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# Report on the Implementation of State Auditor's 2011 Recommendations

Hawai'i Public Housing Authority  
Hawai'i Public Charter School  
System

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A Report to the  
Governor  
and the  
Legislature of  
the State of  
Hawai'i

Report No. 14-06  
April 2014



**THE AUDITOR**  
STATE OF HAWAII

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## Office of the Auditor

The missions of the Office of the Auditor are assigned by the Hawai'i State Constitution (Article VII, Section 10). The primary mission is to conduct post audits of the transactions, accounts, programs, and performance of public agencies. A supplemental mission is to conduct such other investigations and prepare such additional reports as may be directed by the Legislature.

Under its assigned missions, the office conducts the following types of examinations:

1. Financial audits attest to the fairness of the financial statements of agencies. They examine the adequacy of the financial records and accounting and internal controls, and they determine the legality and propriety of expenditures.
2. Management audits, which are also referred to as performance audits, examine the effectiveness of programs or the efficiency of agencies or both. These audits are also called program audits, when they focus on whether programs are attaining the objectives and results expected of them, and operations audits, when they examine how well agencies are organized and managed and how efficiently they acquire and utilize resources.
3. Sunset evaluations evaluate new professional and occupational licensing programs to determine whether the programs should be terminated, continued, or modified. These evaluations are conducted in accordance with criteria established by statute.
4. Sunrise analyses are similar to sunset evaluations, but they apply to proposed rather than existing regulatory programs. Before a new professional and occupational licensing program can be enacted, the statutes require that the measure be analyzed by the Office of the Auditor as to its probable effects.
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6. Analyses of proposed special funds and existing trust and revolving funds determine if proposals to establish these funds are existing funds meet legislative criteria.
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8. Fiscal accountability reports analyze expenditures by the state Department of Education in various areas.
9. Special studies respond to requests from both houses of the Legislature. The studies usually address specific problems for which the Legislature is seeking solutions.

Hawai'i's laws provide the Auditor with broad powers to examine all books, records, files, papers, and documents and all financial affairs of every agency. The Auditor also has the authority to summon persons to produce records and to question persons under oath. However, the Office of the Auditor exercises no control function, and its authority is limited to reviewing, evaluating, and reporting on its findings and recommendations to the Legislature and the Governor.



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**While there is still much work to be done, the State Public Charter School Commission should be commended for the significant progress it has made in a relatively short time.**

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<http://auditor.hawaii.gov/>

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# Report on the Implementation of State Auditor's 2011 Recommendations

## Report No. 14-06, April 2014

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### *Most public housing recommendations implemented; new charter schools framework promises accountability*

The 2008 Legislature amended the Auditor's governing statute to require follow-up reporting on recommendations made in various audit reports to ensure agency accountability over audit recommendations. The purpose of this change was to apprise the Legislature annually of recommendations not implemented by audited agencies, and to require such agencies to submit a written report not later than 30 days after issuance of our report explaining why the recommendation was not implemented and the estimated date of its implementation.

Our review focused on entities' implementation of 25 audit recommendations made in calendar year 2011. This report details each recommendation, its status, and actions taken related to the recommendation. We made 12 recommendations in Report No. 11-01, *Management Audit of the Hawai'i Public Housing Authority*. In our follow-up, we found seven were closed (59 percent), four were open but in progress (33 percent), and one was no longer applicable (8 percent). The remaining 13 recommendations related to Report No. 11-03, *Performance Audit of the Hawai'i Public Charter School System*. Following the release of our report, the Legislature amended Hawai'i's public charter school law and overhauled the charter school system governance structure. Therefore, instead of revisiting Report No. 11-03's recommendations, which were addressed to a now-repealed Charter School Review Panel, we provide a brief overview of the new governance structure and accountability system with a focus on functions that address the report's concerns of lack of oversight.

### **Management Audit of the Hawai'i Public Housing Authority, Report No. 11-01**

In Report No. 11-01, we found that the Hawai'i Public Housing Authority's (HPHA) monitoring of its housing project managers, both state and private, was sporadic and lacked robustness. In addition, both state- and privately-run housing projects had backlogs of repair and maintenance issues. Moreover, turnaround on vacant units was slow, adversely impacting families on the waiting list as well as rent collections. Inventory procedures also varied considerably between housing projects, and there was no uniform method for addressing tenant complaints.

Our follow-up review found that HPHA has made progress implementing many of our recommendations in oversight and significantly improved occupancy rates. However, HPHA still lacks policies and procedures to ensure robust monitoring of Asset Management Project performance and the uniform addressing of complaints. In addition, HPHA lacks accurate work order data. We also experienced difficulty in obtaining documentation from HPHA and scheduling interviews with staff, which hindered our ability to evaluate and verify whether the authority had implemented the recommendations in Report No. 11-01.

### **Performance Audit of the Hawai'i Public Charter School System, Report No. 11-03**

In Report No. 11-03, we found that the Charter School Review Panel had misinterpreted state law and minimized its role in accountability. The panel, responsible for holding charter schools accountable for their performance, did not collect meaningful and reliable data, did not analyze the information it did receive, and offered little guidance to schools. As a result, Hawai'i's charter school system had been operating without any real outside oversight. Our follow-up found that Act 130, Session Laws of Hawai'i 2012, established a new governance structure that requires a newly established State Public Charter School Commission to play an integral and active role in overseeing charter schools. The commission's new accountability system, known as the Performance Framework, promises to provide real oversight of charter school performance.

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Hawai'i Public Charter School  
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Governor  
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Hawai'i

Submitted by

**THE AUDITOR**  
STATE OF HAWAI'I

Report No. 14-06  
April 2014

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## Foreword

This is a report on our follow-up review of the implementation of audit recommendations made to various entities in calendar year 2011. We conducted our work pursuant to Section 23-7.5, Hawai'i Revised Statutes, which requires the Auditor to report to the Legislature on each recommendation that the Auditor has made that is more than one year old and that has not been implemented by the audited agency.

We wish to express our appreciation for the cooperation and assistance extended to us by the Hawai'i Public Housing Authority and the State Public Charter School Commission, and others whom we contacted during the course of our review.

Jan K. Yamane  
Acting State Auditor

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# Chapter 1

## Introduction

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To ensure agency accountability over audit recommendations, the 2008 Legislature amended the Auditor's governing statute to require follow-up reporting on recommendations made in various audit reports. The purpose of this change was to apprise the Legislature of recommendations not implemented by audited agencies. Section 23-7.5, Hawai'i Revised Statutes (HRS), now requires the Auditor to report to the Legislature annually on each audit recommendation more than one year old that has not been implemented by the audited agency.

