

PERFORMANCE AUDIT REPORT

The School District of Philadelphia's Charter Schools Office

April 2024



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General

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TIMOTHY L. DEFOOR
AUDITOR GENERAL

March 18, 2024

Mr. Peng Chao, Chief of Charter Schools
Charter Schools Office
The School District of Philadelphia
440 North Broad Street
Philadelphia, PA 19130

Dear Mr. Chao:

This report contains the results of the Department of the Auditor General's performance audit of the School District of Philadelphia's Charter Schools Office (CSO). Our audit period was July 1, 2021, through June 30, 2023, unless otherwise noted, with updates where applicable through the report date. This performance audit was conducted pursuant to Sections 402 and 403 of The Fiscal Code, 72 P.S. §§ 402 and 403.¹

The audit was performed in accordance with generally accepted *Government Auditing Standards*, issued by the Comptroller General of the United States.² Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

¹ See 72 P.S. §§ 402 and 403 and Pa. Const. art. VIII, § 10. (Emphasis added.) The authority to conduct performance audits derives from the 2004 Pennsylvania Commonwealth Court decision in *Dep't of the Aud. Gen. v. State Emp. Ret. Sys.*, citing the prior case in the matter, which concluded that the Auditor General (and his Department) under Article VIII, § 10 of the Constitution and Section 402 and Section 403 of the Fiscal Code **has the authority to conduct performance audits** of, among others, a public agency (such as a school district) receiving state funds, at his discretion. See 860 A.2d 206, 214 (Pa. Cmwlth. 2004) amending the prior decision in *Dep't of the Aud. Gen. v. State Emp. Ret. Sys.*, 836 A.2d 1053, 1069-1070 (Pa. Cmwlth. 2003). (Emphases added.)

² U.S. Government Accountability Office. *Government Auditing Standards*. 2018 Revision Technical Update April 2021.

Our audit included the following three objectives:

- Determine whether the CSO complied with applicable provisions of the Charter School Law (CSL), the Department of Education's (PDE) relevant Basic Education Circular (BEC) and its other guidance documents, and internal policies and procedures relevant to reviewing new charter school applications.
- Determine whether the CSO complied with the CSL, PDE's BEC and its other guidance, and internal policies and procedures relevant to the renewal process for existing charter schools.
- Determine whether the CSO is monitoring the performance of charter schools consistent with the CSL and PDE's BEC and its other guidance, and pursuant to its annual review framework to determine if the charter schools are operating effectively and in accordance with their charters and other agreements.

Our methodology to satisfy these audit objectives, along with our evaluation of management's internal controls significant to these audit objectives, is included in *Appendix A* of this report. This report presents two findings and four recommendations.

As discussed in *Finding 1*, we found that the CSO's application process is compliant with the requirements of the CSL, PDE's Charter School BEC, and internal policies and procedures³ based on our determination of the following:

- The CSO had a comprehensive process and evaluated new charter applications pursuant to established criteria and timelines required by the CSL.
- The Board, and not the CSO, was the ultimate decision-maker whether a new charter application was approved. No new charter applications were approved during the audit period.

In *Finding 2*, we found the CSO adhered to the CSL, PDE's BEC, and internal policies in respect to performing annual monitoring of charter schools and a more comprehensive review in the year of renewal. However, we identified the following areas in which the CSO could improve its processes, including:

- Conducting periodic reviews of the charter school framework against established best practices and potential high-risk and problematic areas.
- Conducting admission lottery audits on a more frequent basis.
- Providing charter school responses in the annual monitoring and renewal reports.

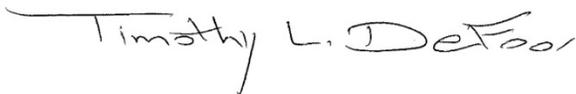
³ It should be noted the PDE's Charter School BEC and internal policies and procedures are largely a reiteration of the CSL requirements.

We also conducted procedures to determine the status of the prior audit findings and implementation of the related recommendations contained in the “School District of Philadelphia’s Oversight and Monitoring of District Authorized Charter Schools” audit report released in April 2016. Our current audit focuses only on the duties and responsibilities delegated to the CSO by the District’s Board of Education (Board),⁴ related to the following: (1) new charter applications, (2) charter renewals, and (3) annual monitoring.

As a result, during our current audit, we limited our follow-up procedures to just the status of prior audit findings and/or recommendations related to the above areas handled by the CSO. Of the four prior findings, Prior Audit Finding 3 entitled “PDE Withheld \$15 million from the District’s State Funding Without Providing the District with an Opportunity to be Heard” does not relate to the CSO, and therefore, we **did not** perform any procedures related to that finding and did not include a summary of the status of that finding in this audit report.⁵ Based on the results of our procedures, the CSO provided sufficient information and documentation to demonstrate the prior audit recommendations were implemented. Therefore, we consider the three prior audit findings related to the CSO’s duties and responsibilities to be resolved.

In closing, we thank the CSO for its cooperation and assistance during the audit. The CSO agrees with the findings and has indicated a willingness to consider our recommendations for possible improvements to its monitoring process. We reserve the right to follow up at an appropriate time to determine whether and to what extent our recommendations have been implemented.

Sincerely,



Timothy L. DeFoor
Auditor General

⁴ As permitted under the Public School Code. See 24 P.S. § 5-510.

⁵ If, in the future, we decide to conduct a performance audit of the District, we will, at that time, assess the need to follow up on this finding and its recommendations.

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Executive Summary

This report presents the results of our performance audit of the School District of Philadelphia's (District) Charter Schools Office (CSO), which oversees the brick and mortar charter schools located in Philadelphia. Our performance audit included the following three objectives:

- Determine whether the CSO complied with applicable provisions of the Charter School Law (CSL), the Department of Education's (PDE) relevant Basic Education Circular (BEC) and its other guidance documents, and internal policies and procedures relevant to reviewing new charter school applications.
- Determine whether the CSO complied with the CSL, PDE's BEC and its other guidance, and internal policies and procedures relevant to the renewal process for existing charter schools.
- Determine whether the CSO is monitoring the performance of charter schools consistent with the CSL and PDE's BEC and its other guidance, and pursuant to its annual review framework to determine if the charter schools are operating effectively and in accordance with their charters and other agreements.

The audit period was July 1, 2021, through June 30, 2023, unless otherwise noted, with updates where applicable through the report date. We also conducted procedures to determine whether the CSO implemented applicable recommendations from our prior performance audit report of the District released in April 2016.

Our audit results are contained in two findings with four recommendations. The CSO agreed with our findings and indicated a willingness to consider implementation of our recommendations, as further elaborated in the *CSO's Response and Auditor's Conclusion* section of this report.

Finding 1 – The Charter Schools Office Complied with Laws, Guidance, and Policies Related to Reviewing New Charter School Applications during the 2021-22 and 2022-23 School Years.

The District's Board of Education (Board) delegates certain responsibilities to the CSO to support the Board's charter school authorizing responsibilities, including processing and reviewing all new charter applications received by the District.⁶ As part of our audit to evaluate the CSO's new charter school application review process, we reviewed all seven new charter applications during the two-year audit period, which included three applications from the 2021-22 school year and four applications from the 2022-23 school year. Our review concluded that

⁶ 24 P.S. § 5-510 (relating to Rules and regulations; safety patrols); the School District of Philadelphia Policy No. 400, *Charter School Monitoring Structures*, Adopted November 19, 2020.

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the CSO's application review is compliant with the requirements of the CSL, PDE's Charter School BEC, and District policies and procedures.⁷ We found that the CSO has a comprehensive process to evaluate new charter applications pursuant to established criteria and timelines required by the CSL.

We also found the CSO completed evaluation reports for each of the seven new charter applications, which analyzed the application information for compliance with the CSL requirements for new charter applications. The CSO presented all seven evaluation reports to the Board as one factor for consideration in the Board's determination if the application was approved or not. The Board, and not the CSO, is the final decision-maker on the approval or denial of new charter applications. Further, we verified the Board adopted an adjudication setting forth the reasons for the denial of the application as required by the CSL and District policy.⁸ No new charter applications were approved during the audit period.

Based on these results, we do not have any recommendations specific to the CSO's review process of new charter school applications.

Finding 2 – The Charter Schools Office Followed Applicable Laws and Other Guidance Related to Monitoring Charter Schools During the Audit Period, But Improvements Could Be Made to the Review Process.

The Board delegates certain charter school monitoring responsibilities to the CSO, including conducting ongoing performance evaluations and compliance monitoring and using academic, financial, and operational data to make renewal recommendations to the Board. As part of our audit, we reviewed the CSO's annual monitoring and renewal processes to determine whether the CSO complied with the CSL, PDE's BEC and its other guidance, and internal policies and procedures.

Our review concluded the following:

- The CSO used a Charter School Performance Framework that it created to ensure compliance with applicable laws and guidance documents while monitoring charter schools, but improvements should be considered.
- The CSO followed its review framework and point and rating systems when monitoring charter schools, but improvements should be considered.
- The CSO does not make the final decision regarding charter renewals.

While we found the CSO adhered to the CSL, PDE's BEC, and District policies in respect to performing annual monitoring of charter schools and a more comprehensive review in the year of

⁷ It should be noted the PDE's Charter School BEC and the District's policies and procedures are largely a reiteration of the CSL requirements.

⁸ 24 P.S. § 17-1717-A(e)(5) and School District of Philadelphia Policy No. 401. *Charter School Authorizing Functions*.

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renewal, we identified the following areas in which the CSO could improve its processes, including:

- Conducting periodic reviews of the charter school framework against established best practices and potential high-risk and problematic areas. We found that the charter school framework has not been formally reviewed by an outside agency during the audit period. An external review could assess the framework and consider potential high-risk or problematic areas based on its reviews, including frequent areas of noncompliance, areas where noncompliance could lead to safety issues, or any allegations or investigations received by the District or CSO regarding charter schools not complying with the CSL or other laws.
- Conducting admission lottery audits on a more frequent basis. During our review, it was noted that Franklin Towne Charter High School allegedly conducted its lottery for admissions excluding certain ZIP codes within the city made up predominately of minority households. We learned that the CSO conducted an investigation of these allegations and based on available information concluded that Franklin Towne appeared to be in violation of provisions of the CSL and its charter in conducting its admissions and lottery processes. We found that the CSO does not evaluate the charter school's admissions process as part of its annual monitoring and only does the evaluation at the time of renewal.
- Providing charter school responses in the annual monitoring and renewal reports. While the ACE and ACE-R reports are publicly available on the District's website, these reports contain the CSO's evaluation only and do not include an official response to the report from the respective charter school. The CSO should consider allowing the charter schools to provide a formal response to the ACE and ACE-R reports allowing the charter school to agree, disagree, and provide feedback in order to increase transparency on issues included in these reports and to provide the Board with more information when considering charter renewals.

Status of Prior Audit Findings

Our prior performance audit of the District released in April 2016, covered the period July 1, 2011, through June 30, 2015, with applicable updates through January 22, 2016, and contained 15 recommendations to the District and four recommendations to PDE. Our prior audit focused on the District's oversight of District-authorized charter schools,⁹ responsibilities that we found were largely delegated to the CSO.¹⁰

⁹ The District only oversees the brick and mortar charter schools since PDE is the authorizer of cyber charter schools pursuant to 24 P.S. § 17-1741-A *et seq.*

¹⁰ This authorization is delineated in the School District of Philadelphia Policy No. 400. *Charter School Monitoring Structures* and Policy No. 401. *Charter School Authorizing Functions*, both adopted November 19, 2020.

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Our current audit focuses only on the duties and responsibilities delegated to the CSO by the Board, related to the following: (1) new charter applications, (2) charter renewals, and (3) annual monitoring. As a result, during our current audit, we limited our follow-up procedures to just the status of prior audit findings and/or recommendations related to the above areas handled by the CSO. Of the four prior findings, Prior Audit Finding 3 entitled "PDE Withheld \$15 million from the District's State Funding Without Providing the District with an Opportunity to be Heard" does not relate to the CSO, and therefore, we **did not** perform any procedures related to that finding and did not include a summary of the status of that finding.¹¹

Based on the results of our review, we concluded that the District implemented our prior audit recommendations through the activities performed by the CSO. Therefore, we consider the prior audit findings to be **Resolved**.

¹¹ If, in the future, we decide to conduct a performance audit of the District, we will, at that time, assess the need to follow up on this finding and its recommendations.

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Introduction and Background

This report by the Department of the Auditor General presents the results of a performance audit of the School District of Philadelphia’s Charter Schools Office (CSO). This audit was conducted pursuant to Sections 402 and 403 of The Fiscal Code.¹²

Our performance audit consisted of three objectives and included the period of July 1, 2021, through June 30, 2023, unless otherwise noted, with updates through the report date. Our audit objectives were as follows:

- Determine whether the CSO complied with applicable provisions of the Charter School Law¹³ (CSL), the Pennsylvania Department of Education’s (PDE) relevant Basic Educational Circular (BEC) and its other guidance documents, and internal policies and procedures relevant to reviewing new charter school applications.
- Determine whether the CSO complied with the CSL, PDE’s BEC and its other guidance, and internal policies and procedures relevant to the renewal process for existing charter schools.
- Determine whether the CSO is monitoring the performance of charter schools consistent with the CSL and PDE’s BEC and its other guidance, and pursuant to its annual review framework to determine if the charter schools are operating effectively and in accordance with their charters and other agreements.

We also conducted procedures to determine the status of our prior audit findings and recommendations as presented in the “School District of Philadelphia’s Oversight and Monitoring of District Authorized Charter Schools” audit report released in April 2016.¹⁴ Our prior performance audit covered the period July 1, 2011, through June 30, 2015, and contained four findings with 15 recommendations to the District, and four recommendations made to PDE.¹⁵ In the sections that follow, we present background information about (1) the CSL; (2) the

¹² 72 P.S. §§ 402 and 403.

¹³ 24 P.S. § 17-1701-A *et seq.*, Article XVII-A. Subarticle (b). Charter Schools. *See* 24 P.S. §§ 17-1714-A to 17-1732-A (Act 22 of 1997, as amended).

¹⁴ It should be noted that the prior audit focused on the District’s oversight and monitoring of the charter schools for which it is the authorizer. The current audit found that these responsibilities were largely delegated to the CSO pursuant to District Policy No. 400. *Charter School Monitoring Structures* and Policy No. 401. *Charter School Authorizing Functions*, both adopted November 19, 2020. Therefore, the current audit objectives are specific to the District’s CSO oversight and monitoring responsibilities rather than that of the District. As a result, during our current audit, we limited our follow-up procedures to just the status of prior audit findings and/or recommendations related to the above areas handled by the CSO. By way of clarification, the District (as delegated to the CSO) only oversees the brick and mortar charter schools in Philadelphia since PDE is the authorizer of the cyber charter schools pursuant to Article XVII-A. Subarticle (c). Cyber Charter Schools. *See* 24 P.S. §§ 17-1741-A to 17-1751-A (Act 88 of 2002, as amended).

¹⁵ *See Appendix A – Objectives, Scope, Methodology and Data Reliability* for more information.

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School District of Philadelphia (District) and its role as a charter authorizer; (3) the District's charter school sector; and (4) the District's CSO.

Pennsylvania's Charter School Law

In 1997, the Pennsylvania CSL was enacted allowing for the establishment and maintenance of charter schools.¹⁶ Charter schools are independently operated public schools designed to provide students with unique and innovative educational alternatives to traditional public school.¹⁷ In 2002, the CSL was amended to allow for the establishment of cyber charter schools that provide online educational opportunities to students throughout the state.¹⁸

Charter and cyber charter schools are primarily funded by tuition payments from school districts that have students attending the charter or cyber charter school.¹⁹ The CSL establishes the process and specific timelines by which applications to operate a charter school or cyber charter school are submitted, presented at public hearings, and approved or denied.²⁰

If a charter application is approved, a written charter shall be developed and serve as the legal authorization for the establishment of the charter school.²¹ The CSL also provides for an appeals process in the event a charter application is denied.²²

Once a charter for a charter school has been authorized, the local board of school directors is responsible to annually assess whether each charter school is meeting the goals of its charter and shall conduct a comprehensive review prior to granting a five-year renewal of the charter.²³

¹⁶ 24 P.S. § 17-1701-A *et seq.* (Act 22 of 1997, as amended.)

¹⁷ 24 P.S. § 17-1703-A (relating to Definitions). *See also* 24 P.S. § 17-1702-A (relating to Legislative intent).

¹⁸ 24 P.S. § 17-1741-A *et seq.* (Act 88 of 2002, as amended). *See also* Section 1703-A of the CSL which provides, in part, a cyber charter school “ shall...[be] operated under a charter from the Department of Education and in which the school uses technology....” (Emphasis added.) *Id.*

¹⁹ 24 P.S. § 17-1725-A (relating to Funding for charter schools). *See also* 24 P.S. § 17-1749-A (a)(1) (cyber catch-all provision indicating applicability).

²⁰ 24 P.S. § 17-1717-A (i.e., establishment of charter school), 24 P.S. § 17-1729-A (i.e., **nonrenewal/termination**), 24 P.S. § 17-1745-A (i.e., establishment of cyber charter school), and 24 P.S. § 17-1749-A (a)(1) (i.e., **applicability**).

²¹ 24 P.S. § 17-1720-A(a) and 24 P.S. § 17-1745-A(f)(3).

²² 24 P.S. § 17-1721-A and 24 P.S. § 17-1746-A.

²³ 24 P.S. § 17-1728-A. As a school district of the first class, if the Board has concerns about a charter school's academic performance, the District has the option of renewing this charter for a period of one year. *See* 24 P.S. § 17-1720-A(b)(1). Note also that this is different for a cyber charter school in that it is PDE conducting the assessment as the authorizer, *see* 24 P.S. § 17-1742-A.

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School District of Philadelphia and its role as a charter authorizer

School District of the First Class

The School District of Philadelphia is one of the oldest²⁴ and largest school districts in the nation and in the Commonwealth of Pennsylvania²⁵ and is the only district in the state to be classified as a school district of the first class.²⁶ The Pennsylvania Public School Code (PSC) of 1949 provides that any school district serving a population of at least one million people is classified as a school district of the first class.²⁷

The District receives state and federal funding in conjunction with local revenue, which is mostly drawn from local taxes and general obligation bonds. Other sources of funding include the cigarette tax, business use and occupancy tax, and sales tax as well as a portion of the profit of ridesharing companies like Uber and Lyft²⁸ and the Philadelphia Parking Authority.²⁹ The District is unique in that the District and the city are not separate legal entities for tax purposes and the District cannot independently levy and impose most types of taxes, including property taxes.³⁰

Distressed School Law and School Reform Commission

In December 2001, the District was declared as a financially distressed school district by the Pennsylvania Secretary of Education pursuant to the law commonly known as the “Distressed School Law,” which only applies to districts of the first class.³¹ The Secretary determined that the District had, among other concerns, failed to adopt a valid budget and failed or will fail to provide an educational program in compliance with the PSC and associated regulations.³²

²⁴ Established in 1818.

