

Protecting California Public Schools Against Fraud The Charter School Sector & Beyond

RECOMMENDATIONS AND
SUPPORTING INFORMATION

PREVENTING AND
DETECTING FRAUD

GETTING HELP
WHEN A FRAUD
CONCERN ARISES

SYSTEM
IMPROVEMENTS:
RECOMMENDATIONS
BEYOND BEST
PRACTICE



CALIFORNIA
CHARTER
AUTHORIZING
PROFESSIONALS

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Acknowledgments

Public trust in the integrity of California's public schools is critical to maintaining parental confidence in, and taxpayer support for, a public education system worthy of a great state. It is also important to the morale of the **roughly 631,000 public school employees** who work tirelessly to educate our children.

When instances of fraud or self-dealing in our public schools deprive children, families, communities, citizens, and taxpayers of resources that are stretched to begin with, it not only weakens the programs we can provide our children but also **endangers the public support** for public schools that is so indispensable to a prosperous, just, and happy future for California.

The California Charter Authorizing Professionals (CCAP) extends its deep appreciation to the members of the Anti-Fraud Task Force ("Task Force"), institutional and individual, who selflessly contributed their deep expertise, demonstrated their passion for serving students, and devoted many hours of their valuable time to developing these recommendations to protect our schools.

The work of the Task Force was noteworthy in that it brought together a wide range of participants in California's charter school sector: district and county authorizing leaders, charter school representatives, district attorneys, auditors, back-office providers, attorneys representing both authorizers and charter schools, and state fiscal experts.

Although representing different roles and interests, these **Task Force Members** came together committed to a common task: enhancing the fiscal integrity of our public education system. While the resulting recommendations reflect the group consensus rather than formal individual or institutional endorsement, in an education sector that too often is characterized by controversy and conflict, the **collaboration in pursuit of this important mutual purpose was exemplary**.

Special acknowledgment is due to the Task Force members who served as leaders of subgroups that were organized to address the three areas of need initially identified in Task Force discussions.

- ▶ Corey Loomis, Director of the Charter Schools Unit of the Riverside County Office of Education, whose subgroup addressed Preventing and Detecting Fraud
- ▶ Michael Ammermon, Intervention Specialist, and Michelle Giacomini, Deputy Executive Director, for the state Financial Crisis Management & Assistance Team (FCMAT), whose subgroup addressed Getting Help When a Fraud Concern Arises
- ▶ Indra Ciccarelli, Director of the Charter Schools Office of the Los Angeles County Office of Education, whose subgroup addressed System Improvements: Recommendations Beyond Best Practice

CCAP gratefully acknowledges funding support for this important work, in its early stages from the Charles and Helen Schwab Foundation, and since then from the Charter Schools Program of the United States Department of Education.

Finally, we wish to thank the rest of CCAP's own Board of Directors, and its staff members and consultants, for their insights, support, and contributions.

While the publication of this report of recommendations represents a **significant and necessary first step**, the challenge going forward will lie in the implementation of the recommendations the report contains. We will be calling for the continued and expanded collaboration to address this implementation work and will be seeking support from the larger education community and from policy leaders.

David Patterson
CCAP Board President

Tom Hutton
CCAP Executive Director

**Protecting
California Public
Schools Against Fraud**
The Charter School Sector & Beyond

Some additional resources and graphics may be added to this report after its release. The date of any such revisions will be indicated here.

Report Release Date
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Protecting California Public Schools Against Fraud: The Charter School Sector and Beyond

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Section 1

Introduction & Summary of Recommendations

This report stems from a \$400 million charter school fraud case—the largest in California history. Between 2015 and 2019, individuals associated with the online charter school company A3 Education (A3) exploited weaknesses in California’s public school fiscal system to enrich themselves at the expense of school children and taxpayers.

The A3 fraud case revealed systemic shortcomings at many levels.

- ▶ Charter school governing boards failed to fulfill their fiduciary responsibilities.
- ▶ Charter school authorizers failed to fulfill their oversight responsibilities.
- ▶ Charter school audits were inadequate.
- ▶ State fiscal control and reporting systems had vulnerabilities.
- ▶ There was no comprehensive or effective structure to report, investigate, and prosecute fraud in California schools.

This report sets forth recommendations developed by a broad-based, statewide **Anti-Fraud Task Force (“Task Force”)** that was convened specifically to address these organizational and systemic shortcomings. The Task Force was initiated by the California Charter Authorizing Professionals (CCAP), a nonprofit association for school districts and county offices of education and others committed to [high quality charter school authorizing](#). The Task Force members were drawn from a diverse cross-section of experts, including representatives of authorizers, charter schools and charter management organizations (CMOs), state officials, prosecutors, attorneys for both charter schools and authorizers, auditors, and vendors. The Task Force’s work, and the publication of this report, are supported in part by a Charter Schools Program National Dissemination Grant from the U.S Department of Education.

The 20 recommendations in this report represent the consensus resulting from lengthy [discussions among the Task Force members](#), although the member organizations and individuals may not endorse every particular point in this report or be in an institutional position to formally endorse any such recommendations, particularly those requiring legislative action. If implemented, these recommendations would significantly strengthen the capacity of California's public school sector to prevent and detect financial fraud and would support more aggressive prosecution of those who commit it.

It should be emphasized that, by most accounts, California's enormous public education system—comprising district schools, county-operated schools, and public charter schools—is remarkably free from fraud and financial abuse. Considering that there are **approximately 10,500 schools** and more than **631,000 employees** (EdData 2018-19) serving **5.8 million students** (EdData 21-22) and representing **\$89.6 billion** (EdData 21-22) in total annual expenditures for K-12, this is a tribute to the integrity and dedication of teachers, administrators, staff members, and boards of education.

Nonetheless, no level of fraud is acceptable. Every theft of funds from our public schools not only harms the students but also undermines public confidence in our public education system. The small size of many charter schools and charter authorizers presents genuine challenges to operating in accordance with recognized best practices, including guidance from the [National Association of Charter School Authorizers \(NACSA\)](#) and requirements attached to receipt of federal funds. These challenges, however, are not insurmountable.

This report focuses primarily on California's charter school sector and its participants—some **1,283 charter schools** and the **287 school districts** and **41 county offices** that authorize charter schools. However, while focusing particularly on the charter school sector, many of the recommendations are equally valid for the entire TK-12 education system. Some of the recommendations are systemwide state proposals, while others are intended to apply to all local education agencies (LEAs), including both school districts and charter schools.

THE THREE CHALLENGES

The report is centered around three areas of systemic challenge identified by the Task Force, whose members organized themselves into three subgroups to develop groups of corresponding recommendations:

- 1. Preventing and Detecting Fraud.** The report [recommends nine recognized practices](#) that have demonstrated effectiveness in preventing and detecting financial fraud and that can be implemented immediately. No change in law is required for these already well-established practices to be implemented more universally and effectively. The implementation of a Fraud Risk Management Program (Fraud RMP), which is a universally recognized approach to fraud prevention, is the leading recommendation in this group.
- 2. Getting Help When a Fraud Concern Arises.** The Task Force identified a critical need to provide support for those who are part of, or who interact with, our public school system—and clearly designated places to go for help—when confronted with potentially fraudulent activity. There are [five recommendations in this group](#), including the implementation of fraud reporting hotlines and broad supports when reporting concerns to entities with the responsibility and authority to investigate potential fraud.
- 3. System Improvements: Recommendations Beyond Best Practice.** The [six recommendations in this group](#) focus on system challenges that are beyond the control of local educational entities and require action by state policymakers. The highest priority recommendation in this group is the implementation of an Inspector General function to investigate and prosecute financial fraud in public education. Five other changes, including critical updates to the capacity of state-level data systems, would significantly reduce the state's vulnerability to fraud.

