

Operational Performance Framework

Discussion Document

Statutory Provisions

A.R.S. §15-183(R) requires a charter school sponsor “to ground its actions in evidence of the charter holder’s performance in accordance with the performance framework adopted by the sponsor.” The law further requires the performance framework to include, in part, “The operational expectations of the charter school, including adherence to all applicable laws and obligations of the charter contract.” Pursuant to A.R.S. §15-183(I), a charter holder’s operational performance is considered by the sponsor when making renewal and revocation decisions.

Board’s Operational Performance Framework

As proposed, the operational framework would translate compliance-related information currently obtained by the Board through various processes and from various sources into a more concise presentation. The items reflected in the proposed operational framework are currently monitored by the Board through existing Board policies and processes. In accordance with the parameters established in the Board’s [Strategic Plan](#), the proposed operational framework uses information already collected or otherwise available to the Board and does not expect or require the charter holder to provide new information.

Subcommittee Meeting Materials

The meeting materials include the following:

- A draft operational framework for discussion with three proposed indicators and eight proposed measures (see Attachment 1 found on pages 2 through 6).
- A table that addresses each of the proposed measures, what is required to “meet” the standard, and the sources of evidence for making the determination (see Attachment 2 found on pages 7 through 11).
- A document addressing components related to evaluation and intervention under the operational framework (see Attachment 3 found on pages 12 through 14).

In August 2012, the Board adopted its *Financial Performance Framework and Guidance*. The Office of the Auditor General’s [performance audit and sunset review](#) of the Board recommended that the Board “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.” In its response to the recommendation, the Board stated, “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.” For discussion purposes, proposed Measure 2.a. includes a provision that addresses a charter holder’s performance on the Board’s financial framework.

Attachment 1:
Operational Performance Framework

For Discussion Purposes

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 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 and significant to the operation of the school(s).

1.b. Does the charter holder adhere with 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
- Administering State assessments appropriately
- 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 and significant to the operation of the school(s).

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 and the Board's *Financial Performance Framework and Guidance*, including but not limited to:

- Financial performance that meets the Board's expectations
- 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 resulting in a CAP
- 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 and 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
- Attendance records
- Fair and equitable 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 and 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, 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 and 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 and significant to the operation of the school(s).

2.e. 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
- 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 and significant to the operation of the school(s).

Indicator 3: Additional Obligations

3. Is the charter holder respectful of limited state resources related to oversight?

Meets Standard:

The Board's interactions with the charter holder are reflective of conscientious operations and require limited state resources for monitoring and oversight as supported by, 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 be respectful of limited state resources 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 be respectful of limited state resources 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 be respectful of limited state resources 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 and significant to the operation of the school(s).

Attachment 2:

Table – Proposed Measures with Sources of Evidence

For Discussion Purposes

Proposed Measures with Sources of Evidence

Measure	Meets Standard Target	Sources of Evidence
<p>1.a. Does the delivery of the education program and operation reflect the essential terms of the educational program as described in the charter contract?</p> <p><i>For purposes of this measure, “essential terms” is defined as the key components of the charter holder’s education program as provided in the charter application, which is part of the charter contract, or as subsequently amended.</i></p>	<p>The charter holder’s education program, in operation, reflects the essential terms as described in the charter contract.</p>	<ul style="list-style-type: none"> • Site visits • Submissions related to the Academic Intervention Schedule found in Appendix C of the Board’s Academic Performance Framework and Guidance • Periodic reviews • Information shared by other entities • Other communications with charter holder
<p>1.b. Does the charter holder adhere with applicable education requirements defined in state and federal law?</p>	<p>The charter holder complies with applicable laws, rules, regulations and provisions of the charter contract relating to education requirements, including but not limited to:</p> <ul style="list-style-type: none"> • 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 • Administering State assessments appropriately • Implementing mandated programming as a result of state or federal funding 	<ul style="list-style-type: none"> • Monitoring conducted by Arizona Department of Education program areas • Site visits • Annual audit reporting packages • Periodic reviews • Information shared by other entities • Other communications with charter holder
<p>2.a. Do the charter holder’s annual audit reporting packages reflect sound operations?</p>	<p>The charter holder complies with applicable laws, rules, regulations and provisions of the charter contract relating to the annual audit reporting package and the Board’s <i>Financial Performance Framework and Guidance</i>, including but not limited to:</p>	<ul style="list-style-type: none"> • Annual audit reporting packages reviewed in accordance with the Board’s Audit & Compliance Questionnaire Follow-up Matrix and Board’s Financial Performance