²⁵ [Philadelphia Schools: Take A Look At The Philadelphia Public Schools \(publicschoolreview.com\)](https://publicschoolreview.com) (accessed January 16, 2024).

²⁶ There are currently five classes of school districts (first class, first class A, second class, third class and fourth class) which are considered to be “political subdivisions”. See *PENNSYLVANIA LEGISLATOR’S MUNICIPAL DESKBOOK*, 6th Ed. (2020), page 7; see also 24 P.S. § 2-201 *et seq.* (PSC Article II. School Districts) and 24 P.S. § 6-651 *et seq.* (PSC Article VI. School Finances, Subarticle (d). First Class School District).

²⁷ 24 P.S. § 2-202.

²⁸ https://cdn.philasd.org/offices/budget/FY24_Consolidated_Budget_Book_Final.pdf, pp. 30-33; see also [How Philly schools are funded -- property taxes play a huge role -- and why state budget negotiations are key \(billypenn.com\)](https://billypenn.com) (both accessed January 16, 2024).

²⁹ 75 Pa.C.S. § 6109(g)(2)(ii).

³⁰ While the typical state taxpayer will pay real estate taxes to at least three local governments (i.e., 1. county, 2. city/borough/incorporated town/township, and 3. school district), this is different in Philadelphia “where the city and county are largely merged” (i.e., one tax bill). See *PENNSYLVANIA LEGISLATOR’S MUNICIPAL DESKBOOK*, 6th Ed. (2020), page 7.

³¹ 24 P.S. § 6-691 *et seq.* effective January 8, 2013 (Act 141 of 2012, as amended).

³² [FINAL Dissolution Presentation November 16, 2017 \(philasd.org\)](https://philasd.org), p. 3 (accessed January 16, 2024).

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The Distressed School Law provided for the creation of a School Reform Commission (SRC) and gave the SRC the ability to perform certain functions to improve the District's financial position.³³ Under the law, the SRC was a five-member board that functioned similarly to a typical school board. The Governor appointed three members to serve five-year terms, with the Mayor appointing the remaining two members to serve four-year terms.³⁴ Like a school board, the SRC was responsible for certain operational, management, financial, and educational program decisions of the District.³⁵ These decisions were required to be made in public meetings as required by law.³⁶

The Distressed School Law permitted the SRC to suspend or temporarily stop following requirements of the PSC related to the District's role as a charter authorizer that a typical school board does not have.³⁷ For example, the District and the SRC were not required to accept, review, and act on new charter applications pursuant to the CSL, and when the SRC did act on charter applications, the SRC's denial decisions could not be appealed to the State Charter School Appeal Board (CAB). Although the District accepted new charter applications since enactment of the CSL in 1997 and onward, the District stopped accepting new charter applications in 2008 as permitted by its distressed school status. However, the District implemented a board policy in 2010 called the "Renaissance Schools Initiative" while under SRC control³⁸ to convert persistently low academically performing District-operated schools to charter schools.³⁹

Cigarette Tax Law and the Related Omnibus Amendments

In 2014, enactment of the Philadelphia Cigarette Tax Law provided additional tax revenue to supplement city public school funding.⁴⁰ The related Omnibus Amendments⁴¹ required the District to again accept new charter applications, which could be appealed to the CAB if denied.⁴² As a result, the CSO had to quickly pivot operations to be able to process new

³³ 24 P.S. § 6-696(i)(3) of the Distressed School Law. The CSO indicated that the SRC was in existence from December 21, 2001 to June 1, 2018.

³⁴ 24 P.S. § 6-696(a) and (b)(v).

³⁵ 24 P.S. § 6-696(a).

³⁶ The Sunshine Act, 65 Pa.C.S. §§ 703 and 704.

³⁷ 24 P.S. § 6-696(i)(3).

³⁸ The SRC control has been superseded by related caselaw and other circumstances (i.e., Philadelphia School District Board of Education resuming control on June 30, 2018). See *West Phila. Achievement Charter Elementary School v. School Dist. of Philadelphia*, 635 Pa. 127, 132 A.3d 957 (2016), in which the Supreme Court held that the Distressed School Law provision requiring the Secretary of Education to appoint the SRC to oversee a distressed school district was unconstitutional.

³⁹ The last District-operated schools converted under the Renaissance Schools Initiative in 2016.

⁴⁰ 53 Pa.C.S. § 8722 (Act 131 of 2014 as affected by Act 84 of 2016).

⁴¹ See 53 Pa.C.S. § 303(2) (Act 131 of 2014, effective November 10, 2014) pertaining to the General Local Government Code-Omnibus Amendments making several Charter School Law provisions applicable to an application to establish a charter school in a school district of the first class which had previously been inapplicable because of the "Distressed School Law."

⁴² 24 P.S. § 17-1721-A, 24 P.S. § 17-1729(d); see also the Cigarette Tax Law, 53 Pa.C.S. § 8722 (Act 131 as affected by Act 84 of 2016) and the Omnibus Amendments related to the Cigarette Tax Law, 53 Pa.C.S. § 303 (Act 131).

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charter applications, for which an influx was received due to none being accepted since 2008. During our prior audit, we noted that there were 39 new charter applications for the 2014-15 school year after passage of the Omnibus Amendments related to the Cigarette Tax Law. While the Cigarette Tax Law was initially going to expire in June 2019, it now remains in effect indefinitely.⁴³

SRC Disbands, District Board Control Resumes

In November 2017, the SRC voted to disband effective June 30, 2018, at which time the Philadelphia School District Board of Education (Board) resumed control.⁴⁴ The Board is comprised of nine Board members who are appointed by the Mayor to four-year terms and confirmed by the City Council.⁴⁵ Board members serve four-year terms that are co-terminus with the Mayor's term. The Board is the governing body responsible for overseeing all policies and budgetary decisions of the District.

Under the CSL, a local school board is responsible for authorizing brick and mortar charter schools located in its district.⁴⁶ The District's role as a charter authorizer includes many responsibilities, including charter approval, renewal, non-renewal, and revocation in accordance with the CSL and applicable case law.⁴⁷

The Board, by a majority vote of all Board members, shall approve or deny a new charter application in accordance with the CSL. If the application is denied, the Board shall adopt an adjudication setting forth the reasons for the denial.⁴⁸ An applicant may only submit a revised application once during a designated annual application cycle. Applicants that are denied by the Board can also appeal the Board's decision to the CAB⁴⁹, as well as to Commonwealth Court, and may petition the state Supreme Court.⁵⁰ A charter application shall be approved for no less than three years or no more than five years.⁵¹

⁴³ Act 84 repealed Subsection (k) of 53 Pa.C.S. § 8722 regarding the expiration date.

⁴⁴ 24 P.S. § 6-696(n) which states, in part: "(n)... Except as otherwise provided in this section, after dissolution the board of school directors shall have the powers and duties of the School Reform Commission"; School Reform Commission Public Meeting Resolution Summary, November 16, 2017, SRC-3, Recommendation of Dissolution of the School Reform Commission (accessed January 16, 2024).

⁴⁵ 24 P.S. §§ 4-401 (relating to **Beginning of school year; organization meetings**) and 24-403 (relating to **Districts first class...permanent organization; election of officers**) and www.philasd.org/schoolboard (accessed November 15, 2023).

⁴⁶ 24 P.S. § 17-1717-A.

⁴⁷ Ibid. and 24 P.S. § 17-1729-A (related to **Causes for nonrenewal or termination**).

⁴⁸ 24 P.S. § 17-1717-A(e)(4)-(5) and School District of Philadelphia Policy No. 401. *Charter School Authorizing Functions*.

⁴⁹ A denied charter may require a charter school to close/go out of existence if the CAB denies the appeal unless the charter school seeks appellate review.

⁵⁰ 24 P.S. § 17-1729-A(d)-(h).

⁵¹ 24 P.S. § 17-1720-A(a); note that under Subsection (b)(1)-(3), "[n]otwithstanding subsection (a), a governing board of a school district of the first class may renew a charter for a period of one (1) year if the board of school directors determines that there is insufficient data concerning the charter school's academic performance to

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The Board also considers charter schools for renewal or may issue a notice of nonrenewal or revocation, by a majority vote of all Board members in accordance with the CSL. Charters are typically renewed for a period of five years similar to the original charter application. However, given the District’s status as a school district of the first class, the District may elect to renew a charter for a period of one year if the Board has concerns regarding academic performance,⁵² but the Board cannot renew a charter for successive one-year periods.⁵³ The Board is required to hold nonrenewal or revocation public hearings and provide for public comment according to the CSL. After the public comment period, the Board votes again on the renewal or revocation of the charter. The charter school can appeal a nonrenewal or revocation decision to the CAB, as well as to Commonwealth Court.⁵⁴

Board’s Power to Investigate Charter Complaints

As part of its function as a charter school authorizer in Philadelphia, the Board has the authority to “hold charter schools accountable for meeting high and measurable academic, operational, and financial standards within established accountability systems and for providing access to all students in accordance with applicable laws,”⁵⁵ as well as to conduct in-house investigations through the District’s Office of Inspector General or to conduct independent investigations as needed to meet its obligations.⁵⁶

By way of examples:

- the Office of Inspector General has previously investigated charter school matters and referred its results to outside agencies;⁵⁷ and
- the Board engaged a Philadelphia-based law firm in December 2021, to conduct an independent investigation into allegations of race discrimination or racial bias with the District’s charter school authorizing practices related to its renewal process through a report released to the public in October 2023.⁵⁸

adequately assess that performance and determines that an additional year of performance data would yield sufficient data to assist the governing board in its decision whether to renew the charter for a period of five (5) years. (2) A one-year renewal pursuant to paragraph (1) shall not be considered an adjudication and may not be appealed to the State Charter School Appeal Board. (3) A governing board of a school district of the first class does not have the authority to renew a charter for successive one (1) year periods.” (Emphasis added.) See 24 P.S. § 17-1720-A(b) (Act 61 of 2008).

⁵² 24 P.S. § 17-1720-A(b)(1).

⁵³ 24 P.S. § 17-1720-A(b)(3).

⁵⁴ 24 P.S. § 17-1729-A(c) and (d)-(h).

⁵⁵ The School District of Philadelphia’s Board Policy No. 400. *Charter School Monitoring Structures*, Adopted November 19, 2020, p. 1 (accessed January 17, 2024).

⁵⁶ <https://www.philasd.org/inspectorgeneral/>.

⁵⁷ According to CSO management, reports related to recent charter school investigations by the Inspector General’s Office have not been posted on the website. The authority for the Inspector General’s Office to conduct such investigations remains.

⁵⁸ According to CSO management, this report is still under consideration by the District and its Board, and a response to the report findings has not been issued. The report’s disclaimer states, in part, “The release of the report should not be considered or construed as the Board of Education’s or the School District of Philadelphia’s adoption

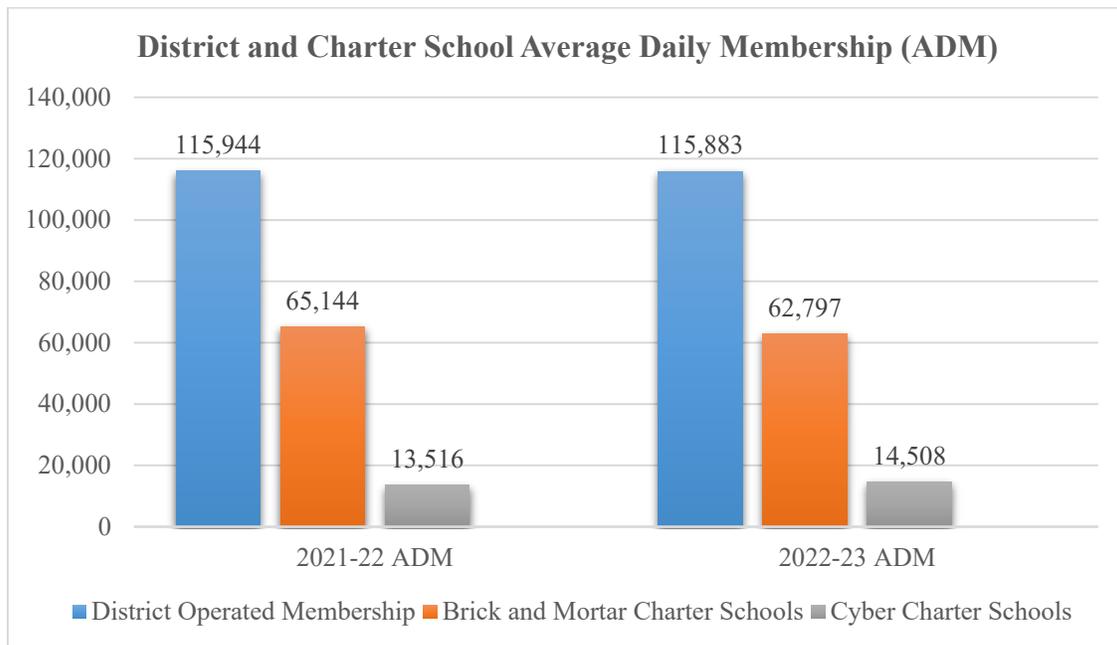
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The Philadelphia Charter School Sector

For the 2021-22 and 2022-23 school years, there were 86 operating brick and mortar charter schools authorized by the District.⁵⁹ These 86 charter schools represented more than half of the 165 charter schools operating in the entire state for the 2022-23 school year.⁶⁰

The following chart shows the average daily membership⁶¹ enrolled in District schools, brick and mortar charter schools, and cyber charter schools for the 2021-22 and 2022-23 school years:



Source: Chart developed by Department of the Auditor General Staff from information obtained from the CSO. The CSO obtained the information from Pennsylvania Information Management System. The 2021-22 ADM numbers are the final for the year. The 2022-23 ADM numbers are subject to change due

or acceptance of its findings, opinions, or recommendations.” The District’s press release and link to the investigative report can be accessed on the District’s web site.

⁵⁹ There were 85 operating charter schools during the 2021-22 school year, but three charter schools closed at the end of that school year. One new charter school previously approved during the 2017-18 school year began operations in the 2022-23 school year, resulting in 83 operating charter schools during the 2022-23 school year. An additional charter school closed at the end of the 2022-23 school year, resulting in the District currently having 82 charter schools operating during the 2023-24 school year. Additionally, 17 of the currently operating charter schools were persistently low academically performing District-operated schools that were converted to charter schools through the District’s Renaissance Schools Initiative while the District was under control of the SRC. The last schools converted under the Renaissance Schools Initiative opened in the 2016 school year. See Appendix B for a listing of all charter schools.

⁶⁰ Number of operating brick and mortar charter schools in the state obtained from PDE’s website www.education.pa.gov/K-12/Charter%20Schools/Pages/default.aspx (accessed November 29, 2023).

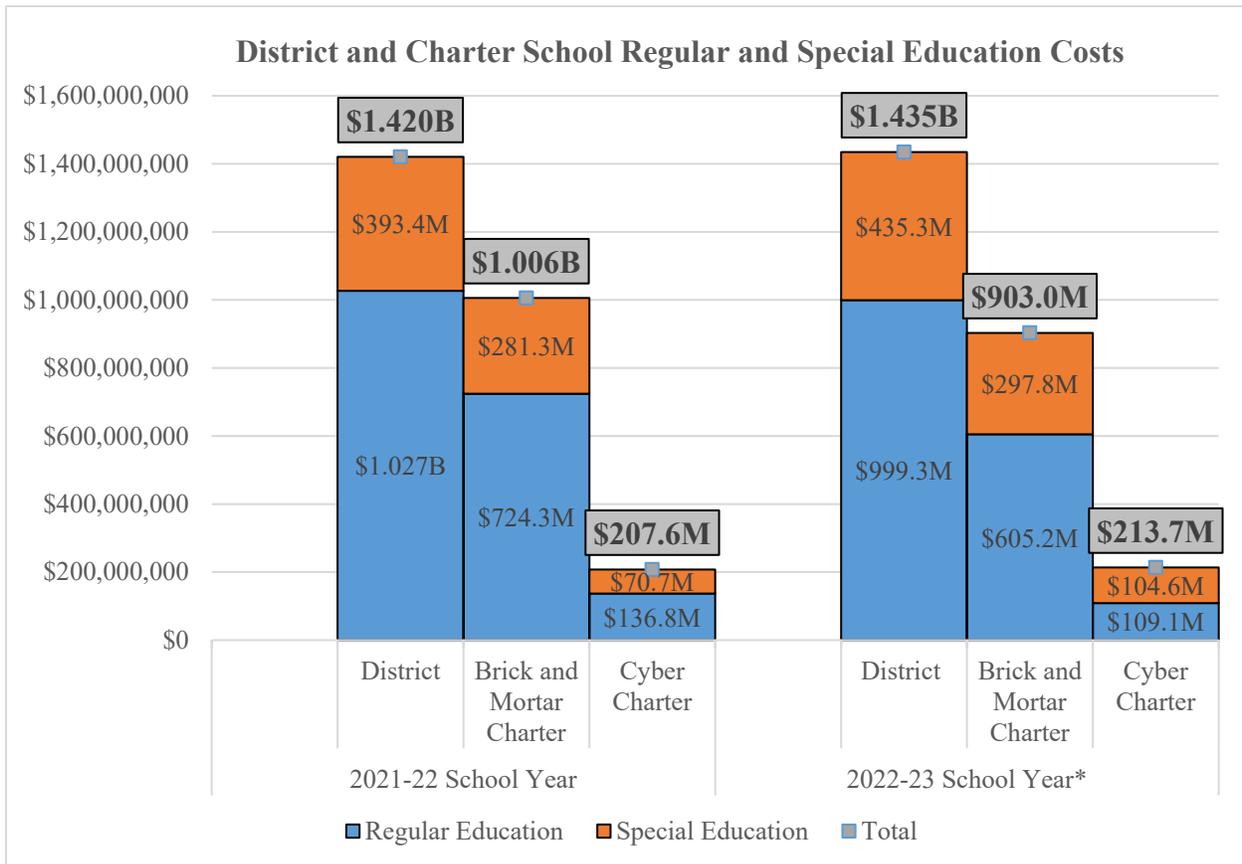
⁶¹ The Average Daily Membership is the average number of students in membership during the reporting period (aggregate days membership divided by days in session). [Glossary of Terms \(pa.gov\)](http://www.pasdepa.gov/Glossary-of-Terms) (accessed January 18, 2024).

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to the reporting window remaining open until the spring of the following year.⁶² This background data is provided for informational purposes only.

For each Philadelphia resident student attending a charter or cyber charter school, the District must pay tuition to the respective school. Charter tuition is the primary form of revenue received by charter schools and cyber charter schools. Charter school tuition rates are established by the CSL and based on a complicated formula derived from the school district’s expenditures.⁶³ Therefore, all 500 school districts in Pennsylvania pay varying tuition rates for regular education and special education students attending charters and cyber charters from its district. The District’s regular education rates for the 2021-22 and 2022-23 school years were \$10,786 and \$9,442, respectively, and special education rates were \$31,528 and \$31,651, respectively. The following chart shows the regular and special education tuition payments made by the District to the charter schools for the 2021-22 and 2022-23 school years:



B = billions M = millions

⁶² The CSO also provided the ADM for District students that attend non-Philadelphia charter schools, including 1,626 and 1,272 for the 2021-22 and 2022-23 school years, respectively.

