entities; b) has submitted all required reports for the audited fiscal year to the applicable entities; c) has a payment plan(s) for prior year taxes and/or contributions; <u>and</u> d) is current in making its payments under the payment plan(s). (See also "Taxes".)	The audit letter references the noncompliance. A corrective action plan is not required to be submitted to the Board. The noncompliance becomes part of the charter holder's contractual and legal compliance history.
Employment Eligibility	The audit reporting package indicates the charter holder has not complied with E-Verify requirements, I-9 requirements, or both for some or all employees. (See also "Employment Eligibility CAP".)	For first-year noncompliance, the audit letter reminds the charter holder of its responsibility to comply with these requirements and provides links to additional information to assist in bringing the charter holder back into compliance. The noncompliance becomes part of the charter holder's contractual and legal compliance history.
Employment Eligibility CAP	The audit reporting package identifies <u>repeated</u> noncompliance with E-Verify requirements, I-9 requirements, or both for some or all of the charter holder's employees. (See also "Employment Eligibility".)	The charter holder must submit a corrective action plan. The noncompliance becomes part of the charter holder's contractual and legal compliance history.
Fingerprinting	The audit reporting package indicates the charter holder has failed to properly	The charter holder must submit a corrective action plan. The noncompliance

	fingerprint its personnel and/or vendors. (See also "Fingerprinting Emergency Hire".)	becomes part of the charter holder's contractual and legal compliance history.
Fingerprinting Emergency Hire	The audit reporting package indicates the charter holder failed to comply with all requirements for hiring an individual under statute's emergency hire provisions. For this option to be considered (rather than the "Fingerprinting" option above), the emergency hire issue must be the only fingerprinting noncompliance identified in the audit reporting package and the individual's or individuals' fingerprint clearance card application(s) must have been on file with the Arizona Department of Public Safety when the audit firm completed its testing.	The charter holder must submit a corrective action plan. The noncompliance becomes part of the charter holder's contractual and legal compliance history.
Fiscal Matters	The audit reporting package identifies possible significant weaknesses in the charter holder's accounting practices (e.g., commingling of personal and business expenses) and/or contracting and purchasing practices (e.g., an individual and related party company paid to provide the same services), or the audit reporting package identifies fiscal matters where additional information is required to determine the charter holder's compliance with contractual and/or statutory requirements. (See also "Internal Controls".)	The charter holder must submit a corrective action plan. The noncompliance becomes part of the charter holder's contractual and legal compliance history unless, based on the additional information submitted as part of the corrective action plan, it is determined that no noncompliance existed.
Information Forwarded to ADE/ESS	The audit reporting package identifies possible significant noncompliance with laws relating to the education of students with disabilities (e.g., alleged falsification of documents). Generally, "no" answers in the Special Education section of the compliance questionnaires do not rise to this level.	The audit letter indicates the matter will be forwarded to Exceptional Student Services Section of the Arizona Department of Education (ADE) for review and follow-up. A corrective action plan is not required to be submitted to the Board. The noncompliance becomes part of the charter holder's contractual and legal compliance history.
Information Forwarded to Internal Revenue Service	The audit reporting package identifies issues that involve the interpretation of Internal Revenue Service laws and regulations (e.g., independent contractor vs. employee).	The audit letter indicates the matter will be forwarded to the Internal Revenue Service for review and follow-up. A corrective action plan is not required to be submitted to the Board. The noncompliance becomes part of the charter holder's contractual and legal

