

# Atlanta Public Schools

## Audit Report

### Assessment of Controls over Office of Innovation- Charter/Partner School Operations

Report Date: February 12, 2019



130 Trinity Avenue, SW | Atlanta, GA 30303

Confidential

**Audit Report of  
Assessment of Controls over Office of Innovation-Charter/Partner School  
Operations**

**Report Date: February 12, 2019**

**Prepared by:  
Atlanta Public Schools  
Office of Internal Compliance  
February 12, 2019**

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## Executive Summary

The Atlanta Public School's Office of Innovation (OI) serves as a facilitator for the district's charter and partner schools and is responsible for providing support and customer service to the schools. This report provides written communication of the testing results derived from audit procedures designed to meet the audit objectives.

## Conclusion

The Office of Innovation is operating effectively as a facilitator for the district's charter and partner schools and is providing adequate support and customer service to the schools. The Office of Innovation has a number of controls in place to effectively mitigate risks involving monitoring the charter and partner schools. Some of those controls include:

- Review and approval of new and renewal charter petitions by the Office of Innovation and the Georgia Department of Education before new charters are granted.
- Performance of annual audits for every charter and partner school to ensure Special Education monitoring.
- Review and approval of local funding payments to ensure proper payments are made to the charter and partner schools.
- Approval and tracking of buy back services to ensure proper services are rendered to the charter and partner schools and payments are properly received by the district.

However, effective controls and adequate management oversight must be present to ensure charter/partner school contract obligations are being met and potentially underperforming schools do not go undetected. We noted the following opportunities for improvement within the Office of Innovation:

- The Academic Performance Framework reports are prepared by the Office of Innovation (OI) Performance Data Manager and are reviewed and discussed with the OI Executive Director. However, there is no documentation to evidence this review.
- The OI Accountant does not confirm the annual audit reports are prepared by an independent certified public accountant licensed in the state of Georgia. Also, the OI Accountant reviews the findings from the annual audit reports and discusses any issues with the OI Executive Director. There is no documentation to evidence this review.
- There are no documented standard procedures in place for the Office of Innovation.

## Background

A charter school is a public school that operates under contract with a local authorizer such as Atlanta Public Schools (APS). Charter schools are governed by their own independent, non-profit boards with oversight from the authorizer (i.e. APS) and the Georgia Department of Education. Charter schools have district-wide enrollment zones and are allowed flexibility in their programming in exchange for specific performance goals.

The Atlanta Public School's Office of Innovation (OI) serves as a facilitator for the district's charter and partner schools and is responsible for providing support and customer service to the schools. OI also conducts the charter petition process each year, reviewing requests to establish new charters or renew existing charters that are coming to term. In addition, OI facilitates buy back services for the charter and partner schools, monitors performance and prepares the charter and partner school local funding payments. Lastly, OI supports parents of the charter and partner school communities with family engagement, inquiries about the schools and complaint resolution. OI currently serves the district's 18 charter schools and 5 partner schools.

Partner schools are new to the Office of Innovation's portfolio. Partner schools represent Atlanta Public School's commitment to quickly transform low performing schools and provide a high quality education to Atlanta's students. The first partner school transitioned to management by Purpose Built Schools in August 2016 followed by charter school management (i.e. Kindezi and Kipp models) soon after. Partner schools serve all students in the original attendance zone and enrollment is open to any student living within that zone.

## Objective & Scope

We completed our assessment of internal controls over the Office of Innovation-Charter/Partner School Operations. The objectives of our review were to:

- Gain an understanding of the processes and procedures surrounding the Office of Innovation
- Determine if appropriate internal controls exist over monitoring charter and partner schools
- Determine if internal controls are operating effectively
- Identify control gaps, if applicable

In an effort to achieve our objectives, the Office of Internal Compliance performed the following tasks that included, but were not limited to:

- Interviewing key Office of Innovation personnel
- Reviewing new and renewal charter petition processes
- Reviewing charter and partner school contracts
- Reviewing charter and partner school monitoring procedures
- Reviewing GA State Charter School policies and procedures
- Reviewing local funding calculations and payments
- Reviewing buy back service agreements and payments
- Testing internal controls

The scope of the audit focused on the Office of Innovation processes and procedures during July 1, 2016 to June 30, 2018.

## Observations

**Observation 1: The Academic Performance Framework reports are prepared by the Office of Innovation (OI) Performance Data Manager and are reviewed and discussed with the OI Executive Director. However, there is no documentation to evidence this review.**

The Academic Performance Framework reports are prepared and used by OI to monitor charter school performance. These reports are metric reports (i.e. a metric template based on the charter contract) used by OI for internal purposes to measure the performance of each charter school. The reports are prepared by the OI Performance Data Manager once a year and is reviewed with the OI Executive Director to verbally discuss the data. There is no documentation of this review.