Measure	Meets Standard Target	Sources of Evidence
	<ul style="list-style-type: none"> Financial performance that meets the Board's expectations 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 resulting in a CAP 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 	<p><u>Framework and Guidance</u></p> <ul style="list-style-type: none"> Communications with the charter holder related to the audit reporting package's review (e.g., audit letter) Corrective action plan submitted by the charter holder Financial performance response submitted by the charter holder
2.b. Is the charter holder administering student admission and attendance appropriately?	<p>The charter holder complies with applicable laws, rules, regulations and provisions of the charter contract relating to operational requirements, including but not limited to:</p> <ul style="list-style-type: none"> Accurate submission of estimated counts and attendance data to the Arizona Department of Education Tuition and fees Attendance records Fair and equitable enrollment policies, procedures and processes 	<ul style="list-style-type: none"> Site visits Annual audit reporting packages Audits conducted by the Arizona Department of Education's Audit Unit Periodic reviews Information shared by other entities Other communications with charter holder
2.c. Is the charter holder maintaining a safe environment consistent with state and local requirements?	<p>The charter holder complies with applicable laws, rules, regulations and provisions of the charter contract relating to operational requirements, including but not limited to:</p> <ul style="list-style-type: none"> Maintaining appropriate facility documents, including a certificate of occupancy, fire marshal inspection report, county or municipal health inspection report, and/or other applicable documents Ensuring all employees, personnel, vendors and other individuals have been properly 	<ul style="list-style-type: none"> Board files Site visits Annual audit reporting packages Periodic reviews Information shared by other entities Other communications with charter holder

Measure	Meets Standard Target	Sources of Evidence
	fingerprinted and background checked	
2.d. Is the charter holder transparent in its operations?	<p>The charter holder complies with applicable laws, rules, regulations and provisions of the charter contract relating to operational requirements, including but not limited to:</p> <ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • Documents collected by Arizona Department of Education program areas • Board files • Site visits • Annual audit reporting packages • Open Meeting Law violations identified through the processing of notification and amendment requests • Arizona Corporation Commission website • Information shared by other entities • Periodic reviews • Other communications with charter holder
2.e. Is the charter holder complying with reporting requirements of other entities to which the charter holder is accountable?	<p>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:</p> <ul style="list-style-type: none"> • Arizona Corporation Commission • Arizona Department of Economic Security • Arizona Department of Education • Arizona Department of Revenue • Arizona State Retirement System • Equal Employment Opportunity Commission • Industrial Commission of Arizona • Internal Revenue Service • U.S. Department of Education 	<ul style="list-style-type: none"> • Annual audit reporting packages • Arizona Corporation Commission website • Communications and reports provided to the Board by the Arizona State Retirement System • Reporting required by Arizona Department of Education • Information shared by these entities with the Board

Measure	Meets Standard Target	Sources of Evidence
3. Is the charter holder respectful of limited state resources related to oversight?	<p>The Board's interactions with the charter holder are reflective of conscientious operations and require limited state resources for monitoring and oversight as supported by, but not limited to:</p> <ul style="list-style-type: none"> • Timely submissions of required documents, notification requests and amendment requests • Limited substantiated complaints • Favorable actions taken by the Board 	<ul style="list-style-type: none"> • Board files • Arizona Department of Education submission records (e.g., Annual Financial Report, budget) • Information shared by other entities