⁶³ 24 P.S. § 17-1725-A, 24 P.S. § 25-2501(20), and 24 P.S. § 25-2509.5(k).

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*The CSO provided preliminary numbers for the 2022-23 school year, which are subject to change based on the finalized 2022-23 Annual Comprehensive Financial Report conducted by the District's independent auditors.

Source: Chart developed by Department of the Auditor General Staff from information obtained from the District's Annual Financial Reports for school year 2021-22. This background data is provided for informational purposes only.

The District's Charter Schools Office

The role of the CSO is to assist the Board in meeting its obligations under the CSL and to foster accountability by exercising oversight for academically successful, operationally sound, and fiscally responsible charter schools.

The mission of the CSO is as follows:⁶⁴

The Charter Schools Office fosters high quality educational opportunities, fair and equitable treatment, and improved outcomes for students and families in Philadelphia through rigorous charter school evaluations, effective oversight, and meaningful support.

The CSO performs the following functions on behalf of the Board, in a manner consistent with applicable laws, related to charter schools authorized by the District:⁶⁵

- Establishing clear, high standards for charter school academic, operational, and financial performance that are approved by the Board.
- Organizing and conducting new charter application processes to ensure that all new charter schools are of high quality.
- Conducting ongoing performance evaluation and compliance monitoring.
- Reviewing charter school amendment requests.
- Using comprehensive academic, financial, and operational performance data to make renewal, amendment, nonrenewal, and revocation recommendations to the Board.
- Evaluating the CSO's work regularly against applicable laws, national standards for quality authorizing, and recognized best practices.
- Protecting all students' rights by ensuring nondiscriminatory and nonselective access, fair treatment in admissions and disciplinary actions, and appropriate services for all students, including those with disabilities and English Learners, in accordance with applicable laws.
- Protecting the public interest by holding charter schools accountable for fulfilling fundamental obligations to the public, including sound governance, management, and stewardship of public funds.

⁶⁴ www.philasd.org/charterschools (accessed November 16, 2023).

⁶⁵ The School District of Philadelphia's Board Policy No. 400. *Charter School Monitoring Structures*, Adopted November 19, 2020.

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- Ensuring that family members, students, community members, and other stakeholders are well-informed about charter school evaluation and performance.

The CSO also provides charter schools with appropriate operational support, including, but not limited to:⁶⁶

- Responding to questions and concerns in a timely manner.
- Assisting with operational functions as stipulated in the charter agreement.
- Providing information about pertinent changes in authorizing policies and procedures.
- Providing compliance-related technical assistance, such as professional development, to charter schools boards and leaders at a reasonable fee as CSO capacity allows and in cooperation with charter schools.

New charter applications are filed with the CSO acting as an agent of the Board. The CSO evaluates new charter applications based on criteria established by law and additional criteria as determined by the Board, which is consistent with the CSL. (*See Finding 1* of the current report for additional information regarding the new charter application process.)

The CSO also conducts an annual review of each charter school, including a more detailed review when a charter school is in the year of renewal. Each charter school receives an annual evaluation of its performance in the form of an Annual Charter Evaluation (ACE) report. For those charters included in the renewal cohort for a particular year, the renewal reports are referred to as “ACE-R” and are prepared as part of the renewal processes. The review and renewal evaluation reports are based on the Charter School Performance Framework, which evaluates three domains and contains categories and a corresponding number of standards within each category as discussed below:

- The Academic Success domain includes four categories: proficiency, growth, attendance, and postsecondary readiness (for charter schools serving high school grades).
- The Organizational Compliance and Viability domain includes nine categories: Mission and Educational Plan; Special Education; English Learners; Enrollment; Student Discipline; Personnel; Food, Health and Safety; Board Governance; and Timely Reporting.
- The Financial Health and Sustainability domain includes two categories: Financial Health and Fiscal Management.

The domain ratings and supporting evidence are the main drivers of renewal recommendations. Charter schools that approach or meet the standard in the three domains are recommended for a five-year renewal with or without conditions. Charter schools that do not meet the standard in

⁶⁶ Ibid.

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one or more domains may be considered for nonrenewal. The CSO provides a recommendation to the Board based on its review and evaluation of outcomes and compliance in relation to standards listed above.⁶⁷ All ACE and ACE-R reports are publicly available on the District's website. (See *Finding 2* of the current report for additional information regarding the monitoring and renewal process.)

⁶⁷ The CSO does not provide recommendations to the Board if a charter school does not meet standards in one of the three domains. Instead, the CSO presents the information to the Board, and then the Board decides to make a five-year renewal with conditions, a one-year renewal with conditions, or to commence nonrenewal proceedings related to the charter (in compliance with due process rights).

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Finding 1 – The Charter Schools Office Complied with Laws, Guidance, and Policies Related to Reviewing New Charter School Applications during the 2021-22 and 2022-23 School Years.

In accordance with the Public School Code (Code), the School District of Philadelphia’s (District) Board of Education (Board) delegates certain responsibilities to the District’s Charter Schools Office (CSO) to support the Board’s charter school authorizing responsibilities, including processing and reviewing all new charter applications received by the District.⁶⁸ Accordingly, we evaluated the CSO’s application process to determine whether the CSO complied with applicable provisions of the Charter School Law (CSL),⁶⁹ the Pennsylvania Department of Education’s (PDE) Charter Schools Basic Education Circular (BEC)⁷⁰ and its other guidance documents, and internal policies and procedures relevant to reviewing new charter applications.

As part of our review, we conducted interviews with CSO management to obtain an understanding of the different components of the review process, and we reviewed applicable laws and policies and procedures. Additionally, we reviewed all seven new charter applications received by the CSO during the two-year audit period July 1, 2021, through June 30, 2023, which included three applications from the 2021-22 school year and four applications from the 2022-23 school year. We also reviewed the evaluation reports prepared by the CSO for all seven applications. Our review concluded that the CSO’s application process is compliant with the requirements of the CSL, PDE’s Charter School BEC, and District policies and procedures⁷¹ based on our determination of the following:

- ✓ The CSO had a comprehensive process and evaluated new charter applications pursuant to established criteria and timelines required by the CSL.
- ✓ The Board, and not the CSO, was the ultimate decision-maker whether a new charter application was approved. No new charter applications were approved during the audit period.

The results of our review are discussed in detail in the sections to follow.

⁶⁸ 24 P.S. § 5-510 (relating to Rules and regulations; safety patrols); the School District of Philadelphia Policy No. 400, *Charter School Monitoring Structures*, Adopted November 19, 2020.

⁶⁹ 24 P.S. § 17-1701-A *et seq.*, specifically, Article XVIIA. Subarticle (b). Charter Schools. *See* 24 P.S. §§ 17-1714-A to 17-1732-A (Act 22 of 1997, as amended).

⁷⁰ Last updated September 28, 2023, the BEC provides a general overview of the CSL, 24 P.S. §§ 17-1701-A – 17-1751-A, and serves as a guide for school districts, charter schools, parents, and other interested individuals on the authorization and establishment, operation, oversight, and closure of a charter school. *See* [Charter Schools \(pa.gov\)](https://www.pasd.edu/charter-schools) (last accessed February 8, 2024).

⁷¹ It should be noted the PDE’s Charter School BEC and the District’s policies and procedures are largely a reiteration of the CSL requirements.

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The CSO had a comprehensive process and evaluated new charter applications pursuant to established criteria and timelines required by the CSL.

Pursuant to District policy and in a manner consistent with applicable laws, we found that the CSO is responsible for organizing and conducting new charter application processes to ensure that all new charter schools are of high quality.⁷² During our audit, the CSO explained that its duties regarding new applications are to:

- 1) provide applicants with application materials and templates;
- 2) receive the letters of intent and applications;
- 3) convene evaluation teams;
- 4) review submissions and prepare evaluation reports; and
- 5) arrange for public hearings before the Board's Hearing Officer.

We verified that the CSO conducts these duties as part of its procedures to review new applications and meet established deadlines as described below.

Our review of all seven applications submitted for new charter schools for the 2021-22 and 2022-23 school years included in our two-year audit period concluded that the CSO had a comprehensive process to evaluate new charter applications and conducted a detailed and timely review. Specifically, our results found for each of the seven new applications:

- The CSO's application process included preliminary procedural steps, followed by strict deadlines required by the CSL, and all deadlines were met. (Refer to *Appendix C – Charter School Timeline for Applications* for a list of key dates met and explanations of the process for each key date.)
- The Board's public hearing process for new applicants exceeds the CSL's requirement of holding at least one public hearing. For each of the seven applications reviewed, we found that two public hearings were held, with one being in December and the other about a month later, and that the following activities happened related to the hearings:
 - The Board selected a hearing officer to preside over the hearings.
 - The first hearing provided the applicant time to present its application and then speakers were given time for public comment.⁷³
 - Prior to the second hearing, the CSO provided an evaluation report (discussed below) to the hearing officer and applicant.
 - During the second hearing, the CSO presented a summary of the evaluation report. We also noted that the hearing officer may question the CSO about the

⁷² The School District of Philadelphia Policy No. 400, *Charter School Monitoring Structures*, Adopted November 19, 2020.

⁷³ All applicants are considered at once during the first hearing.

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evaluation report and/or the applicant about its application. The applicant also may provide concluding remarks.⁷⁴

- The CSO completed evaluation reports for each application, which were presented during the second public hearing.
 - The evaluation reports analyzed the application information for compliance with the CSL (Refer to *Appendix D – Charter School Law Requirements – Contents of Application* for the CSL requirements for new charter applications) by organizing the evaluations into report section categories (i.e., academics, finances, organizational compliance and capacity, etc.) and more detailed application components of those categories and detailed any areas of noncompliance.⁷⁵ (Refer to *Appendix E – Charter Schools Office Evaluation Reports* for a list of “Report Sections” and “Application Components” evaluated.)
 - The executive summaries included in the evaluation reports, as well as summaries provided to the Board, detailed key findings in each report section category listed in the “Report Sections/Application Components” (as discussed in *Appendix E – Charter Schools Office Evaluation Reports*), including any areas of deficiencies within the applications.
 - According to CSO management and as evidenced during our review of the evaluation reports, the applications were reviewed by a team of evaluators led by CSO staff, which may also include internal District employees and external consultants with expertise in the areas they are reviewing. The CSO reported it typically engages with the District’s Office of General Counsel, Office of Risk Management, and Office of Finance for reviewing applications in the areas of legal and insurance requirements, finance, facilities, staff benefits, and management contracts. The CSO also uses external consultants to evaluate specific components of the application, such as the academic curriculum.⁷⁶
- We did not find any notable differences between the application contents and the evaluation reports presented to the Board. We also confirmed that the CSO’s evaluation reports are only one factor considered in the Board’s decision-making process, as the Board is provided with the complete record, including the application and all submitted attachments, public comment, transcripts, etc. We determined that the CSO’s evaluation reports included the review items required under the CSL, and the evaluations appeared reasonable based on the information provided and the scope of our review.

⁷⁴ Depending on the number of applicants, the second hearing may be held on different dates for different applicants.

⁷⁵ In addition to the CSL, the BEC provides a general overview of the CSL, 24 P.S. §§ 17-1701-A – 17-1751-A and the School District of Philadelphia Policy No. 401, *Administrative Procedures for Charter School Authorizing Functions*, Adopted November 19, 2020, also have similar requirements.

⁷⁶ Our audit objective was to determine if the CSO’s application process for new charters was compliant with the CSL and other related guidance. Therefore, we did not obtain or review consultant reports for the purposes of this audit.

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The Board, and not the CSO, was the ultimate decision-maker whether a new charter application was approved. No new charter applications were approved during the audit period.

New Charter Applications Since Our Prior Audit

As part of our current review, we requested the CSO provide us with the number of applications received and approved since our prior audit.⁷⁷ The information provided revealed that no new charter school applications had been approved since the 2017-18 school year, and all 17 applications submitted to the CSO since the 2018-19 school year were denied by the Board. The chart below shows the number of applications that were received by the CSO and the number approved by the School Reform Commission (SRC)⁷⁸ or Board during the years since our last audit.

School Year	Approver	Number of Applications	
		Received	Number Approved
2015-16	SRC	15	4
2016-17	SRC	7	2
2017-18	SRC	9	2
2018-19	Board	3	0
2019-20	Board	2	0
2020-21	Board	5	0
2021-22	Board	3	0
2022-23	Board	4	0

Source: Developed by Department of the Auditor General Staff from information provided by CSO staff. We reviewed the Board minutes to verify the number of applications received and Board action for our current audit period, which included the 2021-22 and 2022-23 school years.

For our procedures for the current audit, we reviewed the seven applications received for the 2021-22 and 2022-23 school years. During our review of the application process in its totality, including a review of board meeting minutes evaluation reports, and adjudication reports, we found the following:

- The Board voted on each of the seven applications within 75 days of the first public hearing as required by the CSL and District policy. The Board voted to **not approve** any of the applications for a new charter school submitted during the audit period.

⁷⁷ During our prior audit, we noted that there were 39 new charter applications for the 2014-15 school year after passage of the General Local Government Code-Omnibus Amendments related to the Cigarette Tax Law, 53 Pa.C.S. § 303 (Act 131 of 2014, effective November 10, 2014).

⁷⁸ The CSO indicated that the SRC was in existence from December 21, 2001, to June 1, 2018. According to the Board’s Resolution Summary, the SRC voted to disband as of July 1, 2018, and was replaced by the Board. See School Reform Commission Public Meeting Resolution Summary, November 16, 2017, SRC-3, Recommendation of Dissolution of the School Reform Commission (accessed January 16, 2024).

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- For each denied application, the Board issued an adjudication report explaining the evaluation process, which included detailed explanations of why the applications were denied that aligned with deficiencies noted in the CSO's evaluation reports.
- While the CSO completes evaluation reports, it does **not** make recommendations to approve or deny new charter applications. All authorizing authority lies with the Board, which is consistent with the authorizing requirements in the CSL.⁷⁹
- If denied, the charter applicant was given the opportunity to resubmit its application or engage in an appeals process, which are described below.

Application Resubmission and Appeals Process

We verified the Board adopted an adjudication setting forth the reasons for the denial as required by the CSL.⁸⁰ According to CSO management, written notice of the Board's action is sent to the applicant, and the applicant may submit a revised application once during a designated annual application cycle or reapply during a subsequent application cycle.⁸¹ We found that no denied applicant resubmitted a revised application for the 2021-22 school year, and only one denied applicant in the 2022-23 school year resubmitted a revised application in that same application cycle in accordance with the CSL and District policy. We verified the CSO conducted a review of that one resubmitted application and presented its evaluation report to the Board. We also confirmed the resubmission was denied by the Board, and an adjudication report was issued detailing the reasons for the denial.

In addition to being able to resubmit applications, the CSL also allows denied applicants to appeal the Board's decision to the State Charter School Appeal Board⁸² (CAB), as well as to Commonwealth Court and may petition the state Supreme Court.⁸³ The CSO indicated that it is not aware of any appeals filed for applications denied during the audit period.⁸⁴

Conclusion

Based on our review, we found that the CSO complied with the applicable laws and provisions of the CSL, PDE's BEC and its other guidance documents, and internal policies and procedures relevant to reviewing new charter applications. The CSO had a comprehensive process to evaluate new charter applications, timelines required by the CSO's procedures and the CSL were met, and evaluation reports were presented to the Board as one factor in the Board's ultimate

⁷⁹ 24 P.S. § 17-1717-A(e)(4).

⁸⁰ 24 P.S. § 17-1717-A(e)(5).

⁸¹ 24 P.S. § 17-1717-A(f) and the School District of Philadelphia Policy No. 401, *Administrative Procedures for Charter School Authorizing Functions*, Adopted November 19, 2020.

⁸² 24 P.S. § 17-1721-A.

⁸³ 24 P.S. § 17-1729-A(d)-(h).

⁸⁴ We learned during our audit period that the CAB issued two decisions on new charters that were appealed from prior application cycles (2019-20 and 2020-21). In both instances, the CAB upheld the decision of the Board to deny the new charter applications.

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decision-making. As such, we do not have any recommendations specific to the CSO's review process of new charter school applications.

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Finding 2 – The Charter Schools Office Followed Applicable Laws and Other Guidance Related to Monitoring Charter Schools During the Audit Period, But Improvements Could Be Made to the Review Process.

As permitted by the Public School Code (Code), the School District of Philadelphia's (District) Board of Education (Board) delegates certain charter school monitoring responsibilities to the District's Charter Schools Office (CSO), including the following:⁸⁵

- Conducting ongoing performance evaluations and compliance monitoring.
- Using comprehensive academic, financial, and operational performance data to make renewal, amendment, nonrenewal, and revocation recommendations to the Board.
- Protecting all students' rights by ensuring nondiscriminatory and nonselective access, fair treatment in admissions and disciplinary actions, and appropriate services for all students, including those with disabilities and English Learners, in accordance with applicable laws.

Accordingly, for our two-year audit period of July 1, 2021, through June 30, 2023, we evaluated the CSO's monitoring processes to determine whether the CSO complied with applicable provisions of the Charter School Law (CSL),⁸⁶ the Pennsylvania Department of Education's (PDE) Charter Schools Basic Education Circular (BEC)⁸⁷ and its other guidance documents, and internal policies and procedures relevant to its:

- Annual review framework to determine if the charter schools are operating effectively and in accordance with their charters and other agreements; and
- Renewal process for existing charter schools.

As part of our review, we conducted interviews with CSO management to gain an understanding of the annual monitoring framework and renewal process for existing charter schools. We reviewed the framework to ensure compliance with requirements from the CSL and charter agreements, as well as applicable laws, guidance documents, and policies and procedures. We also reviewed the CSO's annual and renewal monitoring reports for a selection of charter schools to verify that the process aligned with the CSO's review framework and that the conclusions were consistent with its scoring guidelines for renewals.

⁸⁵ Section 510 (relating to Rules and regulations...) of the Code, 24 P.S. § 5-510; the School District of Philadelphia Policy No. 400, *Charter School Monitoring Structures*, adopted November 19, 2020.

⁸⁶ 24 P.S. § 17-1701-A *et seq.*, specifically, Article XVII-A. Subarticle (b). Charter Schools. *See* 24 P.S. §§ 17-1714-A to 17-1732-A (Act 22 of 1997, as amended).

⁸⁷ Last updated September 28, 2023, the BEC provides a general overview of the CSL, 24 P.S. §§ 17-1701-A – 17-1751-A, and serves as a guide for school districts, charter schools, parents, and other interested individuals on the authorization and establishment, operation, oversight, and closure of a charter school.