The Task Force has endeavored to provide sufficient explanatory detail on these recommendations to ensure that they are understandable and are not stated in such general terms as to lack traction among participants and policymakers. At the same time, in some instances this report attempts to strike a balance by deliberately avoiding getting bogged down in, or locked into, particular secondary details that could sidetrack a proposal that overall has merit and/or that are best addressed by others with more direct decision-making authority or expertise. The recommendations are summarized and grouped below.

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Group 1:**Recommendations 1-9****Preventing and Detecting Fraud Nine** ([Jump to Recommendation Details](#))

1. **Adoption of Fraud Risk Management Program (“Fraud RMP”)** by all authorizers, charter schools, local education agencies (LEAs), and Charter Management Organizations (CMOs).
2. **Adoption of a robust Conflict of Interest policy** by all charter school governing boards to strengthen the charter school and/or the CMO board’s review of contracts to protect against conflicts of interest.
3. **Adoption of a board policy on audits** for all charter school governing boards, CMO boards, or both boards if applicable.
4. **Periodic training on fraud prevention responsibilities** for boards and senior leadership of charter schools and CMOs, including on issues relating to conflicts of interest and the audit process.
5. **Authorizer review of the audit of a charter school’s CMO and other documents** (e.g., contracts), as appropriate, for conflicts of interest and for the methodology of determining fees charged to schools.
6. **Authorizer review of a charter school’s relationship with any entity that serves as the charter school’s sole statutory member**, to ensure transparency and address real or potential conflicts of interest and/or inappropriate levels of influence.
7. **Timely posting by all LEAs of all key and relevant information regarding governing board meetings.**
8. **Adoption of an Integrity Policy by all back office providers.**
9. **Free training opportunities on charter schools and the public school system** to support the investigation and prosecution of fraud in schools or districts.

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Group 2:**Recommendations 10-14****Getting Help When a Fraud Concern Arises** ([Jump to Recommendation Details](#))

10. **Adoption of written guidelines for the intake of financial fraud reporting** by all authorizers, charter schools, and CMOs.
11. **Implementation of an internal and/or external third-party fraud reporting system (e.g., hotline)** by each authorizer, charter school, or CMO.
12. **Promotion of fraud prevention and fraud reporting systems** by each LEA and CMO.
13. **Guidance to authorizers, charter schools, CMOs, and others on the reporting of suspected fraud.**
14. **Establishment of a standing Fraud Prevention Work Group.**

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Group 3:**Recommendations 15-20****System Improvements: Recommendations Beyond Best Practice**([Jump to Recommendation Details](#))

15. **Implementation of an Inspector General function**, which encompasses responsibility and authority for investigating and prosecuting financial fraud in the public-school sector.
16. **Improvement of real-time tracking of individual student enrollment.**
17. **Establishment of a single set of criteria for Independent Study (IS) for all LEAs.**
18. **Process for an authorizer to request a county superintendent to review or audit a charter school's expenditures and internal controls** for possible fraud, misappropriation of funds, or other illegal fiscal practices, or for significantly substandard fiscal practices.
19. **Funding for training for LEAs, authorizers, charter schools, and CMOs to adopt and implement the Fraud RMP.**
20. **Fraud prevention requirements for back office providers**, with liability protection for back office providers that reasonably comply with these requirements.

The A3 fraud case, and other instances of illegal or highly questionable behavior, occurred in the context of a California charter schooling and charter school oversight system that must be understood in order to appreciate both what happened as well as the proposed strategies to prevent such activity in the future. To that end, this report also provides an overview of the policy and administrative context, including:

1. [An overview](#) of California's charter school law and charter sector.
2. [An overview](#) of charter school authorizing in California and some oversight challenges.
3. Background on [CCAP](#) and the [Task Force](#) and its work.

As is explained in more detail in the other sections of this report, many authorizers and charter school operators are small organizations with serious **resource and staffing constraints** that must be borne in mind when contemplating any new programs, processes, practices, and requirements. Most of the recommendations in this report represent forms of “self-help” for these educational organizations, as opposed to external mandates. Many recommended practices are, in fact, already followed or partly followed by many charter schools, authorizers, and other partners.

Where some recommendations may entail additional efforts by charter schools and authorizers, the Task Force has proposed implementation **strategies, policies, tools and templates, and structural supports intended to provide them with the assistance** needed to act in their enlightened self-interest as to fraud prevention, at the same time as they attend to their myriad other responsibilities.

The structural recommendations start with the implementation of an [Inspector General](#) function as critical for the effective investigation and prosecution of fraud. A second recommendation is for improvements of statewide systems to allow real time tracking of student enrollment. Other structural recommendations also require action by one or more state agencies or the California State Legislature. These recommendations systematize and strengthen the other recommendations and “plug the gaps” where self-help by the existing education system is unlikely to be sufficient on its own to protect public resources for children.

Finally, this report identifies additional important [questions to be addressed in the future](#), as well as [follow-up inquiries, activities, and supports](#) to be conducted by a proposed **Implementation Working Group**, by CCAP, and/or by other organizations. Importantly, as of this writing, the Legislative Analyst's Office (LAO) and the Financial Crisis Management & Assistance Team (FCMAT) have just published a legislatively mandated [report](#) on the funding of nonclassroom-based schools, while the State Controller's Office has convened a [Multi-Agency Charter School Audits Task Force](#) that is examining the role of audits in preventing and detecting fraud.

Section 2

CHALLENGE 1

Preventing and Detecting Fraud

This first group of nine recommendations is for implementation by charter schools, Charter Management Organizations and CMO-like entities (abbreviated together throughout this report simply as “CMOs”), authorizers, and other educational participants. They represent forms of “self-help” best practices for local participants in the charter sector. Unlike the third group of recommendations ([System Improvements: Recommendations Beyond Best Practice](#)) and some of the second group of recommendations ([Getting Help When a Fraud Concern Arises](#)), **these nine practices should be matters entirely within local control** and should not necessitate initiatives from state policymakers or other external parties. However, some supports for their local implementation, as described below and elsewhere in this report, would make implementation easier, especially for small organizations.

That last point is an important consideration. The Task Force is keenly aware of the fact that the imposition of many new and administratively onerous requirements on small charter schools and small school districts alike, without supports, would be unlikely to work. But the recommendations here are widely recognized as best practices for exercising internal financial controls, providing transparency, and managing potential conflicts of interest and appearances of conflicts of interest. Not only are they in the enlightened self-interest of educational organizations, but many or most of them probably already are in practice among many charter schools, CMOs, authorizers, and other LEAs.

[The most important, overarching recommendation](#) in this group is that every authorizer, charter school, LEA, and CMO adopt and implement a **Fraud Risk Management Program (“Fraud RMP”)**. In the simplest term, a Fraud RMP is a systematic approach to make sure an organization addresses the two factors most critical to preventing fiscal fraud:

1. **Creating institution-wide awareness**, starting at the very top of the organization, that fraud prevention is everyone's responsibility; and
2. **Having a robust and fully functional system** of internal fiscal controls that includes ongoing verification of the integrity of transactions and culminates at the most senior executive and board level.