Attachment 3:
Evaluation and Intervention

For Discussion Purposes

Evaluation and Intervention

Board's Operational Performance Expectations

Staff is proposing that the Board define its operational performance expectations as follows:

- Meets the Board's Operational Performance Expectations – The charter holder receives zero "Falls Far Below Standard" ratings and no more than four "Does Not Meet Standard" ratings for the review period.
- Does Not Meet the Board's Operational Performance Expectations – The charter holder receives one or more "Falls Far Below Standard" ratings and/or more than four "Does Not Meet Standard" ratings for the review period.

Use of the Operational Performance Framework

A charter holder's operational performance will be considered by the Board as follows:

- Renewal
- Five-year interval reviews
- Academic Intervention Schedule
- Replication
- Adding Grade Levels to Charter Amendment Requests
- Arizona Online Instruction Program of Instruction Amendment Requests
- Enrollment Cap Notification Requests
- New School Site Notification Requests
- Site Specific Change in Grades Served Notification Requests
- Charter Holder Status Amendment Requests
- Instructional Days Amendment Requests
- Program of Instruction Amendment Requests
- New charter applications submitted by officers, directors, partners or members, or charter representatives of existing charter holders
- Transfer applications involving the transfer of a school site from an existing charter contract to its own charter contract
- Transfer applications involving the transfer of the charter contract from another sponsor to the Board
- Failing School designations

For renewal and five-year interval reviews, the "review period" mentioned in the "Board's Operational Performance Expectations" section would be the past five fiscal years, which aligns with current Board processes.

For the other bullets identified above, the "review period" would be the most recent information available, which aligns with current Board processes. Please note that compliance checks will continue to be conducted as part of the amendment and notification request approval and expansion processes. Each amendment and notification form currently states the specific items that will be reviewed and the level of compliance required.

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.

Submission Requirements

Unlike with the Board's academic and financial frameworks, charter holders that fail to meet the Board's operational performance expectations will not be required to submit additional documentation to the Board. As proposed, 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 determining whether the charter holder's performance currently "Does Not Meet" the standard or "Falls Far Below" the standard.

Matter for Subcommittee Consideration

In accordance with the Board's *Audit & Compliance Questionnaire Follow-up Matrix*, Board staff reviews the annual audit reporting packages for repeat minimal impact findings. Repeat minimal impact findings (also referred to as repeated audit issues) are disclosed to the Board when it considers renewal application packages and are disclosed as part of the five-year interval review process.

At a Board subcommittee meeting held in 2008, a charter operator brought up changes in auditing standards, which resulted in the charter operator's audit including a finding because the charter operator's year-end GAAP basis financial statements and related disclosures were not prepared by management, but by the auditor. The charter operator told the subcommittee that his board believes the funds that would be needed to comply with this requirement are better used in the classroom. However, since the issue will likely be repeated in upcoming audits, he is concerned about the possible repercussions in the future. The full Board discussed the matter during its summer retreat and the subcommittee held an additional meeting on the matter. Based on those discussions, the Board didn't believe it could ignore the finding since the charter contract requires compliance with GAAP, but also understood the financial resources that would have to be expended by the charter operator to eliminate the finding. In the end, it was determined that, based on the audit matrix, this finding would not require a corrective action plan, but would be tracked over time and the Board could rely on the rules for renewal to determine the impact of the findings.

This information is being provided to the Subcommittee as part of its consideration of Measure 2.a. Based on the fiscal year 2012 audit reporting packages, approximately 9% (33) of the Board's charter holders had this issue identified in two or more consecutive audits with the majority of the charter holders having the issue identified in four or more consecutive years audits. Board staff has not completed its review of the fiscal year 2013 audit reporting packages, but does not anticipate a significant decline in the number of charter holders with this finding.