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Our review concluded the following:

- ✓ The CSO used a Charter School Performance Framework that it created to ensure compliance with applicable laws and guidance documents while monitoring charter schools, but improvements should be considered.
- ✓ The CSO followed its review framework and point and rating systems when monitoring charter schools, but improvements should be considered.
- ✓ The CSO does not make the final decision regarding charter renewals.

While we found the CSO adhered to the CSL, PDE's BEC, and District policies in respect to performing annual monitoring of charter schools and a more comprehensive review in the year of renewal, we identified the following areas in which the CSO could improve its processes, including:

- Conducting periodic reviews of the charter school framework against established best practices and potential high-risk and problematic areas.
- Conducting admission lottery audits on a more frequent basis.
- Providing charter school responses in the annual monitoring and renewal reports.

Our results are discussed in detail in the sections below.

The CSO used a Charter School Performance Framework that it created to ensure compliance with applicable laws and guidance documents while monitoring charter schools, but improvements should be considered.

According to the CSL, the authorizing local school board must annually assess that each charter school is meeting the goals of its charter and conduct a comprehensive review of the charter prior to granting a five-year renewal of the charter.⁸⁸ The CSL requires charter schools to submit an annual report to PDE and the local school board to facilitate the review.⁸⁹ Additionally, the CSL outlines the requirements for revocation or non-renewal of a charter, including violations of the charter or failing to meet student performance requirements.⁹⁰ (*See Appendix F* for a list of causes for nonrenewal or termination specified in the CSL). As stated above, the District's Board delegated its review and monitoring responsibilities to the CSO pursuant to District policy and in a manner consistent with applicable laws.⁹¹

⁸⁸ 24 P.S. § 17-1728-A(a).

⁸⁹ 24 P.S. § 17-1728-A(b). The annual charter school report contains a list of active board members, board meeting dates, federal program information, audit information, special education information, staffing information, and financial and contract information.

⁹⁰ 24 P.S. § 17-1729-A(a)(1)-(6).

⁹¹ The School District of Philadelphia Policy No. 400, *Charter School Monitoring Structures*, and Policy No. 401, *Charter School Authorizing Functions*, both adopted November 19, 2020.

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As part of our review, we determined whether the CSO developed a mechanism to monitor its charter schools and whether it aligned with requirements of the CSL and the charter agreements. Additionally, we determined whether the CSO completed an ACE and/or ACE-R report for all 82 charter schools for each of the two years under audit. We also reviewed how the CSO communicates the requirements of the framework to the charter schools.

Our review found the following:

- The CSO developed and utilized a Board-approved Charter School Performance Framework⁹² (framework) as a guide for the CSO to consistently review standards by which charter schools will be evaluated on an annual basis and at the time of renewal.⁹³
- The framework’s three domains that are used to evaluate charter schools: 1) Academic Success, 2) Organizational Compliance and Viability, and 3) Financial Health and Sustainability are consistent with the review categories required by the CSL and charter agreements. We found that each of the domains contains categories and specific standards that the CSO reviews. (See *Appendix G* for a listing of the domains, categories, and standards that are reviewed by the CSO). Each domain receives a rating of “Meets Standard,” “Approaches Standard,” or “Does Not Meet Standard.” The framework also outlines the point and rating system for the evaluations.⁹⁴
- The CSO completed either an ACE or ACE-R report for 80 of the 82 charter schools during each year of the audit period (See *Appendix B* for a list of the charter schools).⁹⁵
- The framework was communicated to the charter schools and made available on the District’s website.
- The CSO also provides a *Category Rating Business Rules* document on the District’s website, which is specifically used to score for the Organizational Compliance and Viability domain for charters seeking renewal. The CSO also provides a *Renewal Document Review Guidance* document to charter schools which details how the renewal review will work and the type of documents that will be reviewed. According to CSO management, these renewal-specific guidance documents are intended to serve as a guide

⁹² CSO management indicated that it used a multi-faceted approach to develop the framework, which included Philadelphia charter sector outreach and feedback, research, data analysis, the CSL, other legal requirements and court decisions, and national standards for charter authorizing.

⁹³ According to CSO management, the framework in use during the audit period was originally implemented during the 2017-18 school year and remained in effect since then, with minor updates over time largely due to changes in applicable laws.

⁹⁴ Our review did not include a determination of how the CSO developed its point system, but rather we ensured the reports were accurately calculated based on the point system under the *Annual Monitoring and ACE Reports* and *Renewal Monitoring and ACE-R Reports* sections.

⁹⁵ CSO management indicated that one charter school is in litigation with the District after the Board invoked the surrender clause in the charter agreement, so the CSO did not complete an ACE report for the 2022-23 school year due to the litigation. The CSO also indicated there is one charter school that does not have a current charter due, in part, to ongoing legal disputes with the District regarding enrollment caps and differences over the CSO’s monitoring framework. This charter school also does not provide the necessary documentation for the CSO to complete a review of the charter school, so ACE and ACE-R reports have not been completed. These longstanding disputes remain unresolved and under litigation.

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and to provide transparency to charter schools with regards to how ratings are rendered in the renewal evaluation reports discussed below.

- The CSO provided communications to the charter schools during the monitoring process through newsletters, emails, a calendar of collections detailing dates documents are required to be submitted for review, and the District's website in order to provide charter schools with dates and times documents are required to be submitted for review and also to provide opportunities for feedback as discussed in more detail below.

While we found the CSO developed and used the framework as a guide to monitor charter schools on an annual basis and in the year of renewal and that the framework complied with the CSL and other related guidance, we noted the following areas where the CSO could make improvements to its framework.

Conducting periodic reviews of the charter school framework against established best practices and potential high-risk or problematic areas.

The CSO must evaluate its work regularly against applicable laws, national standards for quality charter authorizing, and recognized best practices.⁹⁶ CSO management indicated the framework, originally released in the 2017-18 school year, was based on input from the charter sector, research, data analysis, the CSL, other legal requirements, and national standards for charter authorizing. CSO management indicated the framework has undergone minor updates throughout the years, largely due to changes to applicable laws.

CSO management stated the framework has not been formally reviewed by an outside agency during the audit period. However, CSO management indicated it keeps in contact with the National Association of Charter School Authorizers (NACSA) to remain informed of best practices and have informal discussions about the framework. As a good business practice, it is also important to have an outside agency review the framework on a periodic basis to keep up to date with industry best practices, especially since the CSO created the framework it uses to review the charter schools. The CSO could have an outside agency assess the standards that are reviewed, how often those standards should be reviewed, if the framework is equitable to all schools, and the point and rating system to determine if a domain meets, approaches, or does not meet standards.

In addition to having an external review performed, the CSO should also assess the framework and consider potential high-risk or problematic areas based on its reviews, including frequent areas of noncompliance, areas where noncompliance could lead to safety issues, or any allegations or investigations received by the District or CSO regarding charter schools not complying with the CSL or other laws. The CSO could consider this information when

⁹⁶ The School District of Philadelphia Policy No. 400, *Charter School Monitoring Structures*, adopted November 19, 2020.

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reviewing its framework to determine if high-risk areas need to be reviewed more often, such as the admissions and lottery process, as further discussed in the following section.

Conducting admission lottery audits on a more frequent basis.

While conducting our audit procedures, we learned about allegations that the admissions process with one charter school, Franklin Towne Charter High School (Franklin Towne), was not in accordance with its charter agreement, District policies, and the CSL. Specifically, there were allegations that Franklin Towne conducted its lottery for admissions excluding certain ZIP codes within the city made up predominately of minority households. District policy requires the CSO to protect all students' rights by ensuring nondiscriminatory and nonselective access, fair treatment in admissions...⁹⁷

The CSL states that a charter school shall not discriminate in its admission policies and practices.⁹⁸ The CSL requires charter schools to establish an admission policy and criteria for evaluating the admission of students in compliance with the law.⁹⁹ Charter agreements include requirements that charter schools adopt an admissions policy which complies with its application, the framework, and the CSL. Charter schools shall not exclude students based on race, color, familial status, religious creed, ancestry, sex, national origin, handicap or disability.

Consequently, the CSO conducted an investigation after concerns were raised by a Franklin Towne employee. Based on the information available to the CSO, the CSO concluded that Franklin Towne appeared to be in violation of provisions of the CSL and its charter in conducting its admissions and lottery processes for four years beginning with the 2020-21 school year and recommended the Board begin revocation proceedings for the charter. In August 2023, the Board voted to approve the notice of revocation for the Franklin Towne charter after considering the CSO's investigative report.

While the CSO was responsive and investigated the Franklin Towne allegations, our review of the CSO's framework revealed that the CSO completes a review of the lottery system used by charters only in the specific year of renewal. For example, if a charter school is in a renewal cohort for the 2022-23 school year, then the CSO reviews the lottery and admissions process for that year only. In other words, the CSO does not evaluate the charter school's admissions process as part of its annual monitoring. Therefore, the CSO may not evaluate the lottery process for up to five years.

As the CSO is the designated agent of the Board for monitoring the charter schools and protecting students' rights, we believe the identification of potential risk areas, like admission practices and lottery systems, warrant a more frequent review to ensure a fair process. For example, the charter school framework could be amended to include a more frequent review of

⁹⁷ The School District of Philadelphia Policy No. 400, *Charter School Monitoring Structures*, adopted November 19, 2020.

⁹⁸ 24 P.S. § 17-1723-A(a)-(b)(1).

⁹⁹ 24 P.S. § 17-1719-A(6).

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lottery systems, a review covering more school years in between the renewal process, and/or a review based on analytical data like student demographics in comparison to the District as a whole. Additionally, if charter schools are aware the lottery system will be monitored on a more frequent basis, it will reduce the risk of and opportunity for unfair admission practices and strengthen the protection of student rights.

The CSO followed its review framework and point and rating systems when monitoring charter schools, but improvements should be considered.

The CSO uses its review framework and the domains, categories, and standards listed in *Appendix G* from the framework to produce an Annual Charter Evaluation (ACE) report for charter schools not in their year of renewal and an ACE-Renewal (ACE-R) report for charter schools in their year of renewal. The framework includes 46 standards for annual monitoring and up to 71 standards in the year of renewal, when it conducts a more comprehensive review.¹⁰⁰ The ACE-R report is a cumulative review of a charter school’s performance over the first four years of the charter term. All reports are publicly available on the District’s website. Additionally, the ACE-R report is also provided to the Board.

In order to evaluate the CSO’s monitoring process, including how the framework’s points and rating systems are applied to produce the ACE and ACE-R reports, we conducted our review procedures based on two distinct groups: 1) charter schools in renewal cohorts for the 2021-22 and 2022-23 school years, and 2) charter schools not up for renewal during the audit period. Our selection procedures are defined in the following “Annual Monitoring” and “Renewal Monitoring” sections that follow. While there were 86 existing charter schools during the audit period, our testing population did not include the four charter schools that closed during the audit period (as shown in *Appendix B*). Therefore, our total testing population consisted of 82 charter schools, of which 41 were not in renewal and 41 were in renewal during one of the two years within the audit period.

Annual Monitoring and ACE Reports

We randomly selected 7 out of the 41 charter schools that were not part of the renewal cohorts during the audit period, including three from the 2021-22 school year and four from the 2022-23 school year. As part of our review, we obtained and reviewed each of the seven ACE reports to determine if the reports aligned with the requirements of the annual review required by the framework. Additionally, we reviewed supporting documentation for certain standards in the report to ensure the accuracy of the rating that was received. We also reviewed the monitoring process to determine if charter schools were provided an opportunity to provide feedback prior to the report being released.

¹⁰⁰ Annual monitoring is based on ratings, and renewal monitoring includes both ratings and scoring.

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For each of the seven charter schools, we found the following:

- The CSO completed ACE report documenting its annual evaluation of each charter school. The standards reviewed by the CSO in the report aligned with the requirements from the framework.
- The charter schools provided an annual charter school report to the CSO for review as required by the CSL and framework.¹⁰¹
- The CSO maintained supporting documentation that substantiated the rating in the evaluation report for eight standards that we tested in the “Organizational Compliance and Viability” domain.¹⁰²
- The CSO maintained supporting documentation that substantiated the rating in the ACE report for the PSSA and Keystone proficiency rates that we tested as part of the “Academic Success” domain. The supporting documentation is obtained from PDE and shared with the charter schools to ensure the proficiency rates listed on the ACE reports are accurate.
- Evidence of communications between the CSO and charter schools regarding feedback the charter schools provided in response to the CSO’s initial review during the preview windows prior to the evaluation report being released.

Based on our review of seven charter schools, we found that the CSO is providing annual monitoring of the charter schools’ performance consistent with the CSL, PDE’s BEC and its other guidance, and pursuant to the CSO’s review framework.

Renewal Monitoring and ACE-R Reports

We also examined the CSO’s review process for 7 of 41 charter schools that were up for renewal in the 2021-22 and 2022-23 school years. We judgmentally selected the seven charter schools, including two schools in which the CSO did not provide a recommendation because standards were not met, three schools where the CSO recommended a five-year charter extension with conditions, and two schools where the CSO recommended a five-year charter extension without conditions. We also selected three schools in the 2021-22 school year and four in the 2022-23 school year to cover both years of our audit period.

As part of our review, we obtained and reviewed each of the seven ACE-R reports to determine if the reports aligned with the requirements of the framework in the year of renewal. We also verified that the CSO presented the reports to the Board. Additionally, we reviewed supporting documentation for certain standards in the report to ensure the accuracy of the rating that was received for that standard. We recalculated the scores for each domain in the reports to verify the results as to whether the domain met, approached, or did not meet standards according to the

¹⁰¹ 24 P.S. § 17-1728-A(b).

¹⁰² We judgmentally selected eight standards from different categories within the “Organizational Compliance and Viability” domain in the framework to review supporting documentation. We did not review supporting documentation from the other two domains.

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framework. We also reviewed communications to determine if charter schools were provided an opportunity to provide feedback prior to the report being released.

As part of our review, we found the following:

- The CSO completed ACE-R reports for all seven charter schools reviewed, and the standards reviewed by the CSO in the report aligned with the requirements from the framework in the year of renewal.
- The CSO presented ACE-R reports to the Board, along with recommendations to renew the charter for five years or renew with certain conditions for the applicable five charters. For the remaining two charters, the CSO did not make a recommendation to not renew or revoke the charter because the ACE-R report has a “Does Not Meet Standard” in one of the three domains, which was consistent with the CSO’s stated practice (see the section below regarding “final decision-making” for more information regarding the CSO’s recommendations to the Board).
- The charter schools provided an annual report to the CSO for review as required by the CSL and framework.¹⁰³
- The CSO maintained supporting documentation that substantiated the rating in the ACE-R for 11 standards that we tested in the “Organizational Compliance and Viability” domain. This documentation evidenced that only in the renewal year, the CSO conducted an on-site visit to the charter school to observe how the charter school implements its mission and education plan, as required by the framework. All supporting documentation aligned with the rating the CSO listed for that standard in the ACE-R report.¹⁰⁴
- The CSO maintained supporting documentation that substantiated the rating in the ACE-R for the PSSA or Keystone proficiency rates that we tested as part of the “Academic Success” domain for English Language Arts. The supporting documentation is obtained from PDE and shared with the charter schools to ensure the proficiency rates listed on the ACE-R report are accurate.
- The District’s Office of Auditing Services (OAS) completed an audit report detailing its review of certain standards in the renewal year. The findings from the audit report aligned with the ratings in the ACE-R report for those standards OAS reviewed.¹⁰⁵
- The CSO’s cumulative scores of the ratings in the three domains in the ACE-R reports were in accordance with the framework’s scoring process and business rules and were accurately calculated for the seven charter schools reviewed.¹⁰⁶

¹⁰³ 24 P.S. §§ 17-1728-A(b) requires the charter schools to submit an annual report to PDE and the Board in a form prescribed by PDE.

¹⁰⁴ We judgmentally selected eleven standards from different categories from the “Organizational Compliance and Viability” domain in the framework to review supporting documentation.

¹⁰⁵ As part of the CSO’s review for the ACE-R reports, OAS conducts certain reviews of special education files, enrollment/attendance files, financial transactions, related party transactions and payroll to determine if the applicable standards in the “Organizational Compliance and Viability” and “Financial Health and Sustainability” domains were met during the charter term (*See also Appendix G – Charter School Performance Framework*).

¹⁰⁶ As an example, in the “Academic Success” domain rating, there is up to a total of 100 points awarded based on the categories and standards reviewed. If the school receives greater than 75 percent of points, it “Meets Standard,”

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- Evidence of communications between the CSO and charter schools regarding any feedback the charter schools had in response to the CSO’s initial review during the preview windows prior to the evaluation report being released.

While we found that the CSO’s annual and renewal processes complied with the CSL, PDE’s BEC and its other guidance, and the CSO’s review framework, we noted the following area in which the CSO could make improvements to its ACE and ACE-R reports.

Providing Formal Responses to ACE and ACE-R reports

We noted that while the ACE and ACE-R reports are publicly available on the District’s website, these reports contain the CSO’s evaluation only and do not include an official response to the report from the respective charter school. As discussed earlier, the CSO’s review process includes specified preview windows whereby each charter school can provide feedback or resubmit or correct any deficiencies before the report is published. Additionally, CSO management indicated there is ongoing communication with the charter schools throughout the review process, which we verified. However, we determined that the CSO makes the final decision about what information it considers factually accurate for inclusion in the ACE or ACE-R report. The publicly available ACE and ACE-R reports, the latter of which is also submitted to the Board, do not include an official response from the charter school. Instead, these reports reflect the CSO’s assessment only. If there are disagreements between the CSO and charter school during the preview windows, the ultimate decision about what is reported lies with the CSO. The CSO should consider allowing the charter schools to provide a formal response to the ACE and ACE-R reports allowing the charter school to agree, disagree, and provide feedback in order to increase transparency on issues included in these reports. This would also provide the Board with more information when deciding to renew or not renew a charter.

