



Office of the Auditor
465 S. King Street
Rm. 500
Honolulu, HI 96813
Ph. (808) 587-0800

Marion M. Higa
State Auditor
State of Hawai'i

**“Off the top of my
head.”**

— *Charter school principal
when asked how he filled
out a section of the annual
self-evaluation, the prog-
ress report schools submit
to the Charter School
Review Panel.*

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Performance Audit of the Hawai'i Public Charter School System

Report No. 11-03, December 2011

Hawai'i Charter Schools: Autonomy Without Accountability

No outside oversight

Since 1995, Hawai'i's public charter schools have provided parents and their children with alternative choices in the types of schools, educational programs, opportunities, and settings. To do so, teachers and administrators operate independently, enjoying the flexibility to shape the best working and learning environments for their students and themselves. In exchange for this autonomy, school officials should achieve clear, objective, and measurable performance outcomes. In SY2009-10, nearly 8,000 students attended 31 charter schools throughout the state. That year, the charter school system had a general fund budget of \$49.7 million.

In our audit of the Hawai'i public charter school system, we found that the Charter School Review Panel, which authorizes and should hold charter schools accountable for their performance, has misinterpreted state law and minimized its role in the system's accountability structure. Focusing on its duties as authorizer and re-authorizer, the panel has delegated core monitoring and reporting responsibilities to the local school boards, removing itself—and outside oversight—from the charter school system. The panel does not verify and analyze the data it receives from the schools for accuracy and completeness, nor does it collect its own data to measure student performance. Our analysis of student performance reports from ten schools found numerous instances in which critical data, such as the Hawai'i State Assessment scores for reading, mathematics, and science, were omitted or presented in misleading ways. When we collected and analyzed that data, we found that four schools failed to meet federal No Child Left Behind testing standards. Test scores from several of those schools were substantially lower than other public schools in their districts. Moreover, four schools misreported enrollment numbers. For one school's enrollment count, we could not verify 28 students. With funding based on SY2009-10 per-pupil allocation of \$5,753, that amounts to more than \$160,000.

Unethical and illegal spending of public funds

Although charter schools are exempt from the Hawai'i Public Procurement Code, they must comply with the State Code of Ethics. However, only two public charter schools of the ten we reviewed have a school ethics policy and only three follow the ethics code. Moreover, Hawai'i Technology Academy's (HTA) head of school, who is responsible for school spending, is not a public employee but an employee of the for-profit company that provides the school's curriculum. As a private-sector employee, he is not subject to the ethics code and is ultimately accountable to his company, not the State or his school. In FY2010, HTA received \$3.04 million in state moneys.

We also found that the lack of oversight by the review panel, the Charter School Administrative Office, which is responsible for management of the charter school system, and the local school boards has resulted in school spending and employment practices that are unethical and illegal. At the Myron B. Thompson Academy, we found \$133,000 in overpayments to staff. For example, the school's part-time registrar received an "administrative differential" that boosted his annual pay to \$55,200, a 212 percent increase. At other charter schools, we found instances of unrestrained spending, including one school that spent nearly \$18,000 in public money on school excursions to an amusement park, ice skating rink, and pizza restaurant. Unless the review panel and the administrative office take active roles in a robust accountability system for charter schools, student outcomes will remain unproven and the financial viability of individual schools and the charter school system itself will be unknown.

Responses from affected agencies

While generally agreeing with our recommendations, both the panel and the office took issue with certain details. However, these attempts to refute and parse our documented findings are illogical and unsupported, and do not merit changing our report.