If the OI Performance Data Manager and OI Executive Director sees (during their verbal review) that the numbers are down, this information is communicated to the school Principals by the OI Executive Director (via in person) so they will know what needs improvement. There is no documentation of this communication.

**Risk:** Failure to document the review of the Academic Performance Framework report allows the opportunity for charter schools to not meet performance requirements.

### **Recommendation:**

- The Academic Performance Framework report should be signed by the OI Executive Director as evidence of the review and as evidence to support noted issues were shared and discussed with the charter schools.
- Corrective Action Plan (CAP) should be put in place to ensure issues communicated to the charter schools are followed up on and corrected by school leadership.

### **Response:**

On an annual basis, the OI Executive Director (with the assistance of the OI Performance Data Manager) will hold a performance review meeting with each charter school to review performance data from the prior school year and discuss highlights and/or areas in need of attention. Within 30 days of the performance review meeting, the OI Executive Director will follow up with each school in writing with a copy of the school's performance framework and summary of the review meeting discussion, and the school's leader will acknowledge in writing receipt of the framework and summary. If, in the opinion of the OI Executive Director, the school's performance indicates a need for corrective action, the OI Executive Director will work with the school's leader to develop a CAP signed by both the OI Executive Director and school leader.

**Observation 2: The OI Accountant does not confirm the annual audit reports are prepared by an independent certified public accountant licensed in the state of Georgia. Also, the OI Accountant reviews the findings from the annual audit reports and discusses any issues with the OI Executive Director. There is no documentation to evidence this review.**

The OI Accountant obtains the annual audit reports for the charter and partner schools by November 1<sup>st</sup> of each year to ensure that the charter and partner schools comply with Governmental Accounting Standards Board (GASB) Statements and Interpretations, which constitute Generally Accepted Accounting Principles (GAAP) for financial reporting. The OI Accountant does not confirm the annual audit reports are prepared by an independent certified public accountant licensed in the state of Georgia as required in the contract agreement.

The OI Accountant also reviews the findings from the annual audit reports and discuss any issues with the OI Executive Director. However, there is no documentation to evidence this review.

**Risk:** Failure to ensure the annual audit reports are prepared by an independent certified public accountant licensed in the state of Georgia allows the opportunity for non-compliance with the contract agreement. Also, failure to document the review of the findings from the audit reports allows the opportunity for the school district to not be aware of the financial state of the charter/partner schools.

**Recommendation:**

- The OI Accountant should ensure the annual audits are performed by a GA licensed CPA.
- Audit reports should be signed by the OI Accountant and OI Executive Director as evidence of the findings review.

**Response:**

When a school submits its annual financial audit to OI, the OI Accountant will confirm through the Georgia State Board of Accountancy's CPA licensure search that the school's audit firm is currently licensed in the state of Georgia. This confirmation will be listed along with other key financial information (including audit findings review) in each school's financial performance framework. The OI Executive Director and OI Accountant will review each school's financial performance framework and sign it as evidence of review.

**Observation 3: There are no documented standard procedures in place for the Office of Innovation.**

The Office of Innovation does not have any written OI standard procedures in place as to how to terminate charter/partner schools. Also, there are no written office procedures in place and no written monitoring procedures in place as it relates to how monitoring should be done for the charter and partner schools.

**Risk:** Failure to have documented procedures in place could result in the following:

- Inconsistent practices among employees and/or departments
- Inability to enforce employee accountability

**Recommendation:**

- Standard Operating Procedures should be developed and implemented to address key operational areas within the Office of Innovation to include, but not be limited to:
  - Charter and Partner School terminations
  - Charter and Partner School monitoring
  - Documented office procedures for Office of Innovation staff

**Response:**

The OI Executive Director will lead the OI staff in a process of developing the following:

- By August 2019, OI will develop and implement monitoring process. This will allow time to incorporate the GaDOE's new charter schools framework into our process as well as to assess the role of the potential new APS Excellent Schools framework in evaluating charter and partner school performance.
- By June 2019, OI will document key responsibilities for each job role.

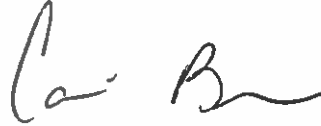
- By July 2019, OI will document standard operating procedures for key activities and house the information on the department's electronic shared drive.

We want to extend our appreciation to the management and staff at the Office of Innovation department for their cooperation and courtesies extended to us during the audit.

Respectfully submitted,



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