

# Charter School Performance Standards Governing Board Stewardship

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## Introduction

The Utah State Charter School Board's (Board) *Charter School Performance Standards (CSPS): Governing Board Stewardship* is intended as tool for charter school governing boards to evaluate their governing board's ability to meet compliance-related expectations in state and federal law, Utah State Board of Education Administrative Rule, and its Charter Agreement. Because charter schools are public entities, they must maintain the public's trust that they are implementing their educational programs as set out in the charters, spending public funds responsibly, practicing sound governance, and adhering to laws and charter requirements regarding employees, students, and the school environment. While charter school governing boards have the autonomy to govern the school consistent with state and federal law, the Board must protect the public's interests and ensure that the schools it authorizes are organizationally stable.

The *CSPS Governing Board Stewardship* provides charter schools and the Board tools to recognize schools currently in or trending towards organizational difficulty and to more proactively evaluate or address the problem. The *CSPS* was derived through a review of NACSA's Core Performance Framework and Guidance document, and discussions with charter school administrators, USOE personnel, and others with expertise in the field. While the *CSPS* does not specifically mirror any single source, it was created to provide a clear picture of a school's past organizational performance, current organizational health, and potential organizational trajectory.

## Performance Measures Structure

The *CSPS Governing Board Stewardship* establishes a base set of organizational expectations common to all schools. The *CSPS* includes five main levels of information: Indicators, Measures, Metrics, Targets, and Ratings.

## Indicators

The *CSPS Governing Board Stewardship* include four indicators, or general categories, used to evaluate charter schools' organizational performance and compliance.

1. **Education Program:** This indicator captures certain aspects of an education program that are required by law (e.g., special education requirements).
2. **Financial Management and Oversight:** While the *CSPS Financial Performance & Sustainability* framework is used to analyze the school's financial performance, the Board uses this indicator to set expectations for the school's management and oversight of its finances, without regard to financial performance. Audit results and audit findings are critical sources of evidence when evaluating charter school governing boards against this indicator.

3. **Governance and Reporting:** A charter school must practice sound governance and adhere to reporting requirements of the Board, the Utah State Office of Education (USOE), and the Utah State Board of Education (USBE). In this section the Board sets forth expectations of the charter school governing board's compliance with governance-related laws, reporting requirements, and the governing board's own by laws and policies. Additionally, this indicator includes a measure to evaluate the extent to which the charter school governing board oversees the individuals or organizations to which it delegates the duties of implementing the program, a fiduciary responsibility of the board.
4. **Students and Employees:** While charter schools function with greater autonomy, they still must adhere to federal and state laws regarding treatment of individuals within the organization. In this section, the Board measures charter school governing board compliance with laws related to students and employees, including the rights of students and employees as well as organizational requirements such as teacher licensing and background checks.

Each indicator has measures, metrics, targets, and ratings.

## Measures

Measures are the means to evaluate an aspect of an indicator. Twelve measures are used in the standards: Students with disabilities, Audit findings, single year and multi-year, Maintain bond covenants, Adherence to operational budget, Governance requirements, Report compliance, Governing Board Online Training (GBOT), Background checks, Rights of students, Qualified teachers, and Information management. A thirteenth measure, English language learner (ELL) students, will be included following research and review of the impact of the Utah State Board of Education's decision regarding the Utah's ESEA Flexibility Waiver August 8, 2014.

## Metrics

Metrics are the methods for quantifying a measure.

## Targets

Targets are the thresholds that signify success for a specific measure. The basis for forming many of the targets is statutory requirement.

## Ratings

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

**Meets Standard:** The school's performance on the measure meets the statutory requirement or, when that is not applicable, State Charter School Board's standard. A school that meets the standard based on an initial review requires no follow-up action.

**Does Not Meet Standard:** The school's performance on the measure does not meet the statutory requirement or, when that is not applicable, State Charter School Board's standard. If a school does not meet standards based on an initial review of the school's organization, the State Charter School Board will follow up to determine if the school is truly at risk. Schools that are at risk based on an underlying structural problem with the school's organizational performance, as compared to a one-time event, will be issued a notice of non-compliance consistent with R277-481.

**Falls Far Below Standard:** The school’s performance on this measure signals a significant organizational risk and does not meet statutory requirement or the State Charter School Board’s expectation. If a school falls far below standards based on an initial review of the school’s operations, the State Charter School Board will follow up to determine the severity of the risk. Schools that are at a significant risk based on an underlying structural problem with the school’s organizational performance, as compared to a one-time event, may be placed on Probation Status consistent with R277-481.