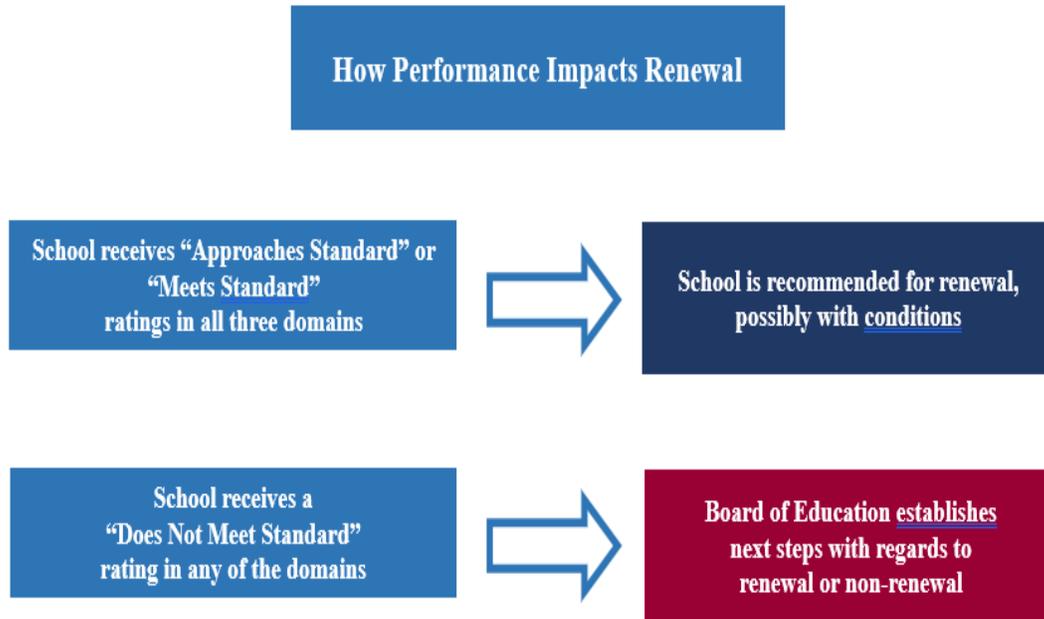
The CSO does not make the final decision regarding charter renewals.

As stated above, the CSO is responsible for reviewing charter schools according to its framework at the time of renewal and reporting its results to the Board by way of the ACE-R report. The rating the charter school receives on its ACE-R report completed by the CSO will impact the potential renewal or nonrenewal decision by the Board, as shown in the illustration below.

45-75 percent “Approaches Standard,” and less than 45 percent “Does Not Meet Standard.” There is a similar point system in the other two domains as well.

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Source: CSO ACE-R reports.

Based on our review of the seven ACE-R reports noted above and including a review of Board minutes and CSO presentation to the Board, we found the following:

- The CSO did not make a renewal recommendation to the Board for the two charter schools that “Did Not Meet Standards” in one or more domains. In both instances, the Board voted to renew the charter schools’ charters for a five-year term with conditions.
- The CSO recommended five-year charter renewals for two schools without any conditions as each charter school met or approached standards in all three domains. The Board approved five-year charter renewals for both schools, but the Board added conditions for one school.
- The CSO recommended five-year charter renewals with conditions for the other three charter schools. The Board approved the five-year renewals with conditions for two of the schools. The Board voted for the renewal of the other school two separate times; however, a majority of the Board did not approve the action item either time.¹⁰⁷

As a result of our review of the seven charter schools in the year of renewal, we concluded that the CSO fulfilled its duty to provide monitoring of charter school performance in ACE-R reports to the Board, including recommendations when appropriate, for the Board’s final decision-

¹⁰⁷ We found in our review of the Board minutes that as part of Action Items 23 and 24 from the October 2022, and January 2023, Board minutes respectively, that the motions to approve the renewal of the charter school failed. The minutes indicate while the Board voted not to approve the renewal, the vote did not constitute a decision to proceed with nonrenewal hearings. The CSO responded that the Board is the authorizer in accordance with the CSL and Board Policy, and the CSO is not able to provide clarity on the Board’s consideration of action items.

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making. Since the Board is the authorizer under the CSL, we do not take issue with the fact that the Board's majority vote did not always reflect the CSO's recommendations.

Recommendations for Finding 2

We recommend that the CSO:

1. Have an outside agency, such as the National Association of Charter School Authorizers (NACSA), conduct a documented review of the Charter School Performance Framework on a periodic basis to promote consistency with industry best practices.
2. Consider the results of its monitoring process to determine if the framework should be amended to address high-risk or problematic areas.
3. Conduct more frequent reviews of each charter school's admission lottery to ensure the charter school is operating the lottery in accordance with the law and its charter. Revisions to the CSO's review framework could address this issue by requiring increased frequency, additional years of review during the renewal process, and/or data-driven reviews.
4. Consider including the charter schools' responses during the preview windows as part of the ACE and ACE-R reports to increase transparency. A final CSO conclusion could be added to conclude on the charter's responses, especially if there is disagreement.

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Status of Prior Audit Findings

Our prior performance audit of the School District of Philadelphia (District) released in April 2016 covering the period July 1, 2011, through June 30, 2015, with applicable updates through January 22, 2016, contained 15 recommendations to the District and four recommendations to the Pennsylvania Department of Education (PDE). Our prior audit focused on the District’s oversight of District-authorized charter schools,¹⁰⁸ responsibilities that we found were largely delegated to the District’s Charter Schools Office (CSO).¹⁰⁹

Our current audit focuses only on the duties and responsibilities delegated to the CSO by the District’s Board of Education (Board),¹¹⁰ related to the following: (1) new charter applications, (2) charter renewals, and (3) annual monitoring. As a result, during our current audit, we limited our follow-up procedures to just the status of prior audit findings and/or recommendations related to the above areas handled by the CSO. Of the four prior findings, Prior Audit Finding 3 entitled “PDE Withheld \$15 million from the District’s State Funding Without Providing the District with an Opportunity to be Heard” does not relate to the CSO, and therefore, we **did not** perform any procedures related to that finding and did not include a summary of the status of that finding below.¹¹¹

Prior Audit Finding 1 – Legal Challenges Have Impacted the District’s Ability to Manage Charter School Costs and Perform Vital Oversight Responsibilities (Resolved)

During our prior audit, we found that the District’s role as the charter school authorizer resulted in uncontrollable and unpredictable legal costs resulting from charter litigation. Specifically, the District incurred approximately \$1.4 million in legal costs related to charter school matters from the 2011-12 to 2013-14 school years. The continuing need to wait for court decisions, injunctions, and appeals impeded the District’s attempts to manage charter school growth, improve its financial position by controlling charter school tuition payments, and enhance charter school oversight by implementing policies aimed at keeping the District more informed about its operating charters. Additionally, for the first time since 2008, during the 2014-15 school year, the District was required to accept new charter school applications.¹¹² As a result, the District

¹⁰⁸ As noted earlier in the report, the District only oversees the brick and mortar charter schools since PDE is the authorizer of cyber charter schools pursuant to 24 P.S. § 17-1741-A *et seq.*

¹⁰⁹ This authorization is delineated in the School District of Philadelphia Policy No. 400. *Charter School Monitoring Structures* and Policy No. 401. *Charter School Authorizing Functions*, both adopted November 19, 2020.

¹¹⁰ As permitted under the Public School Code. *See* 24 P.S. § 5-510.

¹¹¹ If, in the future, we decide to conduct a performance audit of the District, we will, at that time, assess the need to follow up on this finding and its recommendations.

¹¹² *See* 53 Pa.C.S. § 303(2) (Act 131 of 2014, effective November 10, 2014) pertaining to the General Local Government Code-Omnibus Amendments making several Charter School Law provisions applicable to an application to establish a charter school in a school district of the first class which had previously been inapplicable

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faced higher legal costs associated with accepting new charter applications, in addition to legal costs resulting from renewal disputes with existing charters and challenges over enrollment caps.

We previously recommended that the District:

- (1) Ensure it has sufficient staffing and resources in its CSO to continue to review and meet all deadlines associated with new charter school applications and resubmissions. Continued compliance with the required deadlines can prevent new charter applicants from being able to file an appeal with the State Charter School Appeal Board (CAB) if the District fails to consider the charter application within the time periods required by the CSL.
- (2) Continue to clearly state the reasons for any denials in the adjudication issued by the School Reform Commission (SRC) and in an effort to be well prepared should the application be resubmitted and/or should an appeal be filed.
- (3) Increase the routine monitoring efforts of its CSO and Office of Auditing Services (OAS) (i.e. enrollment audits, financial reviews, formal site visits, academic reviews) for all charter schools in order to provide improved oversight and to document any concerns with a charter’s operations or performance.
- (4) Maintain detailed documentation from the results of its regular monitoring activities, which would ultimately assist the District during its renewal process and provide valuable evidence should the District elect to revoke or not renew a charter. Periodic monitoring and well-maintained documentation over several years may discourage a charter school from entering the lengthy and costly appeals process.

Status as of this audit for Prior Audit Finding 1

During our current audit, we followed up on the previously noted problems and recommendations related to the District’s ability to perform vital **oversight** responsibilities through its CSO. We found the District increased the staffing in its CSO from six staff during our last audit to 23 staff for the 2022-23 school year to review new charter school applications and to conduct annual monitoring of the District’s authorized charter schools.

CSO management affirmed that since 2014, the CSO and the District have met all **deadlines** set forth in the Charter School Law (CSL) related to the acceptance, processing, public hearings and approval or denial of new charter applications and resubmissions. During our current audit, we reviewed seven charter school applications from the 2021-22 and 2022-23 school years. In each case, we found the CSO and District adhered to all timelines and requirements set forth in the CSL and District policy.

because of the “Distressed School Law.” Act 131 also added the Cigarette Tax Law, 53 Pa.C.S. § 8722 (as affected by Act 84 of 2016).

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Further, we found the denials of charter school applications and resubmissions included detailed adjudications by the Board indicating the reasons for the denials. The CSO’s review of newly submitted charter school applications is discussed in more detail in *Finding 1* of this report.

We also found the CSO increased its routine monitoring of District-authorized charters by developing a comprehensive Charter School Performance Framework (framework) that was approved by the Board to document both annual and renewal review results. In accordance with the review framework, the CSO produces an Annual Charter Evaluation (ACE) report for each charter school not in its year of renewal. For charter schools in its year of renewal, the CSO produces an ACE renewal report (ACE-R). Both the ACE and ACE-R reports are published on the District’s publicly available website. The CSO evaluates each charter school in three areas, including academic success, organizational compliance, and financial sustainability, as part of its framework. OAS conducts audits of the enrollment processes and financial reviews, including a review of the charter school’s independent annual financial audit in its year of renewal. During our current audit, we found the CSO is maintaining documentation obtained from the charter schools to support the ACE and ACE-R reports. The CSO’s monitoring and renewal process for the charter schools is discussed in more detail in *Finding 2* in this report.

Finally, the CSO provided information obtained from the District indicating that legal costs associated with charter matters were \$258,598 and \$544,979 for fiscal year ends 2022 and 2023, respectively. Since legal costs are handled at the District level and **not** by the CSO, which is the subject of the current audit, we did not audit or inquire further about the basis for these amounts. Additionally, legal costs were not relevant to the current audit objectives. We did, however, review the status of all four prior finding recommendations, because they were specific to the District’s CSO.

Based on the results of our procedures, the District’s CSO provided sufficient information and documentation to demonstrate the prior audit recommendations were implemented. Therefore, we consider the prior audit finding related to the District’s CSO to be **Resolved**.

Prior Audit Finding 2 – The Charter Schools Office Faces Unintended Consequences from the Cigarette Tax Law (Resolved)

In September 2014, the General Assembly enacted the Philadelphia “Cigarette Tax Law,” which provided additional tax revenue to supplement city public school funding.¹¹³ Provisions in the General Local Government Code-Omnibus Amendments related to the Cigarette Tax Law required the District and the SRC to accept new charter school applications beginning with the 2014-15 school year and give denied applicants the right to appeal denials pursuant to the CSL.¹¹⁴ The cigarette tax was scheduled to expire on June 30, 2019, but it now remains in place

¹¹³ 53 Pa.C.S. § 8722 (Act 131 of 2014 as affected by Act 84 of 2016).

¹¹⁴ The District was governed by the SRC from 2001 until 2018.

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indefinitely.¹¹⁵ Prior to enactment of the Omnibus Amendments related to the Cigarette Tax Law, the District had not accepted any new charter school applications since 2008 as the SRC exercised its authority **not** to consider new charter applications pursuant to the “Distressed School Law”.¹¹⁶

At the time of the enactment of the Omnibus Amendments related to the Cigarette Tax Law, the CSO did not have sufficient staff to review the 39 new charter applications it received during the 2014-15 school year. Therefore, the District recruited review teams consisting of about a dozen District staff from various departments, 30 community volunteers with related expertise, and 10 team leaders provided by a contractor. Additionally, the review of new applications and the mandated public hearing process for new applicants required legal counsel, which added to the District's legal costs. Furthermore, if the number of operating charter schools increased, so would the District's oversight responsibilities, including the OAS's comprehensive financial reviews of charter schools, charter school tuition costs and potential legal costs, all of which have significant impacts on the District.

We previously recommended that the District:

- (1) Consider using revenue from the cigarette tax to increase staffing in the CSO to enable it to meet both its statutory requirements related to new charter applications, as well as its oversight responsibilities related to all operating charters authorized by the District.
- (2) Consider using revenue from the cigarette tax to increase staffing in the OAS to enable it to conduct enrollment audits and financial reviews of charter schools as part of a regular monitoring process and not just for the renewal process.
- (3) Develop a sound strategic plan outlining how the District will manage continuing oversight responsibilities and increased charter school tuition costs resulting from new charter schools approved in 2014-15 and thereafter once the revenue stream from the cigarette tax expires in mid-2019.
- (4) Conduct a cost-benefit analysis to determine revenue and expenditures resulting from the cigarette tax so that all interested parties and stakeholders have accurate information to consider for future decision and policy making.

¹¹⁵ 53 Pa.C.S. § 8722 (Act 131 as affected by Act 84 of 2016); Subsection (k) of 53 Pa.C.S. § 8722 regarding the expiration date was repealed.

¹¹⁶ The PSC's Distressed School Law provided for the governance of a financially distressed school district of the first class (i.e., School District of Philadelphia). Under the Distressed School Law, the SRC had broad powers, including the authority to suspend or temporarily stop following requirements of the PSC related to the District's role as a charter authorizer that a typical school board does not have. *See* 24 P.S. § 6-691 *et seq.* (Act 141 of 2012, effective January 8, 2013); see also 24 P.S. § 696(i)(3).

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Status as of this audit for Prior Audit Finding 2

During our current audit, we found that the District uses the revenue from the Cigarette Tax Law as part of its general fund budget, and the revenue is not dedicated to any particular department or office. As a result, most of these recommendations do not directly relate to the CSO and therefore, we did not conduct procedures to verify whether these recommendations were adequately addressed.

We did, however, verify that the District increased the CSO's staffing levels from six full-time employees during our last audit to 23 positions in order to meet its responsibilities related to new charter applications, as well as its oversight duties related to all operating charters authorized by the District.

Based on the results of our procedures, for purposes of this CSO audit, we are satisfied that this finding is resolved. If, in the future, we decide to conduct a performance audit of the District, we will, at that time, assess the need to follow up on these recommendations.

Prior Audit Finding 4 – The District Should Improve Its Monitoring Efforts Over the Charter Schools It Authorized (Resolved)

In our prior audit, we found that the District's CSO and OAS did not have sufficient staffing and resources, due to limited budgets, to adequately perform oversight responsibilities for all of its 86 authorized charter schools which received hundreds of millions of dollars in charter school tuition payments. We also found the District historically focused its oversight activities on charter schools up for renewal and did not conduct or document its routine monitoring of the other charter schools not in their year of renewal.¹¹⁷ As a result, the District could not provide assurance that the charters were operating efficiently, effectively, and in accordance with the charter agreements, because it failed to adequately conduct and document all of its monitoring efforts for the charter schools it authorized.

We previously recommended that the District:

- (1) Provide adequate resources and personnel to its CSO so that it can conduct regular monitoring of all charters, including well-documented site visits, to ensure compliance with approved charters and applicable laws.
- (2) Provide adequate resources and personnel to its OAS so that it can conduct enrollment audits and financial reviews for all charter schools on a periodic basis to ensure that the District's

¹¹⁷ The District normally provides the charter schools with five-year charter agreements. (See 24 P.S. §17-1720-A regarding term of charters.) In the year in which the charter is up for renewal, the CSO would provide a more comprehensive review of the charter school.

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charter school tuition billings are accurate, and that charter school business practices and financial management are sound.

(3) Create a tracking system to catalog all charter school monitoring efforts and results to ensure that all information gathered will be available for future consideration and decision-making.

Status as of this audit for Prior Audit Finding 4

As stated in the section *Prior Audit Finding 1*, the CSO increased both staffing and monitoring efforts. During our current audit, we found that the District increased the staff of the CSO from six positions during our prior audit to 23 budgeted positions for the 2022-23 school year.

We also found the CSO increased its routine monitoring efforts by developing a Charter School Framework, approved by the Board, which is the basis for the CSO's annual monitoring of charter school performance, as well as its review of charters in their year of renewal. As previously described, the CSO conducts annual reviews of each charter school and publicly publishes ACE reports, and ACE-R reports are published in the year of charter renewal. OAS conducts enrollment audits and financial reviews as part of the ACE-R reports for the charter schools in the year of renewal. District management indicated that OAS staff currently includes a Director and two internal auditors and consists of adequate staff to conduct the required audits as part of the renewal process. We verified the OAS reviews and supporting documents are received and retained by the CSO, which is discussed in further detail in *Finding 2* of this report. The ACE reports for each charter school can also be found on the District's website. The CSO's renewal and monitoring framework and activities are discussed in more detail in *Finding 2* of this report.

Based on the results of our review, we concluded that the District implemented our prior audit recommendations through the activities performed by the CSO. Therefore, we consider the prior audit finding to be **Resolved**.

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The School District of Philadelphia’s Charter Schools Office’s Response and Auditor’s Conclusion

We provided copies of our draft audit findings and status of prior findings and related recommendations to the School District of Philadelphia’s Charter Schools Office (CSO) for its review. On the pages that follow, we included the CSO’s response in its entirety. Following the CSO’s response is our auditor’s conclusion.

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Audit Response from the School District of Philadelphia's Charter Schools Office



Charter Schools Office
Suite 102
440 North Broad Street
Philadelphia, PA 19130

**MANAGEMENT RESPONSES OF THE SCHOOL DISTRICT OF PHILADELPHIA
AND THE SCHOOL DISTRICT'S CHARTER SCHOOLS OFFICE
TO THE DEPARTMENT OF AUDITOR GENERAL'S PERFORMANCE AUDIT
OF THE CHARTER SCHOOLS OFFICE
DATED FEBRUARY 2024**

March 7, 2024

The School District of Philadelphia (School District) and the Charter Schools Office (CSO) respond to the Pennsylvania Department of Auditor General's Performance Audit of the CSO (Performance Audit Report) which covers the audit period of the 2021-2022 and 2022-2023 school years.

Finding 1

The Charter Schools Office Complied with Laws, Guidance, and Policies Related to Reviewing New Charter School Applications during the 2021-22 and 2022-23 School Years.

Conclusion

Based on our review, we found that the CSO complied with the applicable laws and provisions of the CSL, PDE's BEC and its other guidance documents, and internal policies and procedures relevant to reviewing new charter applications. The CSO had a comprehensive process to evaluate new charter applications, timelines required by the CSO's procedures and the CSL were met, and evaluation reports were presented to the Board as one factor in the Board's ultimate decision-making. As such, we do not have any recommendations specific to the CSO's review process of new charter school applications.