An effective Fraud RMP typically is neither a new stand-alone program nor a litany of new administrative headaches. Instead, it mostly amounts to a confirmation of the organization's sound fiscal capacity and systems, coupled with a visible, organization-wide commitment to integrity. Systematic implementation of a Fraud RMP provides the structure at each level of a participating entity—but most importantly the charter school's own governing board—to enable all participants to fulfill their existing core fiduciary responsibilities effectively. A well understood and fully functional system of fiscal controls goes well beyond fraud prevention. It is necessary for the effective operation of the organization more generally.

The [recommendation for a Fraud RMP](#) also is noteworthy because it is one of the Task Force proposals intended to **apply not just to charter schools but to all LEAs**. For authorizers to have credibility in requiring and verifying Fraud RMPs in the charter schools that they oversee, they should have their own Fraud RMPs in place. There is opportunity for collaboration here. Some small school districts and small charter schools may face similar challenges in implementing robust internal control systems because of the limited number of staff members they employ in administrative capacities. While the respective boards of the authorizer and the charter school must independently fulfill their own responsibilities under a Fraud RMP, and while authorizers and charter schools must be mindful of the regulatory authorizing relationship between them, they may be able to collaborate in implementing strong controls and transparency.

THE RECOMMENDATIONS

Each of the following **nine recommendations** contains:

- ▶ An estimated rating of Difficulty and Cost – with **1 solid circle** signifying relatively easy or inexpensive and **3 solid circles** signifying relatively more difficult or costly
- ▶ Details
- ▶ Implementation
- ▶ Notes and Considerations

RECOMMENDATION 1

Adoption of Fraud Risk Management Program (“Fraud RMP”) by all authorizers, charter schools, local education agencies (LEAs), and Charter Management Organizations (CMOs).

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The Fraud RMP should be adopted by authorizers, charter schools, LEAs, and CMOs and CMO-like entities (together “CMOs”).

The Fraud RMP builds upon **generally accepted fiscal practices** of the State of California and the California public school system. Adopting a Fraud RMP creates an explicit overarching commitment to fiscal integrity throughout the organization and with all entities and individuals with which it interacts. An organization with a fiscal system that meets governmental or industry standards will already have major components of a Fraud RMP in place. Additional components may include:

1. **An explicit commitment**, starting at the top, to integrity and fraud prevention, and communication of this commitment to all employees, partners, and the families they serve.
2. **Assessment of fraud risks** in the organization and the environment in which it operates (e.g., vendor payments and credit card usage) and ongoing review of the adequacy of fraud prevention methods.
3. **Explicit means for reporting potential fraud**, evaluation of reports, corrective action, and reporting as appropriate to proper authorities.
4. **Annual review by senior management and the governing board** that the components of the Fraud RMP are functioning.

As part of the annual oversight of the charter school/CMO, the authorizer confirms that a Fraud RMP program is in place and is being **properly administered**.

IMPLEMENTATION

Convene an **Implementation Working Group** to recommend resources that support the development of a Fraud RMP appropriate for authorizers, charter schools, LEAs, and CMOs that recognizes and builds upon the foundation of what is already recognized as a robust fiscal system appropriate for TK-12 education in California.

The **Implementation Working Group** will also develop a template for confirmation that a Fraud RMP is in place and functioning.

Sample draft language for an authorizer's Memorandum of Understanding (MOU) and a charter petition will also be developed.

The California Charter Authorizing Professionals (CCAP) will house this information in its [free online resource library](#).

Funding: To achieve the best possible implementation, it is desirable that some funding support for Fraud RMP implementation and training be provided by the State. [See Recommendation 19](#).

NOTES AND CONSIDERATIONS

The Task Force recognizes that a Fraud RMP is a comprehensive program that will incorporate some of the specific recommendations that are listed separately in this document. A Fraud RMP, as part of an existing robust fiscal system, includes:

- ▶ Policies
- ▶ Standard operating procedures
- ▶ Segregation of duties matrix
- ▶ Service level agreements
- ▶ Identification and assessment of vulnerable areas
- ▶ Ownership of fraud risk
- ▶ Response plan

RECOMMENDATION 2

Adoption of a robust Conflict of Interest policy by all charter school governing boards to strengthen the charter school and/or the CMO board's review of contracts to protect against conflicts of interest.

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The current **minimum requirements** for conflicts of interest required of charter school boards are not sufficient. As the primary oversight entities for charter schools and CMOs, their own governing boards need to be knowledgeable and aware of potential conflicts of interest with all vendors and contracts with other potential undisclosed related parties (family and friends). Policies to support this include the following:

1. **Requiring attestation** that no employee, board member, or senior staff member has a conflict of interest.
2. **Requiring all contracts to be covered by the policy**, with a particular focus on potential related parties, and requiring related documentation to be reviewed and approved by the governing board.

IMPLEMENTATION

Develop materials that are complementary to the training required by Assembly Bill (AB) 2158.

Convene an **Implementation Working Group** to develop curated model examples of governing board policy regarding conflicts of interest. Policies should consider the following:

- ▶ The challenges of developing policies that incorporate the requirements of both nonprofit law and governmental requirements.
- ▶ A tiered approach to approval of contracts based on the dollar amount of the contract.
- ▶ Disclosure of potential conflicts on the board's agenda.
- ▶ Guidance on identifying and addressing potential related party transactions.
- ▶ Memorialization of agreements among multiple LEAs and organizations (i.e., CMOs, sole statutory entities, and affiliate organizations).

The **Implementation Working Group** will also develop a template for authorizer use for confirmation that a Conflict of Interest Policy is in place and functioning as intended at the charter school, as well as sample draft language for the MOU/charter petition regarding the policy that calls for submission to the authorizer of contracts under reasonable and appropriate criteria (e.g., a threshold amount, specific conflict of interests, etc.).

CCAP will house this information in its [free online resource library](#).

RECOMMENDATION 3

Adoption of a board policy on audits for all charter school governing boards, CMO boards, or both boards if applicable.

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A **critical responsibility** of the charter school governing board is the fiscal oversight of the charter school. The annual audit is a critical tool to accomplish this oversight. As a means of meeting this obligation, each entity needs to adopt a policy detailing the board's related responsibilities.

The charter school governing board may also establish an audit committee, which could be a committee of members from both the charter schools governing board and the **CMO board**.

The policy needs to provide the following:

1. **The governing board convenes an audit committee** to advise the full board (if the size of the board is too small to reasonably support an audit committee, then the full board should fulfill this function).
2. **The board itself, and not staff or the CMO, selects the auditor** and changes auditors (or if applicable, engagement partners) every five years.
3. **The auditor reports directly to the board.**
4. **The board addresses all audit findings** in an appropriate and timely manner.
5. **The authorizer reviews the agendas and minutes** of the audit committee and governing board to confirm that the school/CMO is meeting its obligations.

The governing board notifies the authorizer whenever the auditor is changed, including express notice if the auditor is dismissed.

IMPLEMENTATION

Convene an **Implementation Working Group** to recommend draft board policy and MOU/charter petition language.

CCAP will house this information in its [free online resource library](#).

RECOMMENDATION 4

Periodic training on fraud prevention responsibilities for boards and senior leadership of charter schools and CMOs, including on issues relating to conflicts of interest and the audit process.

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The board and senior school/CMO leadership will receive training on conflicts of interest ([see Recommendation 2](#)) and the audit process ([see Recommendation 3](#)).

The conflict-of-interest training will devote particular attention to potential related party transactions. The audit process training will include board and staff responsibilities, the components of the annual audit process, how to select an auditor, what auditors review (and do not review), how to read an audit report, and how to resolve audit findings.