The *CSPS Governing Board Stewardship* is designed to help gauge organizational performance using available data. If a school receives an initial “Does Not Meet Standard” or “Falls Far Below Standard” rating on any one measure, it may or may not be in organizational distress. The *CSPS Governing Board Stewardship* is meant to flag potential problem areas for further investigation.

## Collecting Evidence

The *CSPS Governing Board Stewardship* is a monitoring tool that provides the Board with key data to assess the organizational health and viability of a charter school and to determine whether deeper analysis or monitoring is required. The *CSPS Governing Board Stewardship* summarizes a charter school’s current organizational health. The measures are designed to be complementary, as no single measure gives a full picture of the organizational situation of a school. Together they provide a comprehensive assessment of the school’s organizational health based on a school’s historic trends, current organizational situation, and future organizational viability.

## Data Sources

- CACTUS
- Year End Web Survey (YEWS)
- Annual Financial Report (AFR)
- Audited Financial Statements and Notes to Financial Statements
- Report on Internal Control over Financial Reporting and on Compliance
- Letter to Management
- Reports submitted by the charter school
- Third-party reports or monitoring
- Requested data
- SEA Concerns
- Governing Board Online Training (GBOT) quizzes
- School and governing board policies, procedures, and forms
- Site visit observations
- School website
- Utah Public Meeting Notice website
- State Auditor Website
- Utah Transparency Website
- Governing board meeting packets
- Approved governing board meeting minutes
- Governing board by laws
- USOE Sections report tracking documentation (e.g., School Finance, Data & Statistics, IT, Charter Schools)

<i>Indicator – Governance performance and sustainability</i>		
<b>Measure</b>	<b>Metric</b>	<b>Standard</b>
Students with disabilities	Is the governing board and management protecting the rights of students with disabilities?	Yes
Audit findings, single year	The number of material or significant audit findings	0
Audit findings, multi-year	The number of unresolved audit findings from prior year report	0
Maintain bond covenants	Auditor determined the school met its bond covenants	Yes
Adherence to operational budget	$\frac{(\text{Adjusted Actual Expenditures} - \text{Adjusted Budgeted Expenditures})}{\text{Adjusted Budgeted Expenditures}}$	Within 5%
Governance requirements	Is the governing board complying with governance requirements?	Yes
Background checks	$\frac{\text{Number of board members with a background check on file}}{\text{Total number of board members}}$	100%
Report Compliance	$\frac{\text{Number of applicable reports submitted on time, accurate, and complete}}{\text{Total number of applicable reports}}$	100%
Governing Board Development	$\frac{\text{Number of board members scoring > 85\% on GBOT modules}}{\text{Total number of board members}}$	100%
Qualified teachers	$\frac{\text{Number of teacher FTEs that are state qualified}}{\text{Total number of teacher FTEs}}$	100%

## Measures in Detail

Each of the measures included in the *CSPS Governing Board Stewardship* are described in the following pages.

## Indicator 1: Education Program

- Students with disabilities

### Students with disabilities

Definition: charter schools must follow state and federal special-education law and provide a high-quality learning environment for all students. The elements within this measure articulate with [UPIPS](#) (Utah Program Improvement Planning System) Tiered Monitoring.

The Board has a responsibility to review and ensure the charter schools it authorizes provide a high-quality learning environment for all students. The USOE is responsible for monitoring LEA compliance with the Individuals with Disabilities Education Act. This responsibility is administered within a framework of supporting positive results for students with disabilities called UPIPS. Consistent with the school's status and responsibilities as a Local Education Agency, the school materially complies with applicable laws, rules, regulations, and provisions of the charter agreement (including the 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, including but not limited to:

- Identification and referral
- Operational compliance including the academic program, assessments, implementation of the special education Program Improvement Plan, and all other aspects of the school's program and responsibilities
- Discipline, including due process protections, manifestation determinations, and behavioral intervention plans
- Appropriately carrying out student IEP and Section 504 plans
- Access to the school's facility and program to students and parents in a lawful manner and consistent with students' abilities and needs
- Securing and allowable use of all applicable funding
- Timely and accurate submission of all required reports

#### Data source

- Required reports submitted by the charter school (e.g., Program Improvement Plan) – primary source of data for this measure
- Third-party reports or monitoring
- Requested data
- SEA Concerns (e.g., findings, warnings, notifications of noncompliance, etc.)

**Measure 1a**

Is the school protecting the rights of students with disabilities?