CSO Management Response (Finding 1)

- The CSO is pleased with the Department's Conclusion on Finding 1 that the CSO complied with the applicable laws and provisions of the CSL, the Pennsylvania Department of Education's (PDE's) Basic Education Circular on Charter Schools (BEC) and PDE's other guidance documents, and Board of Education (Board) and CSO internal policies and procedures relevant to reviewing new charter applications. The CSO has worked hard to develop and implement a comprehensive process to evaluate new charter applications and prepare evaluations reports and to ensure that the timelines set forth in the CSL and Board policies are met.

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Finding 2

Finding 2 – The Charter Schools Office Followed Applicable Laws and Other Guidance Related to Monitoring Charter Schools During the Audit Period, But Improvements Could Be Made to the Review Process.

CSO Management Response (Finding 2)

The CSO is pleased that the Department found on Finding 2 that the CSO followed applicable laws and other guidance related to monitoring charter schools during the audit period. The CSO has kept abreast of laws and other guidance to ensure that they are consistently followed.

Recommendations for Finding 2

We recommend that the CSO:

- 1. Have an outside agency, such as the National Association of Charter School Authorizers (NACSA), conduct a documented review of the Charter School Performance Framework on a periodic basis to promote consistency with industry best practices.**

CSO Management Response (Finding 2.1)

- The CSO is always seeking to enhance its processes in order to maximize consistency and to implement a Charter School Performance Framework that is aligned with the Charter School Law, other laws applicable to charter schools, and Board policies. As such, the CSO welcomes feedback from diverse perspectives and certainly invites feedback from professional organizations such as NACSA. NACSA has been a long-standing partner of the CSO, and the CSO is working to formalize an engagement with NACSA to conduct a review of the Framework on a periodic basis.

- 2. Consider the results of its monitoring process to determine if the framework should be amended to address high-risk or problematic areas.**

CSO Management Response (Finding 2.2)

- The CSO agrees that the outcomes of the CSO's monitoring processes provide valuable data and insights regarding specific potential high-risk areas for charter schools, including frequent areas of non compliance across the charter sector. Within the last year, the CSO has begun

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implementing this practice and will be increasing and strengthening its review of compliance ratings and standards across all charter schools to determine which areas, if any, may require additional support or may lead to updates to the Charter School Performance Framework. For example, the CSO's investment into Professional Learning Communities (PLCs) has been largely based on specific areas of need for charter schools that the CSO has identified from outcome trends across CSO reviews. As part of the PLC initiative, recently the CSO presented a PLC series regarding Philadelphia Commission on Human Relations Regulation No. 9 and Board Policy 252 on Transgender and Gender Nonconforming Students, and another PLC series focusing on bullying or harassment. Additionally related to supports for charter schools, recently the CSO organized a two-day seminar on preparing for the end of federal Covid funding under the American Rescue Plan Act (ARPA).

The CSO will continue to enhance its review of the results of monitoring processes to further inform "high-risk" areas that may warrant updates to the Framework and/or additional support to Philadelphia charter schools.

3. Conduct more frequent reviews of each charter school's admission lottery to ensure the charter school is operating the lottery in accordance with the law and its charter. Revisions to the CSO's review framework could address this issue by requiring increased frequency, additional years of review during the renewal process, and/or data-driven reviews.

CSO Management Response (Finding 2.3)

- The Lottery and Waitlist standards within the Charter School Performance Framework are immensely important for students and families. While the CSO has enhanced the process for both reviews, including a significantly more robust data-driven review, the CSO agrees that the importance of both standards warrants more frequent review. Due to limited staff capacity to conduct the reviews on a more frequent basis for all charters, the CSO will seek new ways to conduct the reviews using available data or additional data requests and start with the high risk or unusual patterns that were identified in the collection of more robust data. The CSO is working to devote available capacity to this recommendation.

4. Consider including the charter schools' responses during the preview windows as part of the ACE and ACE-R reports to increase transparency. A final CSO conclusion could be added to conclude on the charter's responses, especially if there is disagreement.

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CSO Management Response (Finding 2.4)

- Transparency is a core value of the CSO. As such, the CSO is open to adopting recommendations that seek to maximize transparency and, in this case, additional opportunities for Philadelphia charter schools to ensure that their perspectives are comprehensively represented as part of the monitoring process.

Status of Prior Audit Findings

Prior Audit Finding 1 – Legal Challenges Have Impacted the District's Ability to Manage Charter School Costs and Perform Vital Oversight Responsibilities (Resolved)

Prior Audit Finding 2 – The Charter Schools Office Faces Unintended Consequences from the Cigarette Tax Law (Resolved)

Prior Audit Finding 4 – The District Should Improve Its Monitoring Efforts Over the Charter Schools It Authorized (Resolved)

CSO Management Response (Prior Audit Findings)

- The Department conducted a performance audit of the School District covering the period July 1, 2011 through June 30, 2015 and released a report in April 2016. As part of the current performance audit of the CSO, the Department conducted a follow-up on the prior audit findings and/or recommendations related to areas handled by the CSO. The CSO is pleased that the Department has found that in connection with these Prior Audit Findings, the CSO has implemented corrective actions and that these Prior Audit Findings have been resolved.

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Auditor’s Conclusion to the School District of Philadelphia’s Charter Schools Office’s Response

The School District of Philadelphia’s Charter Schools Office (CSO) management agrees with our findings and has indicated a willingness to consider our recommendations for improving its monitoring process related to *Finding 2*. The CSO provided responses that it is working to:

- Formalize an engagement with the National Association of Charter School Authorizers to conduct a review of the performance framework on a periodic basis.
- Enhance its review from its results of monitoring to inform “high risk” areas that may warrant increased review.
- Devote more resources to conducting lottery reviews on a more frequent basis by seeking new ways to conduct reviews based on available data showing high risk or unusual patterns.
- Provide additional opportunities for the charter schools’ perspective to be represented as part of the monitoring process.

We commend the CSO for its commitment to addressing these issues. We reserve the right to follow up with the CSO during a future audit to determine whether and to what extent our recommendations have been implemented.

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Appendix A

Objectives, Scope, Methodology, and Data Reliability

The Department of the Auditor General (Department) conducted this performance audit of the School District of Philadelphia’s (District) Charter Schools Office (CSO) pursuant to Sections 402 and 403 of The Fiscal Code, 72 P.S. §§ 402 and 403.¹¹⁸

We conducted this audit in accordance with generally accepted *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives.¹¹⁹ We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Objectives

Our performance audit objectives were as follows:

- Determine whether the CSO complied with applicable provisions of the Charter School Law (CSL), the Department of Education’s (PDE) relevant Basic Education Circular (BEC) and its other guidance documents, and internal policies and procedures relevant to reviewing new charter school applications. [See *Finding 1*]
- Determine whether the CSO complied with the CSL, PDE’s BEC and its other guidance, and internal policies and procedures relevant to the renewal process for existing charter schools. [See *Finding 2*]
- Determine whether the CSO is monitoring the performance of charter schools consistent with the CSL and PDE’s BEC and its other guidance, and pursuant to its annual review framework to determine if the charter schools are operating effectively and in accordance with their charters and other agreements. [See *Finding 2*]

We also conducted procedures to determine the status of our prior audit findings and recommendations as presented in the “School District of Philadelphia’s Oversight and

¹¹⁸ See 72 P.S. §§ 402 and 403 and Pa. Const. art. VIII, § 10. (Emphasis added.) The authority to conduct performance audits derives from the 2004 Pennsylvania Commonwealth Court decision in *Dep’t of the Aud. Gen. v. State Emp. Ret. Sys.*, citing the prior case in the matter, which concluded that the Auditor General (and his Department) under Article VIII, § 10 of the Constitution and Section 402 and Section 403 of the Fiscal Code **has the authority to conduct performance audits** of, among others, a public agency (such as a school district) receiving state funds at his discretion. See 860 A.2d 206, 214 (Pa. Cmwlth. 2004) amending the prior decision in *Dep’t of the Aud. Gen. v. State Emp. Ret. Sys.*, 836 A.2d 1053, 1069-1070 (Pa. Cmwlth. 2003). (Emphases added.)

¹¹⁹ U.S. Government Accountability Office. *Government Auditing Standards*. 2018 Revision Technical Update April 2021.

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Monitoring of District Authorized Charter Schools’ audit report released in April 2016 (*see* Status of Prior Audit Findings).¹²⁰

Scope

This performance audit covered the period July 1, 2021, through June 30, 2023, unless otherwise noted, with updates where applicable through the report date.

CSO management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance of compliance with applicable laws and regulations, contracts, grant agreements, and administrative policies and procedures. In conducting our audit, we obtained an understanding of the CSO’s internal controls, including information systems controls.

Standards for Internal Control in the Federal Government (also known as and hereafter referred to as the Green Book), issued by the Comptroller General of the United States, provides a framework for management to establish and maintain an effective internal control system.¹²¹ We used the framework included in the Green Book when assessing the CSO’s internal control systems.

The Green Book’s standards are organized into five components of internal control. In an effective system of internal control, these five components work together in an integrated manner to help an entity achieve its objectives. The five components contain 17 related principles, listed in the table below, which are the requirements an entity should follow in establishing an effective system of internal control.

We determined all of the internal control components are significant to the audit objectives. The table below represents a summary of the level of the internal control assessment for effectiveness of design (D); implementation (I); or operating effectiveness (OE) that we performed for each principle, along with a conclusion regarding whether issues were found with the principles and if those issues are included in a finding.¹²²

¹²⁰ It should be noted that the prior audit focused on the District’s oversight and monitoring of the charter schools for which it is the authorizer. The current audit found that these responsibilities were largely delegated to the CSO pursuant to District Policy No. 400. *Charter School Monitoring Structures* and Policy No. 401. *Charter School Authorizing Functions*, both adopted November 19, 2020. Therefore, the current audit objectives are specific to the District’s CSO oversight and monitoring responsibilities rather than that of the District. As a result, during our current audit, we limited our follow-up procedures to just the status of prior audit findings and/or recommendations related to the above areas handled by the CSO.

¹²¹ Even though the Green Book was written for the federal government, it explicitly states that it may also be adopted by state, local, and quasi-government entities, as well as not-for-profit organizations, as a framework for establishing and maintaining an effective internal control system.

¹²² The Green Book, Sections OV3.05 and 3.06, states the following regarding the level of assessment of internal controls. Evaluating the design of internal control includes determining if controls individually and in combination with other controls are capable of achieving an objective and addressing related risks. Evaluating implementation

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Component	Principle	Level of Assessment	Objective	Conclusion	
Control Environment	1	The oversight body and management should demonstrate a commitment to integrity and ethical values.	D	1, 2, 3	No issues noted
	2	The oversight body should oversee the entity’s internal control system.	D	1, 2, 3	No issues noted
	3	Management should establish an organizational structure, assign responsibility, and delegate authority to achieve the entity’s objectives.	D	1, 2, 3	No issues noted
	4	Management should demonstrate a commitment to recruit, develop, and retain competent individuals.	D	1, 2, 3	No issues noted
	5	Management should evaluate performance and hold individuals accountable for their internal	D	1, 2, 3	No issues noted

includes determining if the control exists and if the entity has placed the control into operation. Evaluating operating effectiveness includes determining if controls were applied at relevant times during the audit period, the consistency with which they were applied, and by whom or by what means they were applied.

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		control responsibilities.			
Risk Assessment	6	Management should define objectives clearly to enable the identification of risks and define risk tolerances.	D	1, 2, 3	No issues noted
	7	Management should identify, analyze, and respond to risks related to achieving the defined objectives.	D	1, 2, 3	No issues noted
	8	Management should consider the potential for fraud when identifying, analyzing, and responding to risks.	D	1, 2, 3	No issues noted
	9	Management should identify, analyze, and respond to significant changes that could impact the internal control system.	D	1, 2, 3	No issues noted
Control Activities	10	Management should design control activities to achieve objectives and respond to risks.	D, I, OE	1	No issues noted
			D, I, OE	2, 3	See Finding 2
	11	Management should design the entity’s	D	1, 2, 3	No issues noted

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		information system and related control activities to achieve objectives and respond to risks.			
	12	Management should implement control activities through policies.	D, I, OE	1,2,3	No issues noted
Information and Communication	13	Management should use quality information to achieve the entity’s objectives.	D, I, OE	1, 2, 3	No issues noted
	14	Management should internally communicate the necessary quality information to achieve the entity’s objectives.	D, I	1, 2,3	No issues noted
	15	Management should externally communicate the necessary quality information to achieve the entity’s objectives.	D, I, OE D, I, OE	1 2, 3	No issues noted Finding 2
Monitoring	16	Management should establish and operate monitoring activities to	D D, I	1 2, 3	No issues noted Finding 2

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		monitor the internal control system and evaluate results.			
	17	Management should remediate identified internal control deficiencies on a timely basis.	D D, I	1 2, 3	No issues noted Finding 2

Government Auditing Standards require that we consider information systems controls “...to obtain sufficient, appropriate evidence to support the audit findings and conclusions.”¹²³ This process further involves determining whether the data that supports the audit objectives is reliable. In addition, Publication GAO-20-283G, *Assessing Data Reliability*, provides guidance for evaluating data using various tests of sufficiency and appropriateness when the data are integral to the audit objective(s).¹²⁴ See our assessment in the *Data Reliability* section that follows.

Our procedures to assess the design, implementation, and/or operating effectiveness accordingly are discussed in the *Methodology* section that follows. Deficiencies in internal controls we identified during the conduct of our audit and determined to be significant within the context of our audit objectives are summarized in the conclusion section below and described in detail within the respective audit findings in this report. See table above for descriptions of each of the principle numbers included in the conclusions below.

Conclusion for Objective 1:

Our assessment of management’s internal controls did not find any issues associated with the 17 Principles as to design, implementation, and/or operating effectiveness, as noted in the table above.

Conclusion for Objectives 2 and 3:

Our assessment of management’s internal controls did not find issues associated with Principles 1 through 9 and 11 through 14. We found, however, issues with management’s controls regarding Principles 10, 15, 16, and 17. These areas include issues with 1) conducting periodic reviews of the charter school framework against established best practices and potential high-risk and problematic areas, 2) conducting admission lottery audits on a more frequent basis, and 3)

¹²³ U.S. Government Accountability Office. *Government Auditing Standards*. 2018 Revision. Technical Update April 2021. Paragraph 8.59 through 8.67.

¹²⁴ U.S. Government Accountability Office. *Assessing Data Reliability*. December 2019.

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providing charter school responses in the annual monitoring and renewal reports. These issues are described in detail in *Finding 2* of this report.

Methodology

The following procedures were performed to address all three of our audit objectives, unless otherwise noted. Items selected for review within this audit were based on either auditor’s professional judgment or by random selection and not through a statistical selection. The results of our review, therefore, cannot be projected to, and are not representative of, the corresponding populations.

- Obtained an understanding of the CSO’s overall organizational structure and purpose from our review of the CSO’s organizational chart, information published on its website, responses to our internal control and fraud questionnaires, responses to Information Systems Controls Assessment and Understanding of the IT Environment forms, and from interviews with management. [All principles]
- Reviewed laws, regulations, and District written policies and procedures to determine legislative and regulatory requirements related to the audit objectives, including the following:
 - Charter School Law (CSL)¹²⁵
 - Pennsylvania Department of Education (PDE) Basic Education Circular (BEC)¹²⁶
 - School District of Philadelphia Policy No. 400, *Charter School Monitoring Structures*, Adopted November 19, 2020
 - School District of Philadelphia Policy No. 401, *Administrative Procedures for Charter School Authorizing Functions*, Adopted November 19, 2020
 - Distressed School Law¹²⁷
 - Philadelphia Cigarette Tax Law¹²⁸
- We obtained information for the background of the report regarding the District and charter school sector including:
 - The number of charter schools operating in the District for the 2021-22 and 2022-23 school years.

¹²⁵ 24 P.S. § 17-1701-A *et seq.*, Article XVII-A. Subarticle (b). Charter Schools. *See* 24 P.S. §§ 17-1714-A to 17-1732-A (Act 22 of 1997, as amended).

¹²⁶ Last updated September 28, 2023, the BEC provides a general overview of the CSL, 24 P.S. §§ 17-1701-A – 17-1751-A, and serves as a guide for school districts, charter schools, parents, and other interested individuals on the authorization and establishment, operation, oversight, and closure of a charter school.

¹²⁷ 24 P.S. § 6-691 *et seq.* effective January 8, 2013 (Act 141 of 2012, as amended).

¹²⁸ 53 Pa.C.S. § 8722 (Act 131 of 2014 as affected by Act 84 of 2016). Act 84 repealed Subsection (k) of 53 Pa.C.S. § 8722 regarding the expiration date.

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- Average daily membership of students for District schools, brick and mortar charter schools, and cyber charter schools for the 2021-22 and 2022-23 school years.
- The District’s tuition rates for regular and special education paid to the charter schools for the 2021-22 and 2022-23 school years.
- District, brick and mortar charter schools, and cyber charter schools costs for the 2021-22 and 2022-23 school years.
- Reviewing the “Investigative Report Regarding Allegations of Racial Discrimination and Bias in the School District of Philadelphia’s Charter Renewal Processes” released to the public in October 2023, for any impact on our audit procedures.¹²⁹

Objective 1:

- Interviewed and corresponded with CSO management to obtain an understanding of the CSO’s responsibilities regarding new charter applications, including completing evaluation reports, which it presents to the District’s Board of Education (Board). [All Principles]
- In addition to the CSL, BEC, and District policies, we reviewed the following guidance applicable to the CSO’s new charter school application process: [Principles 6, 7, 9, 10, 12, 15, 16]
 - *Application Components and Guidelines for Submitting a New Charter School Application*, which provides applicants for new charter schools with guidance for completing the application, including dates of submission and application requirements.
 - *New Charter School Application Information Webinar*, which provides potential applicants with information related to the role of the CSO in the application process, timelines for submitting applications, public hearings and Board action, and application requirements.
- Obtained a list of all seven new charter applications that were voted on by the Board from July 1, 2021, through June 30, 2023. Due to the limited number of applications received by the District, we conducted a detailed review of all seven applications.
- Performed a detailed review of the seven applications to determine if the CSO had a comprehensive process to evaluate new charter applications and conduct a detailed and timely review. Specifically, we reviewed to determine whether: [Principles 10, 12, 13, 14, 15]

¹²⁹ According to CSO management, this report is still under consideration by the District and its Board, and a response to the report findings has not been issued. The report’s disclaimer states, in part, “The release of the report should not be considered or construed as the Board of Education’s or the School District of Philadelphia’s adoption or acceptance of its findings, opinions, or recommendations.”

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- The District and CSO adhered to the timeframes required by the CSL for receiving applications, conducting public hearings, and Board action.
 - The CSO conducted an evaluation of the applications that was in accordance with the requirements from the CSL.
 - There were no significant differences between the applications and what was reported in the CSO's evaluation report.
 - The Board voted on each application and issued an adjudication report detailing the evaluation process, including detailed explanations of why applications were denied.
 - The CSO evaluated any resubmitted applications and the Board voted and issued an adjudication report detailing the reasons for the denial.
- Obtained a list of new charter applicants that made appeals to PDE's Charter Appeals Board (CAB) in which decisions were issued from July 1, 2021, to June 30, 2023, to determine the decisions of the CAB.
 - Obtained the number of new charter applications received and approved from the 2015-16 school year through the 2022-23 school year.