New board members will **receive the training within 12 months** of assuming office, and members who have received the training previously will receive an additional training at least every two years. The training will be coordinated with other board member ethics training as required by AB 2158.

Board members and members of senior leadership will sign an annual certificate that they have received the training, understand their responsibilities, and acknowledge that failure to safeguard public resources is a crime.

IMPLEMENTATION

An **Implementation Working Group** will develop template training materials.

The **Implementation Working Group** also will attempt to identify recurring questions on which a greater degree of consensus among authorizers would be helpful (e.g., on acceptable expenditures, gifts of public funds, etc.).

Authorizers will verify annually that training of any new board members and members of senior leadership has occurred and when additional trainings have been held. The implementation group will develop sample draft language for the MOU/charter petition, the certification, etc.

CCAP will house this information in its [free online resource library](#).

RECOMMENDATION 5

Authorizer review of the audit of a charter school's CMO and other documents (e.g., contracts), as appropriate, for conflicts of interest and for the methodology of determining fees charged to schools.

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When a charter school is part of, or is served by, a CMO, the authorizer reviews the CMO entity's audit in a manner consistent with **current auditing rules**, checking for conflicts of interest, related party transactions, and methodology of determining fees charged to schools.

IMPLEMENTATION

Review contract(s) for services. Evidence of reasonableness would include a review of the services to be provided denoted in the contract between the charter school and the CMO.

Using an **Implementation Working Group**, create guidance and/or training for authorizer staff.

CCAP will house this information in its [free online resource library](#).

RECOMMENDATION 6

Authorizer review of a charter school's relationship with any entity that serves as the charter school's sole statutory member, to ensure transparency and address real or potential conflicts of interest and/or inappropriate levels of influence.

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Some charter operators, in order to ensure fidelity of individual schools in their network to their school model, have **secured unilateral power** to replace any member of the school's governing board at any time, with or without cause. This can raise concerns when the operator also has significant contracts with the school for services.

This process **should examine** charter school relationships with any entity that serves as the charter school's sole statutory member, or any similar entity that may exert a material amount of influence or control and have a material economic interest in the charter school. This review process ensure full transparency and address real, or potential, conflicts of interest and inappropriate levels of influence.

IMPLEMENTATION**Review audit report for related parties.**

Using an **Implementation Working Group**, create guidance and/or training for authorizer staff.

CCAP will house this information in its [free online resource library](#).

NOTES AND CONSIDERATIONS

There is a serious question whether the rationales for a sole statutory member or similar arrangement can outweigh the inherent conflicts and potential downsides.

RECOMMENDATION 7

Timely posting by all LEAs of all key and relevant information regarding governing board meetings.

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Each **LEA** posts the following information regarding its board meetings **on its website**:

1. **A schedule of the board meetings for the year.**
2. **Information on how the public can access the meeting.**
3. **The board meeting agenda**, including all relevant informational materials for each agenda item (sometimes collectively referred to as the “board packet”).
4. **The approved board minutes.**
5. **Archived agendas and minutes** for a minimum of one year of previous meetings.
6. **Methods by which to contact the board.**
7. **Notices of special or emergency board meetings.**

In addition, authorizers post a link to each authorized charter school's website with the information that the school's board agendas and minutes are available on the school's website.

IMPLEMENTATION

Authorizers post a link to each authorized charter school's website on their own website.

Authorizers verify posting annually.

Authorizers verify that all required postings are represented on the school's webpage.

NOTES AND CONSIDERATIONS

This recommendation goes **beyond the minimum** open meeting requirements of the Brown Act. Some small charter schools that do not use a board hosting solution that provides a ready online platform for this information may find this a somewhat greater challenge and/or an added expense. Small school districts that have successfully provided for this transparency may have suggestions for implementation by other small organizations.

RECOMMENDATION 8**Adoption of an Integrity Policy by all back office providers.**

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The Integrity Policy recognizes the role of back office providers in working with their clients in a manner that supports fiscal integrity and fraud prevention. The policy will:

1. **Establish fraud risk management processes.**
2. **Require certain levels of client governing board engagement**, review, and oversight of provider reporting to the school as part of its contract with the school.
3. **Provide an annual report** to the client board providing recommendations for enhancing fraud prevention and detection.
4. **Provide written notification** to the client board when the provider is concerned about possible fraudulent activity, subject to the need not to compromise the investigation.

IMPLEMENTATION

Convene an **Implementation Working Group**, with significant representation of back office providers, to develop a template Integrity Policy. In the authorizer/charter school MOU/charter petition, include standards for back office providers used by charter schools and how the charter school governing board reviews financial reports and data.

CCAP will house this information in its [free online resource library](#).

NOTES AND CONSIDERATIONS

Some back office providers may consider this requirement an intrusion into their organization's operations.

Providing additional reporting and training may increase the cost to charter schools charged by providers.

RECOMMENDATION 9

Free training opportunities on charter schools and the public school system to support the investigation and prosecution of fraud in schools or districts.

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It is important to foster **ongoing awareness** of the possibility of fiscal fraud and the means to prevent it. It is equally important to increase the awareness of those entities that can investigate and prosecute fraud about the importance of their active engagement in the TK-12 public school sector.

These **training opportunities** should be available for authorizers, county superintendent staff, civil grand juries, district attorneys, and other non-education entities that may have a stake in financial fraud cases. Both private organizations and public agencies can provide and/or coordinate these opportunities.

IMPLEMENTATION

CCAP can initially help initiate and promote the development of trainings, coordinating and collaborating with other educational associations as well as certified public accounting (CPA) firms, district attorneys, county treasurers, the state Fiscal Crisis Management & Assistance Team (FCMAT), etc.

CCAP could also house related information and materials in its [free online resource library](#).

If and when the entity is designated or created for to assume investigative responsibility for suspected fraud per [Recommendation 15](#), it may be appropriate for that entity to lead this function.

NOTES AND CONSIDERATIONS

Develop materials that are complementary to the ethics training required by AB 2158.

Training can be provided by private organizations or public agencies.

Section 3

CHALLENGE 2

Getting Help When a Fraud Concern Arises

This second group of five recommendations is mostly, although not entirely, for implementation by charter schools, Charter Management Organizations and CMO-like entities (together “CMOs”), authorizers, and other educational participants themselves. Unlike the first group of recommendations ([Preventing and Detecting Fraud](#)), however, these recommendations focus on creating a comprehensive system for people to turn to if they have concerns about possible fraud in public schools.

The main thrust of these recommendations is providing **well-publicized protocols and mechanisms for reporting and investigating concerns**, so that nobody with reason for concern is left at a loss about where to go with the information—and nobody receiving the information is left at a loss about what to do with it. This may involve things like the establishment of fraud “hotlines” and guidance for intake of reports. The third group of recommendations in this report ([System Improvements: Recommendations Beyond Best Practice](#)) includes proposals for new initiatives to augment local capacity for investigating concerns.

THE RECOMMENDATIONS

Each of the following five recommendations contains:

- ▶ An estimated rating of Difficulty and Cost – with **1 solid circle** signifying relatively easy or inexpensive and **3 solid circles** signifying relatively more difficult or costly
- ▶ Details
- ▶ Implementation
- ▶ Notes and Considerations

RECOMMENDATION 10

Adoption of written guidelines for the intake of financial fraud reporting by all authorizers, charter schools, and CMOs.

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All charter schools, CMOs, and LEAs that authorize charter schools **adopt board policies and administrative regulations** that define procedures for the intake, follow-up, and resolution of financial fraud reporting.