*Meets Standard:*

Yes; According to the APR (Annual Progress Report) determination, the LEA Met Requirements

*Does Not Meet Standard:*

No; According to the APR (Annual Progress Report) determination, the LEA Needs Assistance

*Falls Far Below Standard:*

No; According to the APR (Annual Progress Report) determination, the LEA Needs Intervention

## Indicator 2: Financial Management & Oversight

- Audit findings, single year
- Audit findings, multi-year
- Maintain bond covenants
- Adherence to (operational) budget

### Audit Findings, Single Year

Definition: Critical to an organization’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 school is responsibly managing its finances. Charter schools should have an unqualified, or “clean,” financial audit. This means that the auditor found the financial statements to be accurate and complete, which is necessary for evaluating a school’s financial health.

Auditors evaluate an organization’s financial statements and processes against Generally Accepted Accounting Principles (GAAP). Schools that do not meet this standard will have material or significant findings in their financial audits. Findings may be considered deficient, significant, or material. Material weaknesses are findings that are considered more severe because there is a reasonable possibility that a material misstatement of the school’s financial statements will not be prevented or detected and corrected on a timely basis.

Certain findings are more adverse than others, and the Board specifically looks for material weaknesses on internal controls and related party transactions. This means that the charter school does not have systems in place to minimize the risk of financial mismanagement.

In addition, audits may include a “going concern disclosure,” where the auditor has concerns about the organization’s viability. Multiple material findings or a previous finding that the school failed to address, show a possible greater concern and cause a school to fall far below the standard.

#### Data source

- Notes to Financial Statements
- Report on Internal Control over Financial Reporting and on Compliance
- Letter to Management

Measure 2a The number of material or significant audit findings
<i>Meets Standard:</i> <input type="checkbox"/> 0
<i>Does Not Meet Standard:</i> <input type="checkbox"/> 1
<i>Falls Far Below Standard:</i> <input type="checkbox"/> > 1

## Audit Findings, Multi Year

Definition: Charter schools should resolve previous findings from their financial audit. This means that the auditor found that audit findings from the prior report were resolved. Schools should address previously identified audit findings. Not meeting this metric multiple years in a row demonstrates a possible trend of consistently not addressing unresolved audit findings and demonstrates a possible greater area of concern and cause a school to fall far below the standard.

### Data source

- Notes to Financial Statements from the five most recent years
- Report on Internal Control over Financial Reporting and on Compliance from the five most recent years
- Letter to Management from the five most recent years

### Measure 2b

The number of unresolved audit findings

#### *Meets Standard:*

0

#### *Does Not Meet Standard:*

Has one or more repeat findings

#### *Falls Far Below Standard:*

Has one or more repeat findings and has had this finding for at least three of the last five years

## Maintain Bond Covenants

Definition: Bond covenants are contractually defined standards of financial behavior which the school has chosen to adhere to in order to gain funding.

Data source

- Audited Financial Statements
- Notes to Financial Statements
- Letter to Management

### Measure 2c

Did the independent auditor determine the school met its bond covenants?

#### *Meets Standard:*

Yes

#### *Does Not Meet Standard:*

No in current year, but yes in prior year

#### *Falls Far Below Standard:*

No in current and prior year

## Adherence to Operational Budget

Definition: Critical to an organization'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 school is responsibly managing its finances. Budgetary compliance has a direct impact on organizational outcomes. Budgets constitute spending authority and should not be exceeded except under auspices of an expenditure resolution having appropriate revenues associated with it.

Charter school governing boards should be reviewing and adjusting their budgets throughout the year, as necessary. High variance between the actual expenditures and the adjusted budgeted expenditures may indicate a board not exercising strong oversight of the budget.

Data source

- Annual Financial Report (AFR)

<b>Measure 2d</b> (Adjusted Actual Expenditures - Adjusted Budgeted Expenditures) ÷ Adjusted Budgeted Expenditures
<b>Meets Standard:</b> <input type="checkbox"/> Within 5% variance
<b>Does Not Meet Standard:</b> <input type="checkbox"/> Greater than or equal to 5% variance, but within 10% variance
<b>Falls Far Below Standard:</b> <input type="checkbox"/> Greater than or equal to 10% variance

## Indicator 3: Governance and Reporting

- Governance requirements
- Background checks
- Report compliance
- Governing Board Online Training (GBOT)

### Governance requirements

Definition: Charter school governing boards have stewardship for the school it oversees and must comply with applicable governance requirements. Governing boards must comply with applicable laws, rules, regulations, and provisions of the charter agreement relating to governance by its board, including but not limited to:

- Governing board policies, including those related to oversight of an Education Service Provider, if applicable
- Governing board by laws
- Utah Open & Public Meetings Act
- Governing board code of ethics
- Governing board conflicts of interest
- Governing board composition and/or membership rules (e.g., requisite number of qualified teachers, restriction on employees or contractors serving on the board, etc.)