Objective 2:

- Interviewed and corresponded with CSO management to obtain an understanding and assess the internal controls in place regarding the CSO's responsibilities for the renewal process for existing charter schools. [All Principles]
- In addition to the CSL, BEC, and District policies, we reviewed the following guidance documents applicable to the CSO's charter school renewal process: [Principles 6, 7, 9, 10, 12, 15, 16]
 - Charter School Performance Framework (framework) as a guide for the CSO to consistently review standards by which charter schools are evaluated on an annual basis and at the time of renewal.
 - *Category Rating Business Rules* document, which is specifically used to score for the Organizational Compliance and Viability domain for charters seeking renewal.
 - *Renewal Document Review Guidance* document which provides charter schools with details how the renewal review will work and the type of documents that will be reviewed.
 - Communications to the charter schools through newsletters, emails, a calendar of collections detailing dates documents are required to be submitted for review, and the District's website in order to provide charter schools with dates and times documents are required to be submitted for review and also to provide opportunities for feedback.

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- Determined the CSO had a mechanism in place to monitor charter schools in the year of renewal, according to the requirements of the CSL and District policy. [Principles 10, 12 through 17]
- Obtained a list of all 41 charter schools in the renewal cohorts for the 2021-22 and 2022-23 school years from the CSO. Based on our assessment of risk, we judgmentally selected 7 of the 41 charter schools to conduct a detailed review, including two schools in which the CSO did not provide a recommendation because standards were not met, three schools where the CSO recommended a five-year charter extension with conditions, and two schools where the CSO recommended a five-year charter extension without conditions. We also selected three schools in the 2021-22 school year and four in the 2022-23 school year to cover both years of our audit period.
- Performed a detailed review of the seven selected charter schools in the year of renewal to determine if the CSO accurately documented its process of monitoring the charter schools in the year of renewal. Specifically, we: [Principles 10, 12 through 17]
 - Obtained and reviewed each of the seven ACE-R reports to determine if the reports aligned with the requirements of the framework in the year of renewal.
 - Verified that the CSO presented the reports to the Board along with renewal recommendations if applicable.
 - Determined the charter schools provided an annual report to the CSO.
 - Reviewed supporting documentation for certain standards in the report to ensure the accuracy of the rating that was received for that standard. We judgmentally selected 11 standards from different categories within the “Organizational Compliance and Viability” domain in the framework. We also determined supporting documentation was maintained for the PSSA or Keystone proficiency rates that we tested as part of the “Academic Success” domain for English Language Arts and that the District’s Office of Auditing Services (OAS) completed an audit report detailing its review of certain standards in the renewal year.
 - Recalculated the scores for each domain in the reports to verify the results as to whether the domain met, approached, or did not meet standards according to the framework.
 - Reviewed communications to determine if charter schools were provided an opportunity to provide feedback prior to the report being released.

Objective 3:

- Interviewed and corresponded with CSO management to obtain an understanding and assess the internal controls in place regarding the CSO’s responsibilities for the annual monitoring for existing charter schools. [All Principles]

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- In addition to the CSL, BEC, and District policies, we reviewed the following guidance documents applicable to the CSO’s annual charter school monitoring process: [Principles 6, 7, 9, 10, 12, 15, 16]
 - The framework as a guide for the CSO to consistently review standards by which charter schools are evaluated on an annual basis.
 - Communications to the charter schools through newsletters, emails, a calendar of collections detailing dates documents are required to be submitted for review, and the District’s website in order to provide charter schools with dates and times documents are required to be submitted for review and also to provide opportunities for feedback.
- Determined the CSO had a mechanism in place to monitor charter school on an annual basis, according to the requirements of the CSL and District policy. [Principles 10, 12 through 17]
- Obtained a list of all charter schools from the CSO from July 1, 2021, through June 30, 2023.¹³⁰ We determined that 41 of those charter schools were not in the year of renewal during the above time frame and only required an annual evaluation. Based on our assessment of risk, we randomly selected 7 of the 41 charter schools to conduct a detailed review. We selected three schools in the 2021-22 school year and four in the 2022-23 school year to cover both years of our audit period.
- Performed a detailed review of the seven selected charter schools required to be monitored annually to determine if the CSO accurately documented its process of monitoring the charter schools. Specifically, we: [Principles 10, 12 through 17]
 - Obtained and reviewed each of the seven ACE reports to determine if the reports aligned with the requirements of the framework with regards to standards that are reviewed.
 - Determined the charter schools provided the CSO with its annual charter school report.
 - Reviewed supporting documentation for certain standards in the report to ensure the accuracy of the rating received for that standard. We judgmentally selected eight standards from different categories within the “Organizational Compliance and Viability” domain in the framework. We also determined supporting documentation was maintained for the PSSA or Keystone proficiency rates that we tested as part of the “Academic Success” domain for English Language Arts.
 - Reviewed communications to determine if charter schools were provided an opportunity to provide feedback prior to the report being released.

¹³⁰ There were 86 charter schools in operation at some time during our audit period (see *Appendix B*). Four of the schools closed during the audit period so those schools were not considered a part of the test group. In addition, there were another 41 schools that were in the year of renewal during the audit period that were reviewed as part of *Objective 2*, leaving the remaining 41 charter schools as requiring only an annual review during the audit period.

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- Reviewed newspaper articles, inquired with CSO management, and reviewed Board minutes regarding allegations that the admissions process with one charter school, Franklin Towne Charter High School, was not in accordance with its charter agreement, District policies, and the CSL. [Principle 17]

Status of Prior Audit Findings:

Our prior audit focused on the District's oversight of District-authorized charter schools, responsibilities that we found were largely delegated to the District's CSO. Our current audit focuses on the duties and responsibilities delegated to the CSO by the District's Board, related to the following: (1) new charter applications, (2) charter renewals, and (3) annual monitoring. As a result, during our current audit, we limited our follow-up procedures to just the status of prior audit findings and/or recommendations related to the above areas handled by the CSO. Of the four prior findings, Prior Audit Finding 3 does not relate to the CSO, and therefore, we **did not** perform any procedures related to that finding.

To address the Status of Prior Audit Findings, we performed the following procedures:

- Made inquiries of CSO management regarding the status of the prior audit finding recommendations to determine if recommendations related to CSO duties and responsibilities were implemented.
- Obtained from the District the legal costs associated with charter matters for fiscal year ends 2022 and 2023, respectively. Since legal costs are handled at the District level and **not** by the CSO, which is the subject of the current audit, we did not audit or inquire further about the basis for those amounts.
- Determined uses the revenue from the Cigarette Tax Law by the District.
- During our current audit, we ensured the CSO performed its oversight responsibilities related to new charter applications, annual monitoring and a more comprehensive review in the year of renewal. Those procedures are listed above and were used to determine, in part, if the prior audit recommendations were resolved.

Data Reliability

Government Auditing Standards requires us to assess the sufficiency and appropriateness of computer-processed information that we used to support our findings, conclusions, and recommendations. The assessment of the sufficiency and appropriateness of computer-processed

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information includes considerations regarding the completeness and accuracy of the data for the intended purposes.¹³¹

In addition to the procedures described in the remainder of this section, as part of our overall process in obtaining assurance of the reliability of computer-processed information (lists of charter schools), we obtained a management representation letter from the CSO. This letter, signed by CSO management, included a confirmation statement indicating the information provided to us had not been altered and was a complete and accurate duplication of the information from its original source.

For the first audit objective related to new charter school applications, the CSO provided us with a list of seven applicants for the 2021-22 and 2022-23 school years. We obtained and reviewed all seven applications from the CSO. Additionally, we reviewed the Board minutes for the above time period to determine if the Board took action on those seven applications and to determine if there were any additional applications where the Board took action. We found the Board only took action on those seven applications. Therefore, we found no limitations with using the list for our intended purposes. In accordance with *Government Auditing Standards*, we concluded that the list of new applications was sufficiently reliable regarding completeness and accuracy for the purposes of this engagement.

For the second and third objectives related to charter renewals and annual monitoring, the CSO provided us with a list of charter schools operating in the District, including those that were in the year of renewal during the 2021-22 and 2022-23 school years. We compared the list provided by the CSO with the list of charter schools on its website, along with the list of charter schools in the District from the PDE website, without exceptions. We also obtained either the ACE or ACE-R report for each of the charter schools or obtained an explanation as to why it was not completed for each of the charter schools during the audit period. Based on our review, we were able to determine there were 41 charter schools in the renewal years and 41 that received an annual evaluation during the audit period.¹³² Therefore, we found no limitations with using the lists for our intended purposes. In accordance with *Government Auditing Standards*, we

¹³¹ U.S. Government Accountability Office. *Government Auditing Standards*. 2018 Revision. Technical Update April 2021. Paragraph 8.98.

¹³² There were 85 operating charter schools during the 2021-22 school year, but three charter schools closed at the end of that school year. One new charter school previously approved in the 2021-22 school year began operations in the 2022-23 school year, resulting in the District having 83 operating charter schools during the 2022-23 school year. An additional charter school closed at the end of the 2022-23 school year, resulting in the District currently having 82 charter schools operating during the 2023-24 school year. While there were 86 charter schools that operated during the audit period, we did not include the four that closed as part of our testing for the annual or renewal reviews leaving us with a population of 82 charter schools. CSO management indicated that for the charter schools that did not have the annual reports, one charter school is in litigation with the District after the Board invoked the surrender clause in the charter agreement, so the CSO did not complete an ACE report for the 2022-23 school year due to the litigation. The CSO also indicated there is one charter school that does not have a current charter due, in part, to ongoing legal disputes with the District regarding enrollment caps and differences over the CSO's monitoring framework. This charter school does not provide necessary documentation for the CSO to complete a review of the charter school, so ACE and ACE-R reports have not been completed. These longstanding disputes remain unresolved and under litigation.

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concluded that the list of charter schools operating in the District, as well as the list of charter schools subjected to monitoring procedures, were sufficiently reliable regarding completeness and accuracy for the purposes of this engagement.

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Appendix B

List of Operating Charter Schools Authorized by the School District of Philadelphia

For the 2021-22 and 2022-23 school years, there were 86 operating brick and mortar charter schools authorized by the School District of Philadelphia (District). Seventeen of those charter schools are former District-operated schools that were converted to charter schools under the District’s “Renaissance Schools Initiative” that began in 2010, as a means of turning around persistently low academically performing schools. According to the District, a Renaissance Charter School is a neighborhood school that is operated as a public charter school and can only enroll students from the neighborhood.

A total of **four** charter schools closed during the audit period, as indicated in the chart below.¹³³

List of Operating Charter Schools Authorized by the School District of Philadelphia
Ad Prima Charter School
Alliance for Progress Charter School
Antonia Pantoja Charter School
Belmont Charter School
Boys' Latin of Philadelphia Charter School
Christopher Columbus Charter School
Community Academy of Philadelphia Charter School
Deep Roots Charter School
Esperanza Academy Charter School
Eugenio Maria De Hostos Charter School
First Philadelphia Preparatory Charter School
Folk Arts-Cultural Treasures Charter School
Franklin Towne Charter Elementary School
Franklin Towne Charter High School
Frederick Douglass Mastery Charter School*
Freire Charter School
Global Leadership Academy Charter School
Global Leadership Academy Charter School Southwest at Huey*
Green Woods Charter School
Harambee Institute of Science and Technology Charter School
Hardy Williams Academy Charter School
Imhotep Institute Charter High School

¹³³ The District’s Board of Education previously voted to not renew the charters of each of those schools prior to the audit period. The State Charter School Appeal Board upheld the District’s nonrenewal decisions resulting in closures of three of the schools during our audit period, and one closed pursuant to a settlement agreement between the charter school and the District.

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Independence Charter School
Independence Charter School West
Inquiry Charter School
John B. Stetson Charter School^
John Wister Mastery Charter School*
Keystone Academy Charter School
KIPP DuBois Charter School
KIPP North Philadelphia Charter School
KIPP Philadelphia Charter School
KIPP Philadelphia Octavius Catto Charter School^^
KIPP West Philadelphia Charter School
Laboratory Charter School of Communication and Languages
Lindley Academy Charter School at Birney*
Mariana Bracetti Academy Charter School
Maritime Academy Charter School
MaST Community Charter School III
Mastery Charter High School
Mastery Charter School - Pickett Campus
Mastery Charter School - Shoemaker Campus
Mastery Charter School Cleveland Elementary*
Mastery Charter School Clymer Elementary*
Mastery Charter School Harrity Elementary*
Mastery Charter School Mann Elementary*
Mastery Charter School Pastorius - Richardson Elementary*
Mastery Charter School Simon Gratz Campus*
Mastery Charter School Smedley Elementary*
Mastery Charter School Thomas Campus
Mastery Prep Elementary Charter School
Math, Science, and Technology Community Charter School
Mathematics, Science and Technology Community Charter School II
Memphis Street Academy Charter School at J.P. Jones*
Multicultural Academy Charter School
New Foundations Charter School
Northwood Academy Charter School
Olney Charter High School^
Pan American Academy Charter School
People for People Charter School
Philadelphia Academy Charter School
Philadelphia Electrical and Technology Charter High School
Philadelphia Hebrew Public Charter School
Philadelphia Montessori Charter School
Philadelphia Performing Arts A String Theory Charter School

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Preparatory Charter School of Mathematics, Science, Technology and Careers
Richard Allen Preparatory Charter School
Russell Byers Charter School
Sankofa Freedom Academy Charter School
Southwest Leadership Academy Charter School
Tacony Academy Charter School
TECH Freire Charter School
The Jacqueline Y. Kelley Discovery Charter School
The Mathematics Civics and Sciences Charter School
The Philadelphia Charter School for the Arts and Sciences at H.R. Edmunds*
Universal Alcorn Charter School*
Universal Audenried Promise Neighborhood Partnership Charter School*
Universal Bluford Charter School (Bluford Charter School)^
Universal Creighton Charter School*
Universal Daroff Charter School^
Universal Institute Charter School
Universal Vare Promise Neighborhood Partnership Charter School*
West Oak Lane Charter School
West Philadelphia Achievement Charter Elementary School
Wissahickon Charter School
Young Scholars Charter School
YouthBuild Philadelphia Charter School
* denotes a Renaissance School. ^ denotes a charter school that closed after the 2021-22 or 2022-23 school years. ^^ denotes a charter school that began operations in the 2022-23 school year (based on approval from 2017-18 school year).
<i>Source: District's Charter Schools Office.</i>

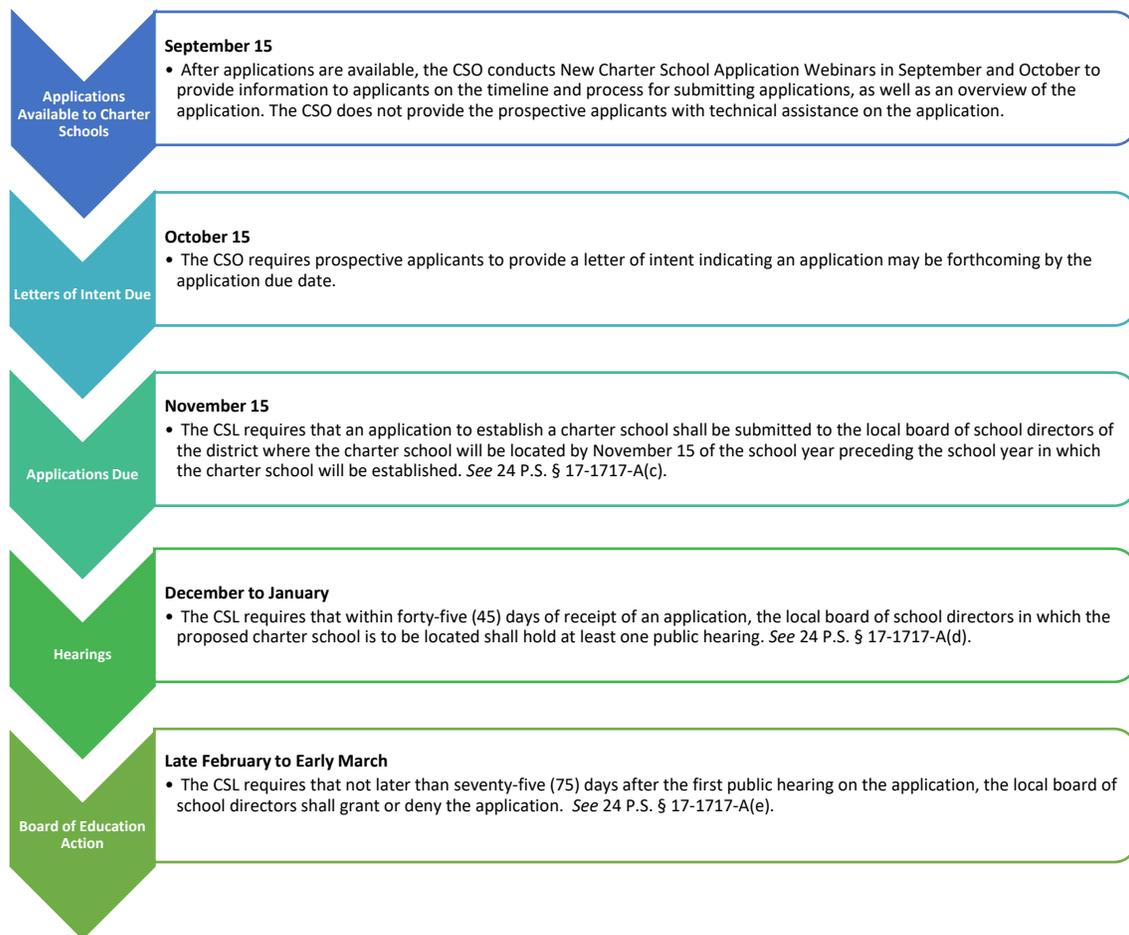
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Appendix C

Charter School Timeline For New Applications

According to the School District of Philadelphia’s policy, the Charter Schools Office (CSO) is responsible for organizing and conducting new charter application processes in a manner consistent with the Charter School Law (CSL).¹³⁴ The CSO’s application process includes preliminary procedural steps, followed by strict deadlines required by the CSL, as shown in the timeline below. As part of our audit, we verified that the CSO conducted the below activities as part of its new application review process and that all established deadlines were met. *See Finding 1* of this report for our detailed review of the CSO’s review process of new charter school applications.



Source: Developed by Department of Auditor General staff based on information provided by the CSO and requirements of the CSL.

¹³⁴ 24 P.S. § 17-1701-A *et seq.* and the School District of Philadelphia Policy No. 400, *Charter School Monitoring Structures*, Adopted November 19, 2020.