All charter schools, CMOs, and LEAs that authorize charter schools **should define who will be the lead** for intake of reported fraud. The lead may be either a staff member or a board member. The guidance shall designate at least one staff member or one board member to receive, review, and take appropriate action as part of the intake, follow-up, and review on any reporting of fraud.

Annually, LEAs that authorize charter schools **provide a summary report** to the authorizer's governing board of any reports received and their disposition, subject to need to avoid compromising an ongoing investigation.

IMPLEMENTATION

Convene an **Implementation Working Group** to develop a suspected financial fraud or abuse board policy and administrative regulation detailing a reporting structure for concerns. Also, develop **sample language** for the Memorandum of Understanding / charter petition.

Reporting levels should be established for charter schools, authorizers, and county offices of education (COEs). The reporting levels should establish a procedure for when each LEA (COE, district, or charter school) or CMO receives a notice concerning financial fraud.

The reporting structure defines intake, follow-up, and resolution.

INTAKE

1. **Designate the team:** team lead, senior staff member, and/or board member.
2. **Designate qualified trainers** on processes.
3. **Decide whether to audit or review** materials from suspected fraud internally or externally, including whether to use legal counsel, accountants, or private investigators.
4. **Determine what internal and/or external resources will evaluate the evidence** (e.g., human resources, business offices, COE, the California Department of Education [CDE], the California Association of School Business Officials [CASBO], etc.).
5. **Set anticipated timeline.**

FOLLOW-UP

1. **Determine timeline** for meetings to discuss audit progress.
2. **Determine if additional information is required.**

RESOLUTION

1. **Clear any open items.**
2. **Determine conclusion** (i.e., insufficient or sufficient evidence of fraud).
3. **Determine any referrals** (i.e., to law enforcement, COE, human resources, or authorizer).
4. **Authorizers will verify annually** that the process is in place and functioning as intended, and will review reports of alleged fraud as appropriate.

NOTES AND CONSIDERATIONS

This recommendation is an aspect of a **Fraud RMP**, adoption of which is [Recommendation 1](#). The overlapping recommendation here is made separately because it addresses how to document a concern and how to get help.

The intake model could vary locally (e.g., it could be a centralized intake system organized by an authorizer or COE, etc.) as an option for efficiency and capacity. Some locals may have models in place already.

CCAP will house this information in its [free online resource library](#).

RECOMMENDATION 11

Implementation of an internal and/or external third-party fraud reporting system (e.g., hotline) by each authorizer, charter school, or CMO.

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In fulfilling the hotline requirement, each authorizer, charter school, and CMO will determine whether it will use an internal and/or an external third-party fraud reporting system. Implementation of a coordinated process whereby authorizers, CMOs, charter schools, and possibly COEs develop a unified approach would be desirable.

IMPLEMENTATION

Convene an **Implementation Working Group** that provides guidance to authorizers, CMOs, charter schools, and COEs regarding adopting internal and/or external fraud reporting systems.

NOTES AND CONSIDERATIONS

One related option might be a pilot project facilitated by CCAP, working with one or more authorizers and the charter schools they oversee to support broader implementation and provide an example for other authorizers and their authorized schools.

Yet another option would be to set this function up centrally, requiring participation by schools and authorizers. This would facilitate reporting to the boards under [Recommendation 10](#).

CCAP will house this information in its [free online resource library](#).

RECOMMENDATION 12

Promotion of fraud prevention and fraud reporting systems by each LEA and CMO.

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All covered entities should promote their fraud prevention efforts and reporting system and/or hotline on their website, newsletters, and other communications.

The authorizer/charter school MOU should include language that stipulates that the charter school shall promote the fraud hotline.

IMPLEMENTATION

Convene an **Implementation Working Group** that draws upon the work of and expertise of Task Force members. The Implementation Working Group will develop template language for posting on authorizer and charter school/CMO websites.

In most situations, the most desirable approach is for the authorizer and the schools it authorizes to use the same system.

NOTES AND CONSIDERATIONS

There may be vehicles other than an MOU to effectuate and formalize these practices.

“Hotline” is a generic term for all forms of fraud reporting by either website or phone.

CCAP will house this information in its [free online resource library](#).

RECOMMENDATION 13

Guidance to authorizers, charter schools, CMOs, and others on the reporting of suspected fraud.

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Model informational materials will help educational organizations more quickly implement and promote reporting mechanisms. **This documentation will include** a template/sample language that identifies the entities in California responsible for the investigation and prosecution of fraud in the public school system and the processes for submitting reports and evidence of fraud.

IMPLEMENTATION

Convene an **Implementation Working Group** to create this guidance. This will include resources such as decision trees and what work is needed by the entity that has received an allegation of fraud. It will also include the specific offices to contact and their contact information.

NOTES AND CONSIDERATIONS

The notices called for here are akin to notices required under other laws, such as Title IX.

There needs to be a structure/process for keeping this information current and accurate.

See also [Recommendation 14](#), which calls for an annual convening of a Fraud Prevention Work Group. One task of such a group would be to update the guidance called for under this recommendation.

CCAP will house this information in its [free online resource library](#).

RECOMMENDATION 14**Establishment of a standing Fraud Prevention Work Group.**

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The purpose of this voluntary work group would be to bring together representatives of the different entities that operate in the charter school sector, as well as other experts, to discuss the current status of fraud prevention work and emerging trends and developments, share information, and keep current the information that supports participants in the reporting of possible fraud. **The Fraud Prevention Work Group should meet annually.**

IMPLEMENTATION

If helpful, the working group could be convened as an adjunct activity to the annual [California Charter Authorizers Conference](#).

If and when an entity is designated or created to assume investigative responsibility for suspected fraud, per [Recommendation 15](#), it may be appropriate for that entity to convene this group.

NOTES AND CONSIDERATIONS

CCAP will house this information in its [free online resource library](#).

Section 4

CHALLENGE 3

System Improvements: Recommendations Beyond Best Practice

Although most of the Task Force recommendations for fraud prevention and detection are for charter schools, school districts, and county offices of education to adopt best practices consistently, with some collective effort and external supports, the Task Force also identified some **key vulnerabilities** in California's public school finance and law enforcement systems that are outside the control and/or expertise of local educational institutions.

This third group of recommendations systematizes and strengthens the other recommendations and “plugs the gaps” where self-help by the existing education system is unlikely to be sufficient on its own to protect public resources for children. In addition, supports for local implementation of best practices will benefit from some external funding. Implementing the six recommendations developed to address these vulnerabilities requires the attention of state officials and/or funders.

THE RECOMMENDATIONS

Each of the following six recommendations contains:

- ▶ An estimated rating of Difficulty and Cost – with **1 solid circle** signifying relatively easy or inexpensive and **3 solid circles** signifying relatively more difficult or costly
- ▶ Details
- ▶ Implementation
- ▶ Notes and Considerations

RECOMMENDATION 15

Implementation of an Inspector General function, which encompasses responsibility and authority for investigating and prosecuting financial fraud in the public-school sector.

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A **full implementation** of this recommendation would be a “state level” independent Inspector General function such as the California Attorney General’s Office or another agency not yet identified but with a staff or office focused specifically on TK-14 education. Wherever the function is housed, the identified entity would need to combine three critical features:

1. **Knowledge of the public education system**
2. **Subpoena power**
3. **Prosecutorial authority**

Adequate resources and personnel would need to be dedicated to this work.

A second option would be to create a “**regional level**” function, including investigative powers and authority to prosecute. This would require working with COEs and local district attorneys, with support from the **Office of the Attorney General (OAG)**. Any identified agency or agencies also would need to have the three critical features identified above, as well as adequate resources and personnel dedicated to this work.