#### Data source

- Governing board meeting packet/materials and approved minutes
- Governing board by laws and policies
- School and governing board policies
- Site visit observations
- Requested data
- Utah Public Meeting Notice web page
- SEA concerns (e.g., unresolved complaints from the public)
- Governing board conflict of interest forms
- Governing board code of ethics agreements

#### Measure 3a

Is the school complying with governance requirements?

##### *Meets Standard:*

- Yes; The school materially complies with applicable laws, rules, regulations, and provisions of the charter agreement relating to governance by its board

##### *Does Not Meet Standard:*

- No; The school does not comply with all applicable laws, rules, regulations, and provisions of the charter agreement relating to governance by its board

##### *Falls Far Below Standard:*

- No; The school does not comply with multiple laws, rules, regulations, and provisions of the charter agreement relating to governance by its board

## Background Checks

Definition: Charter schools must conduct background checks, or ensure background checks have been completed, for all governing board members. The type and frequency of background check is determined by policy and usually found in the governing board by laws. The background checks must be kept on file at the school.

Data source

- Year-End Web Survey (YEWS)
- Requested data
- Governing board by laws

### Measure 3b

Number of board members with a background check on file ÷ Total number of board members

#### *Meets Standard:*

100%

#### *Does Not Meet Standard:*

Between 85% and 100%

#### *Falls Far Below Standard:*

Less than 85%

## Report Compliance

Definition: The Board, in order to effectively evaluate charter school organizational performance, must receive reports from the charter schools it authorizes. Additionally, charter schools are responsible to other entities, including the Utah State Office of Education, for certain reporting requirements. Many reporting requirements are fixed in law and board rule while others are outlined in the charter agreement. It is important for all reports to be submitted complete, accurate, and on-time. Reports that must be corrected after the deadline are not counted as being on-time, accurate, and complete.

Data source

- USOE Sections tracking sheets (e.g., School Finance, Data & Statistics, IT, Charter Schools)

The following reports are included:

- UTREx Year-end submission
- Year End Web Survey (YEWS)
- Current Year Budget
- Student Membership Audit
- Annual Financial Report (AFR)
- Annual Program Report (APR)
- UTREx Fall Enrollment
- Fall Enrollment Audit
- Audited Financial Statement
- December UTREx submission
- Monthly Financial and Enrollment Report (for schools in the planning year and first operational year)

### Measure 3c

Number of included reports submitted on-time, complete, and accurate ÷ Total number of included reports

#### *Meets Standard:*

- 100% submitted on-time, complete, and accurate

#### *Does Not Meet Standard:*

- ≥ 75% were submitted on-time, complete, and accurate

#### *Falls Far Below Standard:*

- < 75% of reports were on-time, complete, and accurate

Or

- A report was not submitted

## Governing Board Development

Definition: When governing board members commit to individual and whole-board development and training, this best practice is modeled for other members of the school community. While these Governing Board Online Training (GBOT) modules provide a range of topics and an in depth look at governance and charter school oversight, they should supplement, not supplant, other training opportunities and resources. There is great value in attending training sessions as a team and selecting differentiated training opportunities based on a needs assessment of your governing board.

*This currently only applies to schools that have opened since SY 2011-12.*

Data source

- Governing board members' scores on the GBOT module quizzes created for the current school year. There are typically four-six modules created for the year.

Measure 3d Number of board members scoring $\geq 85\%$ $\div$ Total number of board members
<i>Meets Standard:</i> <input type="checkbox"/> 100%
<i>Does Not Meet Standard:</i> <input type="checkbox"/> Between 75% and 100%
<i>Falls Far Below Standard:</i> <input type="checkbox"/> Less than 75%

## Indicator 4: Employees

- Qualified teachers

### Qualified Teachers

Definition: Public schools must employ appropriately licensed and endorsed teaching and instructional staff as required by law. This metric looks at whether or not educators assigned to teaching assignments are state qualified. Administrators and other non-instructional support staff are excluded.

Data source

- CACTUS; data is pulled on November 20<sup>th</sup>.