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Appendix D

Charter School Law Requirements – Contents of Application

The Charter School Law (CSL) requires all applications for charter schools to contain certain information as listed below. During our testing of new charter applications, we determined that the School District of Philadelphia's Charter Schools Office was evaluating applications based on this section of the CSL. Please refer to *Finding 1* of this report for additional information.

24 P.S. § 17- 1719-A. Contents of application,

An application to establish a charter school shall include all of the following information:

- (1) The identification of the charter applicant.
- (2) The name of the proposed charter school.
- (3) The grade or age levels served by the school.
- (4) The proposed governance structure of the charter school, including a description and method for the appointment or election of members of the board of trustees.
- (5) The mission and education goals of the charter school, the curriculum to be offered and the methods of assessing whether students are meeting educational goals.
- (6) The admission policy and criteria for evaluating the admission of students which shall comply with the requirements of section 1723-A.¹³⁵
- (7) Procedures which will be used regarding the suspension or expulsion of pupils. Said procedures shall comply with section 1318.¹³⁶
- (8) Information on the manner in which community groups will be involved in the charter school planning process.
- (9) The financial plan for the charter school and the provisions which will be made for auditing the school under section 437.¹³⁷
- (10) Procedures which shall be established to review complaints of parents regarding the operation of the charter school.
- (11) A description of and address of the physical facility in which the charter school will be located and the ownership thereof and any lease arrangements.
- (12) Information on the proposed school calendar for the charter school, including the length of the school day and school year consistent with the provisions of section 1502.¹³⁸
- (13) The proposed faculty and a professional development plan for the faculty of a charter school.
- (14) Whether any agreements have been entered into or plans developed with the local school district regarding participation of the charter school students in extracurricular activities within the school district. Notwithstanding any provision to the contrary, no school district of residence shall prohibit a student of a charter school from participating in any extracurricular

¹³⁵ 24 P.S. § 17-1723-A.

¹³⁶ 24 P.S. § 13-1318.

¹³⁷ 24 P.S. § 4-437.

¹³⁸ 24 P.S. § 15-1502.

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activity of that school district of residence: Provided, That the student is able to fulfill all of the requirements of participation in such activity and the charter school does not provide the same extracurricular activity.

(15) A report of criminal history record, pursuant to section 111, for all individuals who shall have direct contact with students.

(16) An official clearance statement regarding child injury or abuse from the Department of Human Services¹³⁹ as required by 23 Pa.C.S. Ch. 63 Subch. C.2 (relating to background checks for employment in schools) for all individuals who shall have direct contact with students.

(17) How the charter school will provide adequate liability and other appropriate insurance for the charter school, its employees and the board of trustees of the charter school.

¹³⁹ Previously the Department of Public Welfare (*see* 62 P.S. § 103, Act 132 of 2014).

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Appendix E

Charter Schools Office Evaluation Reports

The Charter School Law (CSL) requires that new charter applications be evaluated by the local board of school directors based on, but not limited to, the following criteria:¹⁴⁰

- The demonstrated, sustainable support for the charter school plan by teachers, parents, community members, and students, including comments received at the public hearing.
- The capability of the charter school applicant, in terms of support and planning, to provide comprehensive learning experiences to students.
- The extent to which the application considers the information requested in Section 1719-A¹⁴¹ of the CSL and conforms to the legislative intent outlined in Section 1702-A of the law.¹⁴²
- The extent to which the charter school may serve as a model for other public schools.

In order to comply with the above requirements from the CSL, the School District of Philadelphia’s Charter Schools Office (CSO) prepares evaluation reports which analyze the application information by organizing the evaluations into “Report Sections” and “Application Components” as described in the chart below. *See Finding 1* for more information on our review of CSO’s application process and evaluation reports.

Report Sections	Application Components
Academic Program	Details the proposed Charter School’s curriculum, key instructional methods, assessment strategies, and student supports.
Organizational Compliance and Capacity	Provides an overview of the proposed Charter School’s founding coalition, governance, staffing, professional development, and operational plans.
Community Engagement, Support, and Impact	Details the partnerships and community connections that the applicant has established as part of engaging with students and families, including students in any specific demographic groups.

¹⁴⁰ 24 P.S. § 17-1717-A(e)(2)(i)-(iv).

¹⁴¹ The requirements of Section 1719-A (relating to **Contents of application**) of the CSL are included in *Appendix D* of this report. Section 1719-A of the CSL includes 17 specific requirements of the charter application, including but not limited to governance structure, curriculum and methods to assess whether students are meeting educational goals, admissions policies, community involvement, financial plans, etc. *See* 24 P.S. §§ 17-1702-A and 17-1719-A(1)-(17).

¹⁴² Legislative intent discussed in Section 1702-A of the CSL generally explains that the General Assembly allowed the creation of charter schools to provide pupils and community members with independently operated schools outside of the existing school district structure in order to accomplish improved learning, increased learning opportunities, different and innovative teaching methods, new opportunities for teachers, and school choice for parents and pupils, while still holding the schools accountable to measurable academic standards and accountability systems. *Ibid.* Section 17-1702(1)-(6).

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Finance	Details the financial policies and procedures and demonstrates, under realistic revenue and expenditure assumptions, that the proposed Charter School will remain financially viable for the entire charter term. The proposed budget should align fully with proposed programming, staffing plans, student enrollment projections, and all other aspects of the proposed Charter School.
Facilities	Describes the school's ability to secure, prepare, and maintain a suitable facility within the allotted time frame. The proposed facility should be suitable for the educational programming proposed by the applicant, including special needs for instruction, administrative and support services, and physical education or athletic spaces.
Existing Operator	Review of applicants supported by an incubation/launch partner, applicants that manage a currently existing or former school in any state, applicants that propose to use a Charter Management Organization, Educational Services Provider, or similar entity that currently or formerly manages or managed a school in any state.

Source: Developed by Department of the Auditor General Staff from information obtained from the CSO's new charter application evaluation reports.

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Appendix F

Charter School Law Requirements – Causes for Nonrenewal or Termination

The Charter School Law (CSL) specifies permissible reasons for the nonrenewal or termination of charter schools by the local board of school directors, which are listed below. We determined that the School District of Philadelphia's Charter Schools Office was evaluating charter schools based on this section of the CSL within its Charter School Performance Framework. Please refer to *Finding 2* of this report for additional information.

Section 1729-A. Causes for Nonrenewal or Termination.--(a) During the term of the charter or at the end of the term of the charter, the local board of school directors may choose to revoke or not to renew the charter based on any of the following:

(1) One or more material violations of any of the conditions, standards or procedures contained in the written charter signed pursuant to section 1720-A.

(2) Failure to meet the requirements for student performance set forth in 22 Pa. Code Ch. 5 (relating to curriculum) or subsequent regulations promulgated to replace 22 Pa. Code Ch. 5 or failure to meet any performance standard set forth in the written charter signed pursuant to section 1716-A.

(3) Failure to meet generally accepted standards of fiscal management or audit requirements.

(4) Violation of provisions of this article.

(5) Violation of any provision of law from which the charter school has not been exempted, including Federal laws and regulations governing children with disabilities.

(6) The charter school has been convicted of fraud.

(a.1) When a charter school located in a school district of the first class is in corrective action status and seeks renewal of its charter, if the governing body of the school district of the first class renews the charter, it may place specific conditions in the charter that require the charter school to meet specific student performance targets within stated periods of time subject to the following:

(i) The performance targets and the periods of time in which the performance targets must be met shall be reasonable.

(ii) The placement of conditions in a charter as specified in this subsection shall not be considered an adjudication and may not be appealed to the State Charter School Appeal Board.

(iii) If the charter school fails to meet the performance targets within the stated period of time, such failure shall be sufficient cause for revocation of the charter.

((a.1) added July 9, 2008, P.L.846, No.61)

(b) A member of the board of trustees who is convicted of a felony or any crime involving moral turpitude shall be immediately disqualified from serving on the board of trustees.

(c) Any notice of revocation or nonrenewal of a charter given by the local board of school directors of a school district shall state the grounds for such action with reasonable specificity and give reasonable notice to the governing board of the charter school of the date on which a public hearing concerning the revocation or nonrenewal will be held. The local board of school directors shall conduct such hearing, present evidence in support of the grounds for revocation or

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nonrenewal stated in its notice and give the charter school reasonable opportunity to offer testimony before taking final action. Formal action revoking or not renewing a charter shall be taken by the local board of school directors at a public meeting pursuant to the act of July 3, 1986 (P.L.388, No.84), known as the "Sunshine Act," after the public has had thirty (30) days to provide comments to the board. All proceedings of the local board pursuant to this subsection shall be subject to 2 Pa.C.S. Ch. 5 Subch. B (relating to practice and procedure of local agencies). Except as provided in subsection (d), the decision of the local board shall not be subject to 2 Pa.C.S. Ch. 7 Subch. B (relating to judicial review of local agency action).

(d) Following the appointment and confirmation of the appeal board, but not before July 1, 1999, the charter school may appeal the decision of the local board of school directors to revoke or not renew the charter to the appeal board. The appeal board shall have the exclusive review of a decision not to renew or revoke a charter. The appeal board shall review the record and shall have the discretion to supplement the record if the supplemental information was previously unavailable. The appeal board may consider the charter school plan, annual reports, student performance and employe and community support for the charter school in addition to the record. The appeal board shall give due consideration to the findings of the local board of directors and specifically articulate its reasons for agreeing or disagreeing with those findings in its written decision.

(e) If the appeal board determines that the charter should not be revoked or should be renewed, the appeal board shall order the local board of directors to rescind its revocation or nonrenewal decision.

(f) Except as provided in subsection (g), the charter shall remain in effect until final disposition by the appeal board.

(g) In cases where the health or safety of the school's pupils, staff or both is at serious risk, the local board of school directors may take immediate action to revoke a charter.

(h) All decisions of the charter school appeal board shall be subject to appellate review by the Commonwealth Court.

(i) When a charter is revoked, not renewed, forfeited, surrendered or otherwise ceases to operate, the charter school shall be dissolved. After the disposition of any liabilities and obligations of the charter school, any remaining assets of the charter school, both real and personal, shall be distributed on a proportional basis to the school entities with students enrolled in the charter school for the last full or partial school year of the charter school. In no event shall such school entities or the Commonwealth be liable for any outstanding liabilities or obligations of the charter school. ((i) amended July 4, 2004, P.L.536, No.70)

(j) When a charter is revoked or is not renewed, a student who attended the charter school shall apply to another public school in the student's school district of residence. Normal application deadlines will be disregarded under these circumstances. All student records maintained by the charter school shall be forwarded to the student's district of residence.

(1729-A added June 19, 1997, P.L.225, No.22)

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Appendix G

Charter School Performance Framework

The School District of Philadelphia’s (District) Charter Schools Office’s (CSO) School Performance Framework (framework) contains three domains: 1) Academic Success, 2) Organizational Compliance and Viability, and 3) Financial Health and Sustainability. Each domain includes categories and several standards within the categories, as shown below. These domains, categories, and standards are the basis of the annual and renewal monitoring conducted by the CSO of all District-authorized charter schools.

Domain	Categories (In Bold)/Standards
Academic Success	<p>Proficiency</p> <ol style="list-style-type: none"> 1. PSSA /Keystone proficiency rates at or above the District average and at or above the similar schools for the same grades served by the school. <p>Growth</p> <ol style="list-style-type: none"> 1. Overall annual growth as on PSSA/Keystone meets or exceeds the statewide growth standard. 2. Lowest performing student annual growth as on PSSA/Keystone meets or exceeds the statewide growth standard. <p>Attendance</p> <ol style="list-style-type: none"> 1. Percentage of students attending 95% or more instructional days is at or above the District average and at or above the similar schools average. 2. Percentage of students attending less than 90% of instructional days is at or below the District average and at or below the similar schools average. <p>Postsecondary Readiness (High Schools Only)</p> <ol style="list-style-type: none"> 1. 4-year cohort graduation rates are at or above District average and at or above the similar schools average. 2. ACT/SAT college readiness rates are at or above District or similar schools averages. 3. First-fall college matriculation rates are at or above the District average or similar schools average.
Organizational Compliance and Viability	<p>Mission and Educational Plan</p> <ol style="list-style-type: none"> 1. Mission Implementation through Educational Plan and Instructional Program* 2. School Climate and Culture* 3. Parent and Family Engagement* <p>Special Education</p> <ol style="list-style-type: none"> 1. Child Find Notice 2. Manifestation Determination Policy 3. Manifestation Determination Practice 4. Screening*

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5. Monitoring*
6. Tiered Instruction*
7. IEP Progress Monitoring*
8. Secondary Transition*
9. IEP Timeliness*
10. Bureau of Special Education Findings*

English Learners (EL)

1. ESL Policy
2. EL Timely Evaluation
3. ESL ACCESS
4. EL Identification*
5. EL Notification Practice*
6. EL Exiting*

Enrollment

1. Enrollment Policy
2. Student Application
3. Enrollment Materials
4. Lottery Process and Waitlist Policy*
5. Enrollment Process*
6. Geographic Preference Alignment*

Climate and Culture

1. Code Due Process
2. SDP Alignment (Renaissance Only)
3. Truancy Policy
4. Expulsion Process

Personnel

1. Certified ESL Teachers
2. Certified Special Education Teachers
3. Certified Instructional Leader
4. Checks and Clearances*

Food, Health, and Safety

1. Food Safety
2. Health Service Policy
3. Emergency Preparedness
4. Water Quality
5. Mandated Health Services*
6. Certified School Nurse*
7. Food Service Program*

Board Governance

1. Sunshine Act
2. Board Oversight
3. Board Accessibility
4. Statements of Financial Interest
5. Board Member Training
6. Board Contact Information
7. Ethics Act*
8. Board Structure*

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	<ol style="list-style-type: none"> 1. Timely Annual Report 2. Timely Financial Audit
Financial Health and Sustainability	<p>Financial Health</p> <ol style="list-style-type: none"> 1. Total Margin (% of Revenue) 2. Current Ratio 3. Cash on Hand 4. Net Position (% of Revenue) 5. Non-Restricted Fund Balance (% of Revenue) 6. Debt Ratio 7. Debt Service Coverage Ratio <p>Fiscal Management</p> <ol style="list-style-type: none"> 1. Audit Findings 2. Debt Delinquency 3. Public School Employees’ Retirement System 4. Financial Transactions* 5. Related Parties* 6. Payroll*

Source: Developed by Department of the Auditor General Staff from the Charter School Performance Framework during the audit period. An asterisk () denotes standards only reviewed during the year of renewal. Note: Due to COVID-19 Keystone and PSSA proficiency and growth rates were not included in the 2019-20 and 2020-21 school years.*

For annual monitoring, the CSO conducts its review and publishes an Annual Charter Evaluation (ACE) based on the framework. In the ACE report, each of the standards under the three domain categories receives a rating of “Meets Standard,” “Approaches Standard,” or “Does Not Meet Standard”. The same ratings apply to the renewal process, but additional procedures and calculations are performed by the CSO.

For charter schools in their year of renewal, the CSO issues an ACE-Renewal (ACE-R) report, which includes a review of additional standards that are reviewed only in the year of renewal as designated by the asterisks in the above framework chart. Additionally, a scoring system is used that includes the cumulative ratings from the ACE reports, as well as the standards reviewed only in the year of renewal to calculate an **overall** rating of “Meets Standard,” “Approaches Standard,” or “Does Not Meet Standard” in each of the framework’s three domains in the ACE-R report. The CSO’s points and ratings systems based on those points for renewals only are described in the charts below.

We discuss the results of our review of the CSO’s framework, ACE, and ACE-R reports in detail in *Finding 2*.

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Academic Success

Each of the four categories in the Academic Success domain are weighed differently, resulting in a total of 100 possible points overall. The overall rating for Academic Success is based on the percentage of points earned as shown below:

Category	Category Weight	Points Possible
Proficiency	30%	30
Growth	30%	30
Attendance	20%	20
Postsecondary Readiness	20%	20
Total		100

Domain Rating	Percentage of Points Earned
Meets Standard	>75%
Approaches Standard	45% to 75%
Does Not Meet Standard	< 45%

Organizational Compliance and Viability

Each of the nine categories under Organizational Compliance and Viability contains the number of possible points that can be earned. The overall rating for the domain is based on the percentage of points earned. The points and percentages are shown in the tables below:

Category	Points Possible
Mission and Educational Plan	15
Enrollment	15
Board Governance	15
Student Discipline	10
Special Education	10
English Learners	10
Personnel	10
Food, Health and Safety	10
Timely Reporting	5
Total	100

Domain Rating	Percentage of Points Earned
Meets Standard	>80%
Approaches Standard	50% to 80%
Does Not Meet Standard	< 50%

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Financial Health and Sustainability

There are two categories considered under the Financial Health and Sustainability domain. The Financial Health category is evaluated based on how many of the short and long-term metrics met or did not meet a standard. The Fiscal Management category is based on how many standards are flagged as a concern and if those concerns are minor or major. The overall domain rating is determined by combining the ratings of the two categories, as illustrated below.

Domain Rating	Financial Health Category	Fiscal Management Category
Meets Standard	18 or more of 28 metrics meet standard and at most 4 metrics do not meet standard	0-1 standards flagged with minor findings
Approaches Standard	In between	2-3 standards flagged with minor findings
Does Not Meet Standard	10 or more of 28 metrics do not meet standard	4-6 standards flagged with minor findings and/or any number of standards flagged with major findings

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Appendix H

Distribution List

This report was distributed to the following individuals:

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The Honorable Scott Martin

Senate Majority Appropriations Chairman
Pennsylvania Senate

The Honorable Vincent Hughes

Senate Minority Appropriations Chairman
Pennsylvania Senate

The Honorable Jordan Harris

House Majority Appropriations Chairman
Pennsylvania House of Representatives

The Honorable Seth Grove

House Minority Appropriations Chairman
Pennsylvania House of Representatives

The Honorable Kim Ward

President Pro-Tempore
Pennsylvania Senate

The Honorable Joanna McClinton

Speaker of the House
Pennsylvania House of Representatives

The Honorable Matt Bradford

House Majority Leader
Pennsylvania House of Representatives

The Honorable Bryan Cutler

House Minority Leader
Pennsylvania House of Representatives

The Honorable Joe Pittman

Senate Majority Leader
Pennsylvania Senate

The Honorable Jay Costa

Senate Minority Leader
Pennsylvania Senate

The Honorable Peter Schweyer

House Education Majority Chair
Pennsylvania House of Representatives

The Honorable Jesse Topper

House Education Minority Chair
Pennsylvania House of Representatives

The Honorable David Argall

Senate Education Majority Chairman
Pennsylvania Senate

The Honorable Lindsey Williams

Senate Education Minority Chair
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The Honorable Uri Monson

Secretary of the Budget
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The Honorable Stacy Garrity

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The Honorable Michelle A. Henry

Attorney General
Office of the Attorney General

The Honorable Neil Weaver

Secretary of Administration
Office of Administration

Mr. William Canfield

Director
Bureau of Audits
Office of Comptroller Operations

Ms. Mary Spila

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