IMPLEMENTATION

Determine the level of interest and support for **an inspector general function** for TK-14 education.

Conduct outreach to experts regarding effective approaches and models.

Determine where the inspector general function could be placed, i.e., within the OAG, the California Department of Education (CDE), the California State Controller’s Office (SCO), the California Superintendent of Public Instruction, and/or regional entities.

NOTES AND CONSIDERATIONS

This is the highest priority recommendation for Subgroup 3.

Most offices of district attorneys lack the capacity and expertise to have sole responsibility for investigation and prosecution of fraud in the education sector, even if [Recommendation 9](#), calling for supports to be provided to them in this area, were to be implemented..

RECOMMENDATION 16

Improvement of real-time tracking of individual student enrollment.

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Propose the implementation by the CDE of procedures to ensure the ability to verify individual student enrollment and average daily attendance (ADA) in a manner that connects with the California Longitudinal Pupil Achievement Data System (CALPADS) and tracks individual student enrollment/ADA, including identifying students whose ADA is paid to more than one LEA throughout the year.

In addition, ensure that all authorizers require, and all charter schools and CMOs timely provide, any **relevant enrollment data and documentation**.

IMPLEMENTATION

Consult with the CDE and **provide recommendations** to the Governor and Legislature.

NOTES AND CONSIDERATIONS

A new verification system should account for the underlying policy issue that in a multi-track setting, by changing a student to a new LEA, it is possible for the state to pay more than 180 days of ADA, though some charter schools have 200 days or longer calendars.

As fundamental as this proposed functionality may appear to be, it is important to acknowledge the reality that changes to the state data systems, including CALPADS, **are not** made easily, quickly, or inexpensively. There could be questions about the cost of making incremental improvements like this to such old systems. Based on their age and limitations, estimates to replace these systems reportedly have ranged as high as \$30 million.

RECOMMENDATION 17

Establishment of a single set of criteria for Independent Study (IS) for all LEAs.

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**DETAILS**

Revise the law and regulations for IS to establish a single set of streamlined criteria for IS for all LEAs, including charter schools.

IMPLEMENTATION

Provide recommendations to the CDE and the State Board of Education.

RECOMMENDATION 18

Process for an authorizer to request a county superintendent to review or audit a charter school's expenditures and internal controls for possible fraud, misappropriation of funds, or other illegal fiscal practices, or for significantly substandard fiscal practices.

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When an authorizer becomes aware of the possibility of fraudulent activities and/or of substandard practices that give rise to concern that the school is highly vulnerable to fraud, the authorizer should be able to ensure that the school's fiscal management, practices, and activities are examined to determine whether there is credible evidence of the deficiencies.

To make sure every authorizer has this option, **the State should authorize a process** where a district or COE can request the county superintendent to undertake this examination. Education Code Section 1241.5(c) already empowers county superintendents to initiate such reviews or audits on their own initiative. This proposal would require them to do so in response to a request by an authorizer and also allow for examination of high-risk substandard practices.

If fulfilling this function will require additional funding for county superintendents, it is important that this funding be provided.

IMPLEMENTATION

Provide recommendations to the Governor and Legislature.

NOTES AND CONSIDERATIONS

This option is distinct from, and would be used prior to, a request to the state Fiscal Crisis & Management Assistance Team (FCMAT) for an **extraordinary audit**.

RECOMMENDATION 19

Funding for training for LEAs, authorizers, charter schools, and CMOs to adopt and implement the Fraud RMP.

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Fund training for all LEAs, authorizers, charter schools, and CMOs to support adoption and implementation of a Fraud RMP that builds upon generally accepted fiscal practices of the State of California and the California public school system. Funding priority should be given to training for smaller entities. [See Recommendation 1.](#)

IMPLEMENTATION

Consult with entities that have relevant expertise and provide recommendations to the Governor and Legislature.

NOTES AND CONSIDERATIONS

Develop materials that are complementary to the ethics training required by AB 2158.

RECOMMENDATION 20

Fraud prevention requirements for back office providers, with liability protection for back office providers that reasonably comply with these requirements

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Organizations that provide **back office services** to charter schools are required to implement a set of fraud prevention and detection practices that include the following:

- ▶ Include industry-standard fraud enterprise Fraud Risk Management Processes in their services.
- ▶ Require certain levels of client board engagement, review, and oversight of their reporting to the school as part of their contract with the school.
- ▶ Provide an annual report to the client board providing recommendations for enhancing fraud prevention and detection.
- ▶ Provide written notification to the client board when the provider is concerned about possible fraudulent activity.

Liability protection should be afforded back office providers that have reasonably complied.

IMPLEMENTATION

Based on recommendations from the **Implementation Working Group**, provide recommendations to the Governor and Legislature.

NOTES AND CONSIDERATIONS

This recommendation addresses educational service providers that are **not CMOs**, which are covered by other recommendations in this report and which fall under existing legal requirements for public transparency.

Not addressed in this report are any **additional transparency requirements** as to back office providers. New requirements may not be necessary if charter school contractual arrangements with back office providers do not obstruct public transparency.

ADDITIONAL NOTES

As directed by the Legislature, the state Legislative Analyst's Office (LAO) and FCMAT have released a [study of nonclassroom-based charter schools](#) and the funding determination process. The report was released on February 29, 2024. As a result of discussions with LAO and FCMAT, CCAP is forwarding a copy of this report to them.

The SCO is currently leading a [Multi-Agency Task Force](#) on Charter School Audits, focusing on the role of audits in preventing and detecting fraud. The SCO-led task force was formed by the San Diego Superior Court upon a motion by the Successor Receiver in the A3 fraud case. The CCAP-convened Task Force recognizes the important role that auditors play, and CCAP has briefed the SCO-led task force on the several important recommendations in this report ([Recommendation 3](#), [Recommendation 4](#), [Recommendation 5](#), and [Recommendation 6](#)) regarding the auditing function. However, in deference to the SCO-led task force's work, this report refrains from making recommendations specific to the auditing process or audit contents.

Section 5

Beyond the Report: Next Steps

There is little value to a report like this one if its findings go largely unnoticed and its recommendations largely unadopted. CCAP, and other Task Force participants that are able to do so, will be following up on the release of this report with efforts to engage other important California entities on implementing its recommendations. These efforts will include the following areas of outreach.

THE CHARTER SCHOOL SECTOR & THE LARGER PUBLIC EDUCATION SECTOR

Fourteen of the Task Force's 20 recommendations are in the form of current best practices, all of which **can be adopted without new legislation or regulations**. Success will require charter schools, authorizers, auditors, and back-office providers, to adopt these recommendations voluntarily, in some cases changing their current practices, and work diligently to ensure both fidelity and awareness of implementation.

While tailored to the charter school sector, some of these recommendations to prevent and detect fiscal fraud also apply more broadly to the entire TK-12 public school system. To effectively oversee a charter school as it implements these recommendations, a school district or COE functioning as an authorizer should have the same safeguards in place.

CCAP and other Task Force participants will conduct an **information campaign** to build support for the recommendations, reaching out to other respected and influential TK-12 educational organizations and requesting their participation in the outreach and implementation effort. The primary focus of this outreach will be the charter school and authorizer communities. The [California Charter School Association \(CCSA\)](#) and the [Small School Districts' Association \(SSDA\)](#) already have participated in Task Force discussions. Some of the other organizations will include the [California School Boards Association \(CSBA\)](#), the [Association of California School Administrators \(ACSA\)](#), the [California Association of School Business Administrators \(CASBO\)](#), the [California County Superintendents](#), and the [Charter Schools Development Center \(CSDC\)](#).