<b>Measure 4a</b> Number of teacher FTEs that are state qualified for teaching assignment(s) ÷ Total number of teacher FTEs
<i>Meets Standard:</i> <input type="checkbox"/> 100%
<i>Does Not Meet Standard:</i> <input type="checkbox"/> Between 85% and 100%
<i>Falls Far Below Standard:</i> <input type="checkbox"/> Less than 85%

## Glossary

**Adherence to Budget:** Compares the budgeted expenditures to the actual expenditures in a given fiscal year (FY). Budgetary compliance has a direct impact on organizational outcomes. Budgets constitute spending authority and should not be exceeded except under auspices of an expenditure resolution having appropriate revenues associated with it. Equation:  $(\text{Adjusted Actual Expenditures} - \text{Adjusted Budgeted Expenditures}) \div \text{Adjusted Budgeted Expenditures}$ .

**Adjusted Actual Expenditures:** This is Total Expenditures from the 'Actual' column in the UPEFS.

**Adjusted Budgeted Expenditures:** This is Total Expenditures from the 'Final Budget' column in the UPEFS.

**Annual Financial Report (AFR):** The AFR reports charter school financial data by fund (self-reported by the school). The General fund is the largest and records the majority of operating expenses for the operation and maintenance of education.

**Audit Findings:** Looks at whether or not there were substantial findings in the Audited Financial Statement. Audit findings, notes and auditor observations that point out lapses in control environment which could make financial reports unreliable undermine a board's ability to appropriately safeguard and manage resources, and could undermine organizational sustainability and financial well-being.

**Audit:** A systematic collection of the sufficient, competent evidential matter needed to attest to the fairness of management's assertions in the financial statements or to evaluate whether management has efficiently and effectively carried out its responsibilities. The auditor obtains this evidential matter through inspection, observation, inquiries, and confirmations with third parties.

**Board Background Checks:** The percentage of governing board members who have a completed background check on file at the school. This data is self-reported to SCSB by the school. New governing board members should be reported to the SCSB, and background checks should be completed within 90 days of appointment/election.

**Board Meeting Packet/Materials:** Written documents provided in an open and public meeting of a charter school governing board (e.g., handouts, draft (unapproved) minutes, administrator report, draft policies, etc.).

**Board Violations:** The number of violations of federal or state law or regulation, Board rules, or Board directives.

**Bylaws:** Core legal document that defines the structure and operation of the governing board. The board's bylaws, updated periodically and overseen by the board (or a board committee), should be reserved for the board only. Other school policies should have their own statements of purpose and organization and be subject to formal board approval.

**CACTUS:** The Comprehensive Administration of Credentials for Teachers in Utah Schools. This is a database housed at the USOE containing Utah educator credential information and school directory information.

**Current Year:** This refers to the most recent school year for which there is data at the time of the metrics are compiled (late Fall/early winter). Since data is most often available after a school year is complete, in most cases "current year" will refer to the most recently completed school year, not the school year currently in session.

**Financial Audit:** An audit made by an independent external auditor for the purpose of issuing an audit opinion on the fair presentation of the financial statements of the entity in conformity with Generally Accepted Accounting Principles.

**Governing Board Online Training (GBOT):** Training provided by the State Charter School Board staff to charter school boards on governance and charter school oversight. See <http://www.schools.utah.gov/charterschools/Training/Governing-Board-Online-Training.aspx>. The metric represents the percentage of board members who passed all modules for that year. Passing is defined as 85% or higher.

**Letter to Management:** Written communication from an independent financial auditor to school management (i.e., governing board). Items related to control matters and identified deficiencies will be included in the auditor's letter to management, which must be filed with the school's audited financial statements. The governing board must respond to the specific recommendations included in the auditor's letter to management. This response is remitted with the audited financial statements to the state auditor.

**Maintenance of Bond Covenants:** Bond covenants are contractually defined standards of financial behavior to which the school has chosen to adhere in order to gain funding. This measure indicates whether or not bond covenants are maintained.

**Management:** Management is meant to be a broad term that encompasses all school administration, staff, management companies, and third-party vendors that are employed or contracted for the relevant school operations.

**Prior Year:** The year prior to the "current year". See the definition for "current year".

**School Year:** Begins July 1 and ends June 30.

**Third-Party Reports and Monitoring:** Reports and monitoring documents created and maintained by an entity independent from the parties of the charter agreement (i.e., State Charter School Board and School).

**UPIPS:** The Utah Program Improvement Planning System for Special Education. This is a continuous improvement monitoring system that reflects the federal intent to emphasize a data-driven, systemic approach to compliance as well as improvement of outcomes for children with disabilities.

**Year End Web Survey (YEWS):** The Year End Web Survey is used to collect data that are only required in LEA level aggregates.