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### Legislative Request

The 2008 Legislature intended to provide itself greater oversight over the implementation of audit recommendations. Act 36, Session Laws of Hawai'i (SLH) 2008, was modeled after a 2006 California law that enabled legislators to use agencies' claims of progress against audit recommendations in their budget discussions.

The Hawai'i Legislature requested the Auditor to report annually, for each unimplemented recommendation: 1) the agency that was audited; 2) the title and number of the audit report that contained the recommendation; 3) a brief description of the recommendation; 4) the date the audit report was issued; and 5) the most recent explanation provided by the agency regarding the status of the recommendation.

In addition, agencies notified by the Auditor that a recommendation is considered not implemented must submit a written report to the Auditor, the Senate president, and the speaker of the House of Representatives within 30 days of being notified by the Auditor. The report must also include an explanation of why the recommendation was not implemented and an estimated date of when it will be implemented.

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### Objectives of the Review

1. Validate the claims made by agencies regarding implemented audit recommendations.
2. Report to the Legislature on audit recommendations not yet implemented.

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## Criteria

We relied on Chapter 23, *Auditor*, HRS; *GAO-07-731G Government Auditing Standards*, U.S. Government Accountability Office (GAO), December 2011 Revision; and *How to Get Action on Audit Recommendations*, U.S. General Accounting Office, July 1991, in the conduct of our review.

The GAO's criteria are especially useful for our purposes, since GAO also reports on the status of recommendations not fully implemented. The GAO's reports are intended to "help congressional and agency leaders determine the actions necessary to implement the open recommendations so that desired improvements to government operations can be achieved." In particular, GAO reports on whether:

- Monitoring and follow-up are done by staff members responsible for, and knowledgeable about, the recommendation;
- Each recommendation is followed up on an ongoing basis, with at least semi-annual updates, and an individual recommendation follow-up plan is developed for each assignment; and
- Results intended by each recommendation and benefits expected from its implementation are defined as a basis for determining the adequacy of implementation.

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## Scope and Methodology

We based our scope and methodology on GAO's guidelines in *How to Get Action on Audit Recommendations* (1991). According to GAO, saving tax dollars, improving programs and operations, and providing better service to the public represent audit work's "bottom line." Recommendations are the vehicles by which these objectives are sought. However, it is action on recommendations—not the recommendations themselves—that helps government work better at less cost. Effective follow-up is essential to realizing the full benefits of audit work.

Our review, conducted between December 2013 and March 2014, focused on departments' implementation of audit recommendations in reports we issued in calendar year 2011. We followed standard office procedures for conducting audits found in the Office of the Auditor's *Manual of Guides* and generally accepted government auditing standards. Those standards require that we plan and perform our work to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions, based on our objectives. We believe the evidence we obtained provides a reasonable basis for our conclusions based on our review objectives.

## ***Determining progress***

The rate of progress of a recommendation's implementation depends on the type of recommendation. While some fall fully within the purview of an audited agency and can be addressed relatively quickly, others may deal with complex problems and involve multiple agencies, resulting in a long implementation period. Therefore, ample time should be afforded to agencies implementing recommendations in order for a follow-up system to be useful and relevant. In addition, GAO has found that action on recommendations usually occurs within the first three years. After that time, few recommendations are implemented.

With those observations in mind, an active follow-up effort would be most effective and relevant if conducted three years after publication of an initial audit report. Too short an interval between audit report and follow-up might not give agencies enough time to implement a complex recommendation; too long might allow agencies to lose valuable personnel and institutional knowledge needed to conduct an adequate follow-up.

We issued four reports and one letter in 2011. Two reports were performance audits, as described below. The other two reports were a sunrise analysis of the regulation of large-scale dog breeders and a review of revolving funds, trust funds, and trust accounts of the Office of the Governor, Office of the Lieutenant Governor, Department of Education and the Hawai'i State Public Library System, and the Office of Hawaiian Affairs. We also published a letter to the Senate president and the speaker of the House of Representatives on Acts 227 and 120, SLH 2008. Each of those publications relate to specific legislation and not to operations of agencies or departments. Therefore, we conclude that Section 23-7.5, HRS, does not apply to those publications. Thus, for calendar year 2011, we reviewed the following two reports for audit recommendation implementation:

1. Report No. 11-01: *Management Audit of the Hawai'i Public Housing Authority*; and
2. Report No. 11-03: *Performance Audit of the Hawai'i Public Charter School System*.

Our review included interviews with selected administrators, managers, and staff from the respective agencies. We examined the agencies' policies, procedures, records, and relevant documents to assess and evaluate whether their actions adequately fulfilled our recommendations. Our efforts were limited to the inquiry, testing, and reporting on implementation of recommendations made in the above-mentioned reports. We did not explore new issues or revisit old ones that did not relate to our original recommendations. Site visits and observations were conducted as needed to achieve our objectives.

**Identifying key recommendations**

The extent of work done to verify implementation depends on the significance of individual recommendations. For instance, GAO notes that while all audit recommendations should be aggressively pursued, some are so significant that added steps are needed to implement them. The significance of a recommendation depends on its subject matter and the specific situation to which it applies. Significance can be addressed in terms of dollars; however, dollars are only one measure, and not necessarily the most important one. For instance, recommendations to ensure safe operations often take precedence, since their implementation could prevent the loss of life, substantial bodily injury, or environmental contamination.

**Closing recommendations**

In accordance with GAO guidelines, we consider recommendations “closed” for the following reasons:

- The recommendation was effectively implemented;
- An alternative action was taken that achieved the intended results;
- Circumstances have so changed that the recommendation is no longer valid; or
- The recommendation was not implemented despite the use of all feasible strategies.

While these and other guidelines provide the basic ground rules for our review efforts, we recognize that effective follow-up needs to be tailored to particular recommendations and the results they seek.

**Definition of terms**

**Closed:** Recommendation has been addressed and implemented.

**Open:** Work on the recommendation has not started, or cannot start because a precursor event has not occurred.

**Open but in progress:** Agency has taken action, but implementation of the recommendation is not complete.

**Open and likely not to be pursued:** Agency has no intention of pursuing implementation of the recommendation.

**Not applicable:** Recommendation is no longer applicable.

**Did not assess:** Did not assess recommendation implementation.

### Summary of recommendations

Our review covered a total of 25 recommendations. Of the 12 recommendations contained in Report 11-01, *Management Audit of the Hawai'i Public Housing Authority*, seven were closed (59 percent), four were open but in progress (33 percent), and one was no longer applicable (8 percent). This report details each recommendation, its status, and actions taken related to the recommendation. Of those, 13 related to Report No. 11-03, *Performance Audit of the Hawai'i Public Charter School System*. Instead of revisiting Report No. 11-03's recommendations, which were addressed to the Charter School Review Panel that was repealed in 2012 by Act 130, SLH 2012, we provide a brief overview of the new system with a focus on functions that address 11-03's concerns about a lack of oversight and accountability. Exhibit 1.1 lists Report No. 11-01 and the status of its recommendations.