POLICYMAKERS

The other six of the Task Force's 20 recommendations are system improvements that go beyond best practices. These **will require legislation or regulatory or administrative action** by one or more state entities. CCAP and Task Force participants will reach out directly to key policymakers, such as the **Governor's Office**, the **Department of Finance**, the **State Board of Education**, the **California Department of Education**, and key members of the Legislature.

CCAP will stress to policy leaders the full breadth and importance of the recommendations and how their implementation would strengthen California's charter schools and larger TK-12 public school systems in preventing and detecting financial fraud. Implementation of the six system recommendations would reinforce implementation of the 14 other best practice recommendations but also **would address key points of vulnerability** for which those other local practices may not be adequate. Importantly, it would demonstrate the State's leadership in preventing fraud and maintaining the integrity of the TK-12 public school system.

OTHER INITIATIVES ON FINANCIAL OVERSIGHT & FRAUD PREVENTION

As noted elsewhere in this report, two state initiatives currently are ongoing that overlap with the work of the Task Force.

First, the Legislature mandated a review by the [Legislative Analyst's Office \(LAO\)](#) and the [Fiscal Crisis & Management Assistance Team \(FCMAT\)](#) of funding for nonclassroom based charter schools, to include recommendations for enhancing oversight and reducing fraud, waste, and abuse. [The LAO/FCMAT report](#) was released on February 29, 2024. CCAP has shared the Task Force recommendations with the LAO and FCMAT. CCAP and other Task Force participants have reviewed the LAO/FCMAT report with an eye toward how its recommendations complement and strengthen implementation of the recommendations in this report.

Second, pursuant to a motion granted by the San Diego Superior Court at the request of the Successor Receiver in the A3 fraud case, the [State Controller's Office \(SCO\)](#) is leading a [Multi-Agency Charter School Audits Task Force](#). As described in the Multi-Agency Task Force Memorandum of Understanding, the primary objective of this SCO-led task force is to **examine the audit functions of California charter schools** and develop comprehensive guidelines that will promptly identify financial issues or misconduct. CCAP, on behalf of the [California Department of Education's Charter Authorizer Support Initiative \(CASI\)](#), and other participants on the CCAP-initiated Task Force are also serving on the SCO-led task force. CCAP has shared the recommendations in this report with the SCO. CCAP and other Task

Force participants—or the Fraud Prevention Work Group proposed as [Recommendation 14](#) if it is formed by the time the SCO releases its report—will review the SCO report and will determine how its recommendations can be used to strengthen implementation of the recommendations in this report.

IMPLEMENTATION WORKING GROUPS

Sixteen of the Task Force’s 20 recommendations will **require continued collaboration on implementation**, as described above. To provide a vehicle for this continued collaboration, the recommendations envision the creation of one or more **Implementation Working Groups**.

The implementation work has two primary components. The first component is to **create and update guidance documents, templates, or model policies** to support the best practice recommendations, as discussed in the implementation notes above. These resources would need to be maintained and updated in light of experience with their adoption and implementation, as well as any significant subsequent changes in law and industry practice.

The second component is to **provide support for charter schools, school districts, and county offices of education** to implement the recommendations. This would include providing a resource center and offering training, to include workshops, webinars, and presentations at conferences.

Some of the best practice recommendations are simpler and more straightforward than others. For example, [Recommendation 2](#) on adopting a robust conflict-of-interest policy probably could be supported mostly by gathering existing examples and helping to organize voluntary efforts by authorizers and charter schools. Other best practices would require more effort and expertise. For example, [Recommendation 10](#), [Recommendation 11](#), and [Recommendation 12](#) call for implementing a comprehensive system of internal or third-party fraud reporting systems such as **“fraud hotlines.”**

Much of this **continued work could be accelerated by modest investments of resources** in one or more Implementation Working Groups, wherever they may be organizationally situated and administratively led. CCAP estimates that the development of guidance materials, initial professional development and training workshops, and statewide presentations over two years would cost around **\$150,000 to \$250,000**. This represents a fraction of the funds stolen in the A3 fraud case.

FRAUD PREVENTION WORK GROUP

Again, in order to establish a continual feedback loop on how well the recommendations in this report are fulfilling their purposes, where they could be improved, where participants could use further assistance, and what new developments in the field may require new or modified strategies, [Recommendation 14](#) calls for the creation of a standing Fraud Prevention Work Group. This group would gather feedback and meet annually to consider making further recommendations.

Section 6

Additional Issues Not Addressed in This Report

During its deliberations over developing recommendations, the Task Force identified several additional questions, ideas, issues, or implementation details that it thought were important or had potential to support this work but ultimately that it determined were beyond its current capacity to address and/or were best left to later exploration and determination.

Some of these are also **noted in the recommendations** and include the following:

- 1. Sole statutory member governance:** As noted under [Recommendation 6](#), the inclusion of sole statutory member provisions in charter school bylaws presents challenges and difficult questions. A sole statutory member under the laws governing nonprofit organizations denotes a scenario where one individual or entity holds the legal designation of membership, with responsibility for governance and decision-making. An example in the charter school context is where the members of the charter school's board are selected by, and serve at the pleasure of, a sole statutory member, for example a charter management organizations (CMO). The sole statutory member may have entered into lucrative contracts with the school. While this arrangement may expedite administrative processes and be motivated by ensuring fidelity to the school model, it **raises concerns regarding concentrated power and conflicts of interest**. Board decision-making may lack independence, capacity, and diversity in perspectives, potentially neglecting the broader interests of students, parents, and the community. In California, **an absence of robust checks and balances** has resulted in instances of serious conflicts of interest and self-dealing, eroding the trust of legislators and the public in charter schools. Additional examination of sole statutory governance in the charter school context is needed to determine whether and when it may be appropriate and, if so, what governance and disclosure practices are needed when structure is in place.
- 2. Additional compliance tools for authorizers:** The absence of a hierarchy of **progressively strong compliance tools** for California charter school authorizers represents a significant challenge, not only for the prevention of financial fraud but also for ensuring accountability and incentives for high performance. As one Task Force member put it, *"There is not much in the toolbox between a sternly worded letter and closing the school down."* Authorizers have **identified the need for more intermediate oversight tools**, such as the ability to impose financial penalties,

require additional reporting, and assess a higher oversight fee. This bears further exploration, with attention to possible charter school concerns about potential misuse of such tools.