		compliance history.
Instructional Hours	The audit reporting package indicates the charter holder failed to provide the statutory minimum number of hours and/or days of instruction to students. (See also "Attendance Record Retention" and "Student Attendance Matters".)	The charter holder must submit a corrective action plan. The noncompliance becomes part of the charter holder's contractual and legal compliance history.
Insurance	The audit reporting package indicates the charter holder has failed to obtain or maintain the statutorily required insurance for liability and property loss.	The charter holder must submit a corrective action plan. The noncompliance becomes part of the charter holder's contractual and legal compliance history.
Internal Controls	The audit reporting package identifies a material weakness or significant deficiency indicating the charter holder has failed to: a) maintain documentation (e.g., invoices) supporting information entered in its accounting system; b) adequately segregate accounting responsibilities and duties among different people; or c) beginning with the fiscal year 2013 audits, perform bank reconciliations or adequately safeguard cash. (See also "Fiscal Matters".)	The charter holder must submit a corrective action plan. The noncompliance becomes part of the charter holder's contractual and legal compliance history.
Internal Controls – Federal Funds (ADE)	The audit reporting package identifies a material weakness or significant deficiency in one or more of the areas addressed in the "Internal Controls" category above. The difference between this category and the "Internal Controls" category is that these issues pertain to the expenditure of federal funds.	Since the issues pertain to federal funds, the audit letter indicates the ADE, as the entity responsible for sub-recipient monitoring, will follow-up with the charter holder, as necessary. A corrective action plan is not required to be submitted to the Board. The noncompliance becomes part of the charter holder's contractual and legal compliance history.
Internal Controls – School District (OAG)	The audit reporting package identifies a material weakness or significant deficiency in one or more of the areas addressed in the "Internal Controls" category above. The difference between this category and the "Internal Controls" category is that the charter holder, which is a school district, has received notice from the Office of the Auditor General that the school district has failed to substantially comply with the Uniform System of Financial Records.	To avoid corrective action plans having to be submitted to multiple entities and the possibility of conflicting corrective action plan requirements, the audit letter indicates the Board will monitor the charter holder's compliance through the annual audit reporting packages and, as necessary, through communications with Office of the Auditor General. A corrective action plan is not required to be submitted to the Board. The noncompliance becomes part of the charter holder's contractual and legal

		compliance history.
Open Meeting Law	The audit reporting package identifies significant noncompliance with Open Meeting Law requirements (e.g., meeting minutes not prepared) or raises issues that require further information (e.g., meetings held outside of Arizona). Generally, "no" answers in the Open Meeting Law section of the compliance questionnaire do not rise to this level.	The charter holder must submit a corrective action plan. The noncompliance becomes part of the charter holder's contractual and legal compliance history.
Student Attendance Matters	The audit reporting package identifies student attendance related matters that require additional information to determine the charter holder's broader compliance with attendance requirements. These matters pertain to the charter holder's policies and practices related to attendance taking, attendance reporting or both and usually involve potential systemic matters. (See also "Attendance Record Retention" and "Instructional Hours".)	The charter holder must submit a corrective action plan. The noncompliance becomes part of the charter holder's contractual and legal compliance history.
Taxes	The audit reporting package indicates the charter holder has failed to comply with federal payroll or income tax requirements, state payroll or income tax requirements, and/or state unemployment contribution requirements. Specifically, the audit reporting package indicates the charter holder has: a) failed to pay the taxes or contributions due to the Internal Revenue Service, Arizona Department of Revenue and/or Arizona Department of Economic Security for the audited fiscal year, prior fiscal years or both; b) failed to submit required reports to any or all of these entities; and/or c) failed to make the required payments under a payment plan with any or all of these entities. (See also "Current with Payment Plan".)	The charter holder must submit a corrective action plan. The noncompliance becomes part of the charter holder's contractual and legal compliance history.
Worker's Comp	The audit reporting package indicates the charter holder has not complied with worker's compensation requirements.	The charter holder must submit a corrective action plan. The noncompliance becomes part of the charter holder's contractual and legal compliance history.

Under the operational framework, a charter holder whose audit reporting package identifies medium impact findings may receive a "Meets Standard" on Measure 2.a. as long as the corrective action plan requirements have been completed and all other metrics have been met.

Minimal Impact Findings

For issues of noncompliance that are not considered medium impact findings or serious impact findings, Board staff tracks each issue and determines if the issue is repeated in the next year's audit reporting package. Generally, there are two exceptions to this –issues relating to the education of students with disabilities and certain issues involving student attendance reporting.

- Students with Disabilities – The Board worked with the ADE to develop the questions included in the compliance questionnaires because the Board wanted this addressed. However, for determining a charter holder's compliance with laws relating to the education of students with disabilities, the Board relies upon the results of reviews conducted by the ADE's Exceptional Student Services Section.
- Student Attendance Reporting – The Board currently considers certain student attendance findings as medium impact findings (see "Attendance Record Retention", "Instructional Hours" and "Student Attendance Matters" in the table above). A copy of each charter holder's audit reporting package is provided to the ADE, which has a unit that is responsible for conducting attendance audits of district and charter schools. This unit uses the audit reporting packages and other information to determine which school districts and charter holders will receive an attendance audit.

If repeat minimal impact findings are identified, the audit letter includes a statement indicating that repeat issues were identified in the current audit reporting package that had not been addressed from the prior year. Under the operational framework, if a minimal impact finding is identified in three or more consecutive audits, then the charter holder would receive a "Does Not Meet Standard" on Measure 2.a.