**Exhibit 1.1**  
**Report Reviewed and Recommendation Status**

Report No.	Report Name	Status of Recommendations						
		Closed	Open	Open but in progress	Open and not likely to be pursued	Not applicable	Did not assess	Total
11-01	<i>Management Audit of the Hawai'i Public Housing Authority</i>	7	0	4	0	1	0	12
	<b>Percent of Total</b>	<b>59%</b>	<b>0%</b>	<b>33%</b>	<b>0%</b>	<b>8%</b>	<b>0%</b>	<b>100%</b>

Source: Office of the Auditor

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# Chapter 2

## The Authority's Oversight and Performance Improvements Lack a Firm Foundation

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We released Report 11-01, *Management Audit of the Hawai'i Public Housing Authority*, in June 2011. Our audit focused on the authority's management of its public housing projects, including its communication with project managers and its planning, execution, and monitoring of contracts with private project managers. We compared the performance and management of selected state- and privately-run housing projects. We also focused on the degree to which selected housing projects had implemented the federally required *asset management system*, including the authority's and its Board of Director's guidance and initiative in that effort.

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### Background

Our 2011 report was prompted by the Legislature's concerns about the management of public housing facilities in Hawai'i. In 2009, the Legislature made two requests: House Concurrent Resolution No. 94, House Draft 1, Senate Draft 1, of the 2009 Regular Session asked the Auditor to review two facilities and compare the performance of state-versus privately-operated public housing projects. The resolution also asked that we determine the relative contributions of funding levels, mismanagement, and tenant and visitor actions toward these properties' failure to meet performance standards. Senate Concurrent Resolution No. 31, Senate Draft 2, House Draft 1, of the 2009 Regular Session, requested the Auditor conduct a management and financial audit of the authority's maintenance contracts, including the management of those contracts, and investigate reports of disrepair, noncompliance with the federal Americans With Disabilities Act, and other residents' concerns. The resolution also asked that we focus on contracts and facilities with high dollar value, volume of complaints, contractual terms not strong enough to protect the State's interests, serious lack of internal controls, or another screening approach to scope the audit to a manageable size.

We found that the Hawai'i Public Housing Authority (HPHA)'s monitoring of its state and private housing project managers was sporadic and therefore lacked robustness. Both state- and privately-run housing projects had backlogs of repair and maintenance issues. In addition, turnaround on vacant units was slow, adversely impacting families on the waiting list as well as rent collections. Inventory procedures varied considerably between housing projects and hampered managers' ability to effect quick repairs. There was no uniform method for addressing tenant complaints.

We also found that the authority's accounting system did not adequately support asset management. Asset management is a U.S. Department of Housing and Urban Development (HUD)-mandated method of managing public housing properties, intended to improve operational efficiency and effectiveness of public housing assets by shifting accountability from a central housing authority (in this case, HPHA) to individual Asset Management Project (AMP) managers. Under the asset management model, AMP managers have greater flexibility in managing their specific budgets—and therefore a greater ability to preserve and protect each housing asset—while tenants can hold managers directly responsible for their living conditions. According to HUD's planning guide for asset management, the ability to monitor and track operating and fiscal performance of each property is a key to successful project-based management.

We found the authority did not implement either project-based budgeting or project-based accounting for the audit period. The authority's transition to asset management was hampered by multiple changes of leadership and vision.

Our follow-up review found that HPHA has made progress implementing many of our recommendations in oversight and significantly improved occupancy rates. However, HPHA still lacks policies and procedures to ensure robust monitoring of AMP performance and uniform addressing of complaints. The HPHA also lacks accurate work order data. We also experienced difficulty in obtaining documentation from HPHA and scheduling interviews with staff, which hindered our ability to thoroughly evaluate and verify whether HPHA had implemented our recommendations in Report No. 11-01.

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## Status of Recommendations

Report 11-01 included 12 recommendations to the HPHA, the first three of which dealt with improving the monitoring of asset management project managers.

### *Asset management project oversight recommendations*

Our first recommendation directed HPHA to hold AMP managers (both state employees and private contractors), contract administrators, and the branch chief who oversees them, accountable for their respective performance. The recommendation stated that contract monitoring should be tied to actual results, with disincentives and penalties imposed for non-performance. Remedial plans and actions should be documented.

We found that although HPHA has not adopted written policies and procedures for monitoring AMP staff and contractors, AMP managers'

performance is monitored via monthly dashboard reports, weekly and monthly meetings, and vacancy and work order reports. The authority holds managers of state-operated housing projects accountable through the state Performance Appraisal System, while managers of privately-operated projects are held accountable through periodic contract performance reviews. However, employee appraisals are inconsistently performed; in one case, an annual performance appraisal for a contract administrator had not been completed for the period ended June 30, 2013. Therefore, we determined this recommendation is **Open but in progress**.

Recommendation No. 2 stated that in instances when staffing constraints limit availability for recurring monitoring, the authority should consider employing a risk-based approach in its review and documenting those results. We found that the HPHA continues to experience overall staffing constraints, a condition we find troubling. As of January 2014, 85 of the authority's 366 total positions (23 percent) were vacant. Likewise, as of February 2014, the Property Management and Maintenance Services Branch (PMMSB), which is responsible for AMP managers' performance monitoring, was short-staffed: three of seven (43 percent) of its managerial level positions were vacant. As of February 2014, one of the vacancies included the PMMSB chief position, which had been vacant for about a year. We also determined that HPHA has used an informal risk-based approach in its review process, as documented in the AMP dashboard, which indicates how each AMP is doing on occupancy and rent collections, among other things. The dashboard includes a color-coded rating indicating whether a measure is on target, will be completed within the next two months, or that HPHA is paying close attention to the item. Therefore, we determine that HPHA has adopted a risk-based approach to reviews and thus, this recommendation is **Closed**.

Recommendation No. 3 directed HPHA to improve monitoring over asset management project managers by developing a training program to promote standard interpretation of HUD terminology. Specifically, in areas where HUD assesses AMP performance, HPHA should communicate a common understanding of specific terms to AMP managers to ensure managers apply terms appropriately and uniformly as they relate to specific criteria.