3. **Fraud insurance or bonding:** Another idea that was discussed was requiring charter schools and CMOs to carry **fraud insurance** or to post a **surety bond** against fraud. This would be a way for the charter school or CMO to ensure that funds are available to help recover public resources lost to fraud. Insurance underwriting and incentives can be powerful motivators for, and additional sources of guidance on, sound risk management practices. However, the Task Force lacked sufficient information on the current or potential availability, and cost to charter schools and CMOs, of such insurance or bonds, and on other implementation questions that may require addressing, to make any recommendations at this time.
4. **Larger charter authorizing questions:** As noted elsewhere in this report, the March 2024 [“Review of the Funding Determination Process for Nonclassroom-Based Charter Schools”](#) by the state Legislative Analyst’s Office (LAO) and the Fiscal Crisis & Management Assistance Team (FCMAT) includes **recommendations and options related to charter school authorizing oversight** more broadly, but with implications for fraud prevention. For example, the LAO and FCMAT raise questions about setting higher statutory requirements for authorizer oversight of charter schools, about the capacity of small authorizers to oversee much larger schools, and about the adequacy of the administrative fee currently available to authorizers to fund oversight. Questions like these also are important and worthy of consideration by policymakers. In contrast, however, the recommendations in this report address ways to support the current authorizing system as it is to better prevent and detect fraud.
5. **Charter school audit standards:** Also as noted elsewhere in this report, the State Controller’s Office (SCO) is leading a [Multi-Agency Charter School Audits Task Force](#) convened as an outgrowth of the court proceedings in the A3 fraud case and with a specific focus on the role of the **audit process in preventing fraud** in charter schools. CCAP, on behalf of the state Charter Authorizer Support Initiative (CASI), and several other organizations that participated in the creation of this report also are participating on the SCO-led Task Force, which CCAP has briefed about this report. **The Audits Task Force** is expected to issue its own technical, in-depth review of audits by June 30, 2024. In deference to that effort, this report limits its audit-related recommendations ([Recommendation 3](#), [Recommendation 4](#), [Recommendation 5](#), and [Recommendation 6](#)) to complementary issues related to the use of the audit by educational entities, rather than addressing the standards for the audit itself.

All of these additional questions would merit further exploration by the standing Fraud Prevention Work Group proposed as [Recommendation 14](#).

Section 7

A Brief Overview of California's Charter School System

Most Californians are at least somewhat familiar with charter schools, but some details about the charter school system are less widely understood than others. This contextual information is important for understanding the fiscal oversight challenges and the Task Force recommendations in this report.

Charter schools are, simply put, **public schools that are governed and managed not directly by school districts** or, like some specialty schools, by COEs, but independently by private organizations under a “charter” from a “authorizer.” In California, charter schools may be authorized by school districts, in some cases by COEs, and—for now—by the State Board of Education. An important exception to the independent governance and staffing in California is that there are some charter schools, known colloquially as **“dependent” charters**, that have been established by, and are governed and staffed by, the authorizing school districts and county offices themselves.

Here is a succinct description of charter schools from the [California Department of Education's website](#).

In 1992, California became the second state in the nation to adopt public charter school legislation. As of the beginning of the 2022–23 school year, more than 1,300 charter schools and seven all-charter districts are operating in California. Among the active charter schools are classroom-based, nonclassroom-based, and combination schools as well as start-up schools and those that were conversions of pre-existing public schools.

Charter schools are in located throughout the state, in rural, suburban, and urban areas. Student populations are diverse and tend to reflect the student populations of the districts in which the charter schools are located. As of the 2022–23 school year, students enrolled in charter schools comprised approximately 11.7 percent of California's public school student population.

CALIFORNIA'S CHARTER SCHOOLS ACT

The sponsor of California's original charter school legislation was state Senator Gary Hart, a liberal Democrat and chair of the Senate Education Committee. The author of many educational reforms, Senator Hart believed charter schools would be an **important way to provide innovation and experimentation to the education system**. In enacting the Charter Schools Act of 1992, and in amendments enacted in 1999, the Legislature declared the following legislative purposes.

1. **Improve pupil learning.**
2. **Increase learning opportunities for all pupils**, with special emphasis on expanded learning experiences for pupils identified as academically low achieving.
3. **Encourage the use of different and innovative teaching methods.**
4. **Create new professional opportunities** for teachers, including the opportunity to be responsible for the learning program at the schoolsite.
5. **Provide parents and students with expanded choices** in the types of educational opportunities that are available within the public school system.
6. **Hold [schools] accountable** for meeting measurable pupil outcomes, and provide the schools with a method to change from rule-based to performance-based accountability systems.
7. **Provide vigorous competition** within the public school system to stimulate continual improvements in all public schools.

Since the law's passage, California's charter school sector has grown to be the largest in the United States, with about **1,300 schools** serving more than **850,000 students**. There are charter schools in 51 of California's 58 counties. Because of California's size—but also because under the law all of the state's school districts and county offices of education can, and often must, be charter authorizers—**California also has more authorizers than any other state**, with a total of 328 as of this writing.

Charter schools are exempt from some of the laws and regulations that apply to school districts. The idea is to afford these school greater flexibility to experiment in fulfilling the statutory purposes outlined above. In exchange for this greater flexibility, charter schools accept greater accountability for achieving results: if they fail to fulfill their purposes, they can be closed. This is sometimes called **"The Accountability Bargain."** While fraud can be attempted in any school, there is inherently somewhat greater opportunity for it where oversight is more distant and/or less frequent.

TYPES OF CHARTER SCHOOLS

There are several different types of California charter schools:

- ▶ **District benefit charters** are schools located within the geographic boundaries of a school district, whether on one site or several.
- ▶ **Conversion charters** are previous district schools that now are charter schools.
- ▶ **County charters** are schools authorized by a county board of education to serve students for which the COE otherwise would be responsible for providing direct education and related services, such as students who have been expelled, who are incarcerated or on probation, who have significant special needs, or who are early learners.
- ▶ **Countywide charters** are schools authorized by a COE because they serve a student population that cannot be served by a school that operates in only one school district.

These types of charters schools also may be described as follows:

- ▶ **Nonclassroom-based charters** are schools in which more than 20% of instruction is offered in an alternative setting to the traditional classroom.
- ▶ **Indirectly (or locally) funded charters** are schools that receive their state funding through their authorizing local education agency (LEA) rather than directly from the county treasurer. Some of them are governed and managed by the authorizer itself and often are referred to as “dependent” charters. In 2022-23, roughly one in five California charter schools were locally funded.
- ▶ **Directly funded charters** receive their funding not from their authorizer but directly from the county treasurer. They sometimes are referred to as “independent” charters.

Like school districts and county offices of education, **charter schools can offer Independent Study (IS), an alternative to classroom instruction** that can be part of, be separate from, or be in addition to a regular classroom program. IS programs must comply with various state requirement, and they are funded based not only on student attendance but on work completed. Unlike school district and county IS programs, there is no daily minimum instructional requirement for charter school IS programs, but they must fulfill the same yearly instructional minutes. Charter IS programs may accept students from the county in which the school is located as well as adjacent counties.

AUTHORIZING SYSTEM

The laws governing charter schools vary widely among the 46 states with charter school laws. Nationally, **90 percent of all charter school authorizers are districts**, and they oversee **53 percent of the nation's charter schools**. District-based authorizing is in keeping with traditional local control in public education. Local school district authorizers may be best placed to understand the needs of the communities served by local schools, and geographical proximity can allow for more effective oversight.

Like California, states generally also allow alternative authorizers to local school districts. In some cases these other authorizers serve an appellate function, where they can overturn a local school district's decision about a charter school. In other cases, the alternative authorizers serve directly as authorizers of first resort, not merely in an appellate capacity. Alternative authorizers provide more options for charter schools, provide a means of challenging a questionable decision, and sometimes have greater capacity for the role than do school districts.

California's COEs consider appeals of school district charter decisions but also serve as the authorizers of county and countywide charters. A COE considering an appeal of a school district's denial of a charter petition must consider the petition "de novo"—that is, the COE does not review the school district's decision but considers the petition afresh and makes its own independent judgment. If a county office approves a petition denied by a school district, the county office becomes the authorizer of the charter school.

In California, **every school district and every county office of education** is required to consider a petition that is submitted to it requesting authorization to establish a new charter school. **California has 977 school districts** and **58 COEs** serving nearly **6 million K-12 students**. The sizes of districts range from Los Angeles Unified School District, