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MONITORING THE FINANCIAL OPERATIONS OF CHARTER SCHOOLS

Application Requirements

- Requires a business plan that includes information about the proposed school's fundraising efforts, financial management and accounting procedures, risk management provisions, and provisions for audit and review.
- Requires a two-year fully developed budget with line item justifications, a capital budget, a five-year budget projection, and a first-year cash flow projection.
- The finance and budget sections have been revised and strengthened in the FY 1998-1999 Application Guidelines.

Review Procedures

- The budget and finance sections of every application were reviewed by a business executive with an accounting background. Written comments were prepared for each application and made available to the technical review teams and to Board staff.
- The comments were used to provide feedback to help applicants prepare for second stage review.
- The comments from the financial review also will be used by Board staff during charter negotiations.
- Most applicants were required to revise their applications based on feedback from the first stage review and resubmit the strengthened applications for second stage review. Most made extensive revisions in their financial plans.

Technical Assistance

- During the period between the first and second stage reviews, the Board provided all approved or provisionally approved applicants with a workshop on financial management and budgeting.
- The workshop was planned and presented in cooperation with the Service Corps of Retired Executives (SCORE) and included provisions for individualized follow-up counseling.

- The workshop also included a session on risk management provided by the Washington Council of Agencies.

Charter Provisions

Will contain provisions on:

- Contracting procedures;
- Minimum insurance coverage;
- Annual report of financial status, including an audited financial statement;
- Content and frequency of financial reports to the Board (monthly during the first year, quarterly thereafter—continued monthly if questions of fiscal responsibility or viability arise);
- Submission and approval by the Board of annual public charter school budgets; and
- Requirement to promptly report any action, suit, proceeding, investigation, or arbitration against or affecting the charter school.

Charter School Accountability Plans

- Each public charter school must have in place a Charter School Accountability Plan that meets certain standards and has been approved by the DC Public Charter School Board.
- One major section of the Accountability Plan lays out the processes and procedures the school will put in place to ensure that it remains fiscally responsible and financially viable.
- In late April, the DC Public Charter School Board will host the members of the Boards of Trustees of its newly chartered schools in a session that examines the trustees' responsibility to see that their schools are accountable. This will include a focus on the fiduciary responsibility of the Boards of Trustees.

Monitoring Plans

The District of Columbia Public Charter School Board is developing a plan for monitoring the schools it charters. Although the Monitoring Plan will be designed to allow the Board to track and respond to all aspects of a charter school's performance, an emphasis will be placed on the fiscal probity of schools.

1. Required Reports

Reports to the Board from the schools regarding their financial status already have been listed, since they are specified in the Charter Agreement.

2. Charter School Performance and Compliance Reviews

Several levels of review will look at matters related to management practices and fiscal responsibility.

- An Opening Audit will be held each year before school opens to assure the Board that things are in place that are needed for the school to operate. The audit team, among other things, will determine whether needed fiscal controls are in place.
- An Implementation Review will be conducted approximately 2-3 months after the school opens to determine if programs and systems are in place and working. The review team will determine whether management practices are being implemented as proposed and whether appropriate financial records are being kept
- An Annual Performance Review will follow up on information provided in the annual performance report. After the first year, the implementation review will be incorporated into the Annual Performance Review. The Annual Performance Review will inspect financial records and will check to see how the school is responding to any shortcomings or recommendations included in the annual financial audit.
- A Charter Review will be conducted every five years (as required by law) to determine whether or not the charter should be revoked for failure to meet the goals set forth in the charter. A comprehensive review including interviews, examination of student and personnel records, and on-site inspection of all financial records will be carried out.
- Targeted reviews will also be conducted when warranted to investigate concerns or allegations of noncompliance or misconduct.