The HPHA has no specific training to promote standard interpretation of HUD terminology. However, HPHA provides AMPs training in areas such as procurement and rent calculations. Staff can request training as needed, and training needs are identified during the budget process. The agency provided us a plan for HUD to provide financial management training and program administration training to the HPHA from July 2013 through April 2014. The plan includes training on understanding key scoring components of the Public Housing

Assessment System that are important to the success of a public housing authority. We obtained attendance logs and training material for HPHA training held in November 2013 and February 2014. We determined that HPHA's training plan fulfills this recommendation and this recommendation is **Closed**.

**Operational and organizational recommendations**

To improve operational consistency and organizational communication, Recommendation No. 4 directed HPHA to prioritize repair and maintenance work orders and turn over vacant units to new tenants (balanced against achieving much-needed capital improvement works). Priorities should be communicated to stakeholders to promote understanding of the authority's plans to reduce its 9,000-plus wait list to serve its population by achieving maximum tenancy.

In our follow-up, we determined HPHA's occupancy rates have risen significantly. Overall, the number of vacant HPHA units fell from 339 in November 2012 to 182 in November 2013 (46 percent). The corresponding occupancy rate rose from 93 percent in November 2012 to 96 percent one year later.

Unit turnover has been addressed in part through the use of a special team that was created under Act 159, SLH 2012, and is composed of skilled trade workers who can be dispatched to fix units in need of extensive repair. The HPHA categorizes work orders as "A," "B," or "C," with properties most severely needing repair ranked "C." However, this categorization system is not reflected in HPHA's maintenance policies and procedures manual, which has not been updated since July 2005. Further, the HPHA tracks work orders through monthly work order status reports that include total work orders, work orders opened that month, work orders open from prior months, work orders not closed within 25 days, total emergency work orders, and number of emergency work orders not closed within 24 hours. We found that work order reports did not accurately reflect the status of those orders. For example, the December 2013 work order status report for Pu'uwai Momi showed 419 open work orders, which included 336 previously open work orders. Additionally, the report showed nine emergency work orders that were not closed within 24 hours as required. The HPHA's compliance officer explained that the work order report was inaccurate because the status of work orders had not been updated in HPHA's database following clerical staffing shortages and issues relating to a system upgrade.

Monthly manager meeting minutes for 2013 showed similar problems. For example, meeting minutes for the September 2013 managers' meeting noted several AMPs with work order problems, including Kūhiō Park Terrace, which reported that more than 400 work orders had not been entered into the work order system. Kaua'i, meanwhile, reported

it was 1.5 years behind on inputting work orders. During the meeting, AMP managers were told to ensure they enter work orders into the system and close them. Without accurate work order data, HPHA cannot ensure work orders are addressed as needed. Therefore, we deem this recommendation **Open but in progress**.

Recommendation No. 5 directed HPHA to improve operational consistency and organizational communication by developing a means to ensure tenant complaints are uniformly recorded, documented, addressed, and communicated to all AMP managers. We found that in January 2014, the HPHA distributed a complaint log template to AMPs. The HPHA also provides guidance between the HPHA central office and AMPs on how to address complaints. However, HPHA staff do not uniformly document tenant complaints and the agency still lacks procedures to address tenant complaints. Management plans to improve the complaint log format following spot checks of AMPs' logging of tenant complaints. Since components of this recommendation are only partially completed, this recommendation is **Open but in progress**.

Recommendation No. 6 directed HPHA to improve its operational consistency and organizational communication by developing a method to share best practices among its public housing projects. Since best practices had been recognized among housing managers within Hawai'i and in other jurisdictions, we recommended the authority share these practices system-wide. In our follow-up, we found HPHA staff and AMP managers share best practices at their monthly meetings. Minutes from 2013 Property Management Maintenance Services Branch managers meetings documented examples of sharing best practices on topics that included asset management, grievances, inventory, drafting of confirmation letters, and tobacco prevention and education. As a result, we deem this recommendation **Closed**.

### ***Asset management recommendations***

Recommendation No. 7 directed the HPHA to address asset management implementation by seeking the Legislature's approval, as needed, to update and streamline HPHA's accounting system so that its AMP managers have access to timely and accurate financial data. In our follow-up, we determined the HPHA transitioned to the Elite accounting system in FY2013. As a result, AMPs now have access to a current general ledger as well as other financial information specific to their properties, including income statements and balance sheets. Therefore, we deem this recommendation **Closed**.

Recommendation No. 8 directed HPHA to address asset management implementation by developing a detailed work plan that assigns responsibility to appropriate people for the transition to asset management, with deliverables and a timeframe for completion. The

HPHA did not provide us evidence that it completed such a workplan; however—since according to the agency—it transitioned to asset management in FY2012, this recommendation is **Not applicable**.

Recommendation No. 9 directed HPHA to address asset management implementation by incorporating, as appropriate, the recommendations in Econometrica's technical assistance study regarding practical implementation of the asset management model. Econometrica issued a draft report to the authority on February 15, 2011, with its assessment of the organization of HPHA's housing portfolio and recommendations to help the authority fully convert to asset management. Econometrica told HUD that HPHA should implement Econometrica's recommendations by June 1, 2011, to coincide with HUD's asset management implementation deadline. We found that HPHA has adopted staffing rates, budget instructions, and a budget meeting schedule as recommended by Econometrica. The HPHA is also in the process of splitting management of the Mayor Wright Homes and Kamehameha Homes projects and adopting staffing ratios recommended by Econometrica. The agency reported that Phineas Consulting LLC, a technical consultant made available through HUD, was assessing HPHA's financial ability to implement Econometrica's recommendations. However, HPHA could not provide documentation validating its claim about Phineas Consulting by the time we ended our fieldwork; therefore, we deem this recommendation **Open but in progress**.

Recommendation No. 10 directed HPHA to disseminate information and training, as needed and on a continuing basis, regarding how to implement asset management in practical terms. The agency provided us a HUD training plan covering July 2013 to April 2014 that includes project manager-specific training, such as project-based budgeting, project-based accounting, and asset management. We obtained attendance logs and materials used for training held in February 2014. Additional training was planned for April 2014. We therefore deem this recommendation **Closed**.

***Recommendations  
for the Hawai'i Public  
Housing Authority's  
Board of Directors***

Recommendation No. 11 directed the HPHA board to continue its efforts to create policies and procedures specific to board operations and roles and responsibilities, including orientation training for new board members. In our follow-up, we determined that HPHA has adopted policies specific to board operations and roles and responsibilities, and that this part of the recommendation has been implemented. Specifically, the board has adopted a procurement policy, internal control policy, collection policy, and communication policy since our audit was released in June 2011. We also found that board training was provided by HUD in 2011 and by the National Center for Housing Management in 2012. However, we note that three of ten board directors missed the 2011

training and one missed the 2012 training. Additional board training on asset management, preparation of operating budgets, fundamentals of board oversight, and financial viability and oversight was planned for this year, but had not been scheduled as of February 2014. Training attendance likely will not be required, according to HPHA. Overall, we determined that this recommendation is **Closed**.

Recommendation No. 12 urged HPHA’s board to continue its efforts to support management’s efforts to implement asset management, creating policies as appropriate. We determined that the board has supported management’s efforts by adopting procurement and internal control policies, budgeting and accounting by AMP, and reviewing of AMP financials. Overall, we determined this recommendation is **Closed**.

RECOMMENDATION	PURPOSE	STATUS	COMMENTS
<b>Recommendations to the Hawai’i Public Housing Authority</b>			
(1) Tie contract monitoring to actual results, with disincentives and/or penalties imposed for non-performance. Remedial plans and actions should be documented.	HPHA’s monitoring of its AMP managers lacked robustness. There was no consistency in the monitoring of either state- or privately-managed AMPs. Remedies for non-performing privately-contracted AMP managers were not used effectively.	<b>Open but in progress</b>	AMP managers are held accountable through the state Performance Appraisal System and contract managers through the contract renewal process. AMPs’ performance is monitored via regular meetings and reports.
(2) In instances where staffing constraints limit availability for recurring monitoring, the authority should consider employing a risk-based approach in its review process and document those results.	The Property Management and Maintenance Services Branch chief was unable to hire replacement staff until December 2010. Rather than reassign monitoring functions to other staff, the chief absorbed the responsibilities. Monitoring fell by the wayside.	<b>Closed</b>	The branch continues to have staff vacancies at the managerial level. However, HPHA uses an informal risk-based review process dashboard with a color-coded system identifying performance level.
(3) Develop a training program to promote standard interpretation of HUD terminology to managers to ensure terms are applied appropriately and uniformly as they relate to specific criteria.	AMP managers’ awareness of protocols and understanding of public housing management terminology varied significantly because the authority had failed to uniformly communicate and enforce standards.	<b>Closed</b>	The agency provided training that includes Public Housing Assessment System training on understanding the key scoring components of the system that are crucial to the success of the public housing authority.

RECOMMENDATION	PURPOSE	STATUS	COMMENTS
(4) Prioritize repair and maintenance work orders and turn over vacant units to new tenants. Priorities should be communicated to stakeholders to promote understanding of the authority's plans to reduce its 9,000-plus wait list.	As of February 2011, the authority had a total of 233 vacant units that either had pending minor maintenance work or were available for rent; overall, these units had been vacant an average of approximately six months.	<b>Open but in progress</b>	HPHA's occupancy rates have risen significantly year-over-year. HPHA categorizes work orders to prioritize properties most in need of repairs. A team of skilled trade workers can be dispatched to fix those units. However, work order reports do not accurately reflect repair status.
(5) Develop a means to ensure tenant complaints are uniformly recorded, documented, and addressed; and communicate this clearly to all AMP managers.	The authority had not provided AMP managers with specific guidance for managing tenant complaints. There was no consistent method to track tenant complaints, either at the AMP or authority level.	<b>Open but in progress</b>	HPHA started a complaint log with guidance to AMPs in January 2014. However, HPHA has no procedures to address tenant complaints and there is no uniform complaint form used at AMPs.
(6) Develop a method to share best practices among its public housing projects.	Managers expressed an interest in bettering their operations, but had no way of learning from other managers within Hawai'i and other jurisdictions.	<b>Closed</b>	HPHA shares best practices among its public housing projects through monthly manager meetings attended by AMP managers and HPHA staff.
(7) Seek the Legislature's approval, as needed, to update and streamline HPHA's accounting system so that its AMP managers have access too timely and accurate financial data.	HPHA's accounting system did not adequately support asset management. The authority had not implemented either project-based budgeting or project-based accounting for the period under audit.	<b>Closed</b>	HPHA has transitioned to the Elite accounting system and AMPs now have access to a current general ledger as well as other financial information specific to their properties, such as income statements and balance sheets.
(8) Develop a detailed work plan that assigns responsibility to appropriate people for the transition to asset management, with deliverables and a timeframe for completion.	HPHA had taken no steps towards implementing asset management during the previous executive director's tenure. Implementing asset management was a federal requirement, due by June 2011.	<b>Not applicable</b>	HPHA did not provide us evidence that it completed a work plan detailing responsibilities for the transition to asset management. However, HPHA stated that it has completed the transition to asset management.
(9) Incorporate, as appropriate, the recommendations in Econometrica's technical assistance study regarding practical implementation of the asset management model.	Econometrical issued a draft report to the authority in February 2011 with its assessment of the organization of HPHA's housing portfolio and recommendations for changes needed for HPHA to fully convert to asset management.	<b>Open but in progress</b>	HPHA adopted staffing rates, budget instructions, and a budget meeting schedule as recommended by Econometrica. The agency reports that a consultant is assessing the financial ability of implementing the Econometrica recommendations.

RECOMMENDATION	PURPOSE	STATUS	COMMENTS
(10) Disseminate information and/or training, as needed and on a continuing basis, regarding how to implement asset management in practical terms.	Working from Econometrica's draft report, the executive director stated that for March 2011, the focus would be on staff outreach to determine priorities and specific action planning with a projected plan and timeline presentation to the board by its April 2011 meeting.	<b>Closed</b>	A training plan developed for HPHA, covering July 2013 to April 2014, includes project manager-specific training, such as project-based budgeting, project-based accounting, use of dashboards and metrics to monitor project performance, and asset management.
<b>Recommendations to the Hawai'i Public Housing Authority's Board of Directors</b>			
(11) Create policies and procedures specific to board operations and roles and responsibilities, including required training to orient new members as they are appointed to the board.	During our 2009 fieldwork, we found no board policies assigning appropriate responsibilities to the board or executive director. Board members also lacked training, and in some cases conducted business in a manner inconsistent with sunshine laws.	<b>Closed</b>	HPHA has adopted policies specific to board operations and roles and responsibilities. Training has been provided to board members and is scheduled to be provided in the future. However, training is not mandatory.
(12) Support management's efforts to implement asset management, creating policies as appropriate.	Asset management project managers and board members reported that until December 2010 they had not been provided with financial statements.	<b>Closed</b>	The HPHA board has adopted procurement and internal control policies, budgeting and accounting by AMP, and it reviews AMP financials.

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# Chapter 3

## Charter School Commission To Play Active and Integral Role In Overseeing Schools

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In Report No. 11-03, *Performance Audit of the Hawai‘i Public Charter School System*, released in December 2011, we found that the Charter School Review Panel had misinterpreted state law and minimized its role in accountability. The panel, mandated to hold charter schools accountable for their performance, did not collect meaningful and reliable data, did not analyze the information it did receive, and offered little guidance to schools. Focusing on its duties as charter school authorizer and re-authorizer, the panel had delegated core monitoring and reporting responsibilities to the charter school local school boards, removing itself—and therefore outside oversight—from the charter school system. In turn, some local school boards ignored their own management responsibilities, allowing schools to spend public funds without oversight. We found numerous instances of purchases that were inconsistent with sound procurement principles or ethical conduct. One school’s deficiencies bordered on fraud.

We also found that Hawai‘i’s charter school system had been operating without any real outside oversight since the first charter school opened in 1995. To establish such oversight and accountability, we concluded that the panel and the Charter School Administrative Office, which handled administrative duties for the charter schools, needed to take a central and active role in a robust monitoring and reporting system.

On June 19, 2012, Governor Abercrombie signed Act 130, Session Laws of Hawai‘i (SLH) 2012, now codified as Chapter 302D, Hawai‘i Revised Statutes (HRS), which established a new charter school governance structure and accountability system. That same day, the Board of Education (BOE) appointed nine members to a newly created State Public Charter School Commission, which replaced the Charter School Review Panel. In December 2012, the commission put into place the beginnings of a reconstituted governance system that would later feature a new framework to oversee the financial, academic, and organizational performance of charter schools.

This new governance system and the law that guides it require the commission to play an integral and active role in overseeing charter schools. Therefore, instead of revisiting Report No. 11-03’s recommendations, which were addressed to the now-repealed Charter School Review Panel, we reviewed Chapter 302D, HRS, interviewed commission managers and staff, and analyzed supporting documents to understand the new governance system and its performance framework. This chapter provides a brief overview of the new system with a focus on

functions that address our report's concerns about the lack of oversight and accountability.

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## Background

According to the National Association of Charter School Authorizers (NACSA), a strong statewide structure for charter schools accountability is built on two pillars: 1) a clear contract that plainly spells out essential academic and operational performance standards and expectations a school must meet in order to earn the right to continue operating; and 2) a strong body of evidence based on sound, multidimensional data that is collected, analyzed, and reported at least annually by the charter school authorizer over the term of a school's contract.

In Report No. 11-03, we found that the Hawai'i charter school system had neither. It did have two documents that could have served as the pillars of an accountability system: 1) a Detailed Implementation Plan (DIP), submitted with an application for a charter, which specified a school's purpose, focus, operations and other responsibilities; and 2) an Annual Self-Evaluation (ASE), which, as its name suggests, was an assessment by school officials of their school's performance.

However, the Charter School Review Panel considered DIPs to be application documents, and not the basis of a contract between the State and a charter school. According to the panel chair, the panel was unsure whether it had authority to require schools to update their DIPs to be in compliance with applicable sections of the law. Since the panel did not have rulemaking authority, the chair believed that charter schools were not required to follow panel policies. The chair also expressed doubts as to whether the panel had authority to force schools to report certain types of information.

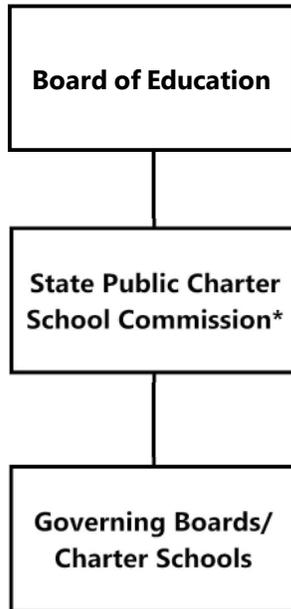
In addition, the panel, which did not independently collect data to measure student performance, did not verify or analyze schools' self-reported data in the ASEs, which we found to be inconsistently and inaccurately reported. Panel members explained that they had neither the time nor resources to collect their own data.

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## New Law Clarifies Charter Schools' Governance Structure

As of June 2012, the new charter school system is composed of the Board of Education, the State Public Charter School Commission, and charter schools and their governing boards. Exhibit 3.1 displays the Hawai'i public charter school system organizational structure.

**Exhibit 3.1  
Hawai'i Public Charter School System Organization Chart**



\*Attached to the Department of Education for administrative purposes only.

Source: Based on the Office of the Auditor's statutory interpretation of Hawaii's public charter school laws

The commission is the statewide authorizer that reviews charter applications; approves or denies charter applications; contracts with applicants; oversees public charter schools; and decides whether to authorize, renew, deny renewal of, or revoke charter school contracts.

The commission's duties include negotiating and executing sound charter contracts with each approved public charter school; monitoring, in accordance with charter contract terms, the performance and legal compliance of public charter schools; and determining whether each charter contract merits renewal, nonrenewal, or revocation. The commission is also required to submit to the BOE and Legislature an annual report summarizing, among other things, the academic and financial performance of all charter schools it oversees. In turn, each charter school overseen by the commission must submit an annual report to assist the commission in gathering complete information about each school. The annual report must include the status of the charter school's compliance with annual performance targets, as determined by the charter contract.

The 2012 law also replaced charter school local school boards with governing boards, which are party to charter contracts with the commission and responsible for the financial, organizational, and

academic viability of the charter school and implementation of the charter. Each governing board must also comply with the State Code of Ethics (Part II of Chapter 84, HRS) and adopt and adhere to a conflict of interest policy consistent with Chapter 84, HRS, which includes provisions related to nepotism. Charter schools must submit their conflict of interest policies to the commission by July 30 of each year.

Charter school contracts also require that schools be subject to collective bargaining under Chapter 89, HRS, *Collective Bargaining in Public Employment*, and comply with collective bargaining master agreements as negotiated by the State. Schools may enter into collective bargaining supplemental agreements that contain cost and non-cost items to facilitate decentralized decisionmaking. Charter schools must provide a copy of supplemental agreements to the commission within 14 days of execution.

The charter school law also dedicates resources and staff to execute the day-to-day responsibilities of the commission. At the time of this follow-up, the commission had a staff of 17.

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## Commission's Performance Framework Promises to Provide Real Oversight

For school year (SY) 2013–14, the commission executed one-year contracts with 33 charter schools. Outlined in the contracts is the commission's accountability system, known as the *Performance Framework*, which has three main parts:

1. The *financial performance framework* assesses financial health while taking into account the school's financial trends over a three-year period;
2. The *academic performance framework* evaluates a charter school's academic performance using a combination of standardized and school-specific measures that still need to be identified; and
3. The *organizational performance framework* communicates to charter schools and the public the compliance-related standards schools must meet. State and federal law, administrative rules, and contractual requirements (including charter contracts, and collective bargaining master and supplemental agreements) are included in this framework.

Exhibit 3.2 shows the current status of the commission’s three-part Performance Framework.

**Exhibit 3.2  
Status of the State Public Charter School Commission’s Performance Framework  
as of January 2014**

Performance Framework	Approved by Commission	Implemented	Comments
Financial	Yes	Yes	Framework approved in March 2013. Data collection began in June 2013.
Academic	No	No	Draft framework scheduled to be finalized June 2014; however, commission has collected and reported on academic data for SY2012–13.
Organizational	Yes	Yes	Thirty-three charter schools signed one-year contracts in 2013. In January 2014, schools submitted required information. The commission then issued preliminary assessments of organizational compliance.

Source: Office of the Auditor based on State Public Charter School Commission information

The relative importance of each framework within the new accountability system has yet to be determined. According to the commission, this rating system will be used for charter school assessments. In addition, there are no formal plans for school site visits, which are a component of the commission’s monitoring system and are included in charter school contracts. Moreover, the duration of the next round of contracts had not been decided at the time of our follow-up in January 2014.

***Continuous financial reporting and monitoring provides comprehensive assessments of schools’ financial health and viability***

The commission’s financial performance framework, which was implemented in SY2013–14, is designed to provide continuous monitoring and oversight of charter school finances. The framework includes eight measures, as described in Exhibit 3.3.

**Exhibit 3.3**  
**Financial Performance Framework Measures**

Measure	Description
1. Current ratio	Measures a school's ability to pay its obligations over the next 12 months and is calculated by dividing the school's current assets by its current liabilities.
2. Unrestricted days cash	Indicates whether a school maintains a sufficient cash balance to meet its obligations. The measure looks at a fixed point in time.
3. Enrollment variance	Drives the development of a school's budget. Per-pupil funding is the primary source of revenue for charter schools, so student enrollment is a key driver of a school's revenue. Per-pupil counts also determine a school's expenses, since they provide the basis for determining costs such as staffing and supplies. Variance shows actual enrollment versus projected enrollment.
4. Total margin	Indicates whether a school is operating within its available resources in a particular year. It is important for charter schools to build a reserve to support growth or sustain the school in an uncertain funding environment.
5. Debt to asset ratio	Compares a school's obligations against its assets.
6. Cash flow	Indicates the trend in a school's cash balance over a year and over a three-year period. This measure is similar to days cash on hand, but provides insight into a school's long-term stability, as it helps assess a school's sustainability over a period of time in an uncertain funding environment.
7. Unrestricted fund balance percentage	Measures the equity a school has accumulated, which can serve as a reserve for unexpected situations or help fuel growth.
8. Change in total fund balance	Measures trends in total fund balance to identify fluctuations over time, which indicates financial viability based on the overall financial record of a school.

Source: State Public Charter School Commission

Charter schools are required to submit the following financial reports to the commission, which are reviewed and analyzed by the commission's financial performance manager and an analyst to monitor whether charter schools are meeting their projections:

1. **Budget** (submitted in June)—reviewed to determine a school's projected revenues and expenses. The financial manager contacts the school it is shows a projected deficit;
2. **Unaudited financial statements** (submitted in October)—entered into the commission's financial framework. The financial manager prepares a consolidated charter school income statement that is submitted to the Departments of Education and Accounting and General Services;
3. **Audited financial statements** (submitted in November)—re-entered into the commission's financial framework; the school is rated as *meeting, not meeting, or falling far below standards*;
4. **Quarterly reports**—quarterly re-entered into the commission's financial framework to determine a preliminary rating. The reports

measure how schools are performing during the year and help identify trends; and

- 5. Cash flow forecast for the year**—school estimates of actual and projected cash flows for the year help the commission identify cash flow problems.

At the end of the school year, the financial performance manager assigns a rating to each school. The manager also collects enrollment data from the DOE for per-pupil spending assessments and reconciles the data with enrollment numbers submitted by each charter school.

***Charter school academic assessments to include performance measures used by all public schools***

Like all Hawai‘i public schools, public charter schools are held accountable under the Strive HI Performance System, approved by the U.S. Department of Education in May 2013 to replace many requirements under the federal No Child Left Behind Act. Under this new system, school performance is based on multiple measures, including the Hawai‘i State Assessment (HSA), academic growth, college and career readiness, size of achievement gaps between high-needs students and non-high need students, and progress on reducing those gaps. Individual student performance indicators include student academic proficiency, student academic growth, achievement gaps in proficiency and growth between major student subgroups, and post-secondary readiness.

The commission’s new charter schools academic performance framework, which is in draft form and scheduled to be finalized by June 2014, consists of two main parts: Strive HI and school-specific measures. For SY2013–14, submission of the school-specific measures is optional. At present, three charter schools have school-specific measures in place and 15 schools are developing such measures. Because some of Hawai‘i’s charter schools have culturally specific missions, the commission is conducting a pilot program in SY2013–14 to explore different ways to correctly capture school-specific data. In addition, NACSA will be providing feedback on evaluating school-specific measures as well as assisting the commission with training.

According to the commission’s academic performance manager, the framework will also include other measures requiring input from charter schools and stakeholders and commission approval as well as five categories of academic growth: *very low*, *low*, *average*, *high*, and *very high*.

In Report 11-03, we found that the Charter School Review Panel neither independently collected data to measure student performance nor verified and analyzed the information it did receive from schools. In contrast, the

commission’s academic performance manager and an academic analyst collect and analyze data obtained from the DOE, which includes HSA data as well as demographic and other information. In its *State Public Charter School Commission 2012–13 Annual Report*, the commission reports on charter school’s performance outcomes and compares them to statewide averages in areas such as achievement in math, reading, and science.

**Organizational performance framework ensures charter schools comply with applicable laws, rules, and contractual requirements**

The organizational performance framework outlines the compliance-related standards that charter schools must meet. The framework is divided into six categories, as shown in Exhibit 3.4, each of which has measures for evaluating schools.

**Exhibit 3.4  
Organizational Performance Framework Categories and Measures**

Category	Description	Measure(s)
1. Education Program	Assesses schools’ adherence to relevant and significant terms of their proposed education programs.	<ul style="list-style-type: none"> <li>• Is the school implementing the material elements of its educational program as defined in its charter contract?</li> <li>• Is the school complying with applicable education requirements?</li> <li>• Is the school protecting the rights of students with disabilities?</li> <li>• Is the school protecting the rights of English Language Learner students?</li> </ul>
2. Financial Management and Oversight	Sets expectations for schools’ management and oversight of finances—distinguishable from the financial performance framework, which is used to analyze a school’s actual financial performance.	<ul style="list-style-type: none"> <li>• Is the school meeting financial reporting and compliance requirements?</li> <li>• Is the school following Generally Accepted Accounting Principles?</li> </ul>
3. Governance and Reporting	Sets forth expectations of the governing board’s compliance with governance-related laws and the board’s own bylaws and policies.	<ul style="list-style-type: none"> <li>• Is the school complying with governance requirements?</li> <li>• Is the school holding management accountable?</li> <li>• Is the school complying with data and reporting requirements?</li> </ul>

Category	Description	Measure(s)
4. Students and Employees	Measures compliance with a number of laws relating to students and employees.	<ul style="list-style-type: none"> <li>• Is the school protecting the rights of all students?</li> <li>• Is the school meeting teacher and other staff requirements?</li> <li>• Is the school respecting employee rights?</li> </ul>
5. School Environment	Addresses charter schools' facilities, transportation, and health services, among other things.	<ul style="list-style-type: none"> <li>• Is the school complying with facilities and transportation requirements?</li> <li>• Is the school complying with health and safety requirements?</li> </ul>
6. Additional Obligations	A catch-all section for measures that represent the authorizer's lower priority requirements and any requirements that were established after the organizational performance framework was adopted into the charter contract.	<ul style="list-style-type: none"> <li>• Is the school complying with all other obligations?</li> </ul>

Source: Office of the Auditor based on State Public Charter School Commission information

Charter schools must submit policies and procedures addressing: conflict of interest, student conduct and discipline, conflict resolution, complaints, procurement, and personnel. The commission provides guidance to charter schools through resource guides, which also include relevant statutory language or contractual provisions. Charter schools have been provided the organizational performance framework information and deadlines, and were required to submit all information on the preliminary organizational performance assessment by January 2014.

The evaluation process for SY2013–14 used a “Checklist for Preliminary Organization Performance Assessment (POPA),” shown in Exhibit 3.5, which contained the six categories listed in Exhibit 3.4. Charter schools submitted the required information; other information was obtained from other available data. Upon review of the POPA, feedback was provided to the charter schools, which were given the following ratings:

1. *Meets standard:* Required information received by the deadline;
2. *Does not meet standard:* Information received after the deadline; or
3. *Falls far below standard:* Information not received by the deadline and school was not granted an extension.

**Exhibit 3.5**

**Checklist for Preliminary Organizational Performance Assessment (POPA)**

**3. Governance and Reporting**

Metric	Meets Standard	Does Not Meet Standard	Falls Far Below Standard	Reviewer Comments
Governing Board (GB) Bylaws				
GB Membership List				
GB Meeting Agenda and Minutes Posted				
Procurement Policy				
Conflict of Interest Policy				
Principal Evaluator System				

**Governing Board (GB) Bylaws** – School submitted its GB bylaws to the Commission

**GB Membership List** – School submitted its GB membership list to the Commission; GB membership complies with statutory requirement that not more than one-third of the GB can be employees of the school or relatives

**GB Meeting Agenda and Minutes Posted** – School complies with statutory reporting requirements of having agenda and minutes available on school’s and/or Commission’s website

**Procurement Policy** – School submitted its policy by the November 1, 2013 deadline; schools that did not meet the deadline will receive “Does Not Meet Standard”

**Conflict of Interest Policy** – School submitted its policy by the November 1, 2013 deadline; schools that did not meet the deadline will receive “Does Not Meet Standard”

**Principal Evaluator System** – Evaluation system has been finalized and executed in a supplemental collective bargaining agreement

Source: State Public Charter School Commission

After charter schools receive their preliminary assessments and ratings, they can submit additional information and respond to the assessment. The commission’s organizational performance staff can revise the report after reviewing supplemental information. This year’s submission deadline was February 2014.

For SY2013–14, the organizational performance manager did not apply the entire framework contained in the charter contract. The full framework will be used in the next school year. According to the

organizational performance manager, monitoring of charter schools' compliance is continuous, since measures have differing due dates.

***Intervention and revocation protocols and processes are still being developed***

If the commission finds deficiencies in a school's performance or legal compliance, the commission and school will follow an intervention protocol, which is included in the charter contract. Intervention may be initiated if the commission finds that a school is non-compliant with applicable laws, rules, policies and procedures, and terms and conditions of the contract; or fails to meet performance expectations set forth in the Performance Framework.

The intervention protocol, which outlines the process, will enable the commission to take timely and appropriate action to notify schools about performance and compliance concerns and provide schools a reasonable opportunity to remedy such problems. Upon finding a school's performance or legal compliance unsatisfactory, the commission issues a deficiency notice to the school. The notice states with specificity the deficiency; the applicable regulatory, performance, or contractual provision(s) not met; the expected remedy, including whether a corrective action plan is required; and the timeframe by which the commission expects the school to remedy the deficiency or submit a corrective action plan.

The organizational performance manager is responsible for issuing notices of deficiencies to charter schools for all three frameworks, with the assistance of the other framework managers. If the school does not satisfactorily fix its deficiencies, the commission will issue a warning notice before initiating revocation proceedings in accordance with Chapter 302D, HRS, and applicable administrative rules. The commission has approved draft administrative rules that are being reviewed by the Department of the Attorney General.

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**Conclusion**

Act 130, SLH 2012, re-established Hawai'i's public charter schools' governance structure and clarified the relationships, responsibilities, and lines of accountability among charter school system stakeholders. At the center of this new structure is the State Public Charter School Commission, which independently collects, analyzes, and evaluates charter school data. The commission's Performance Framework, which actively monitors and assesses schools' financial, academic, and organizational performance, promises to establish real oversight and accountability throughout the charter schools system.

There is still much work to be done, however. Among other things, the commission must finalize the academic performance framework and determine how individual frameworks will be weighed against each other in the overall assessment of charter school performance. In addition, the commission needs to establish a formal plan for site visits, which is a requirement of charter contracts. Nevertheless, the commission should be commended for the significant progress it has made in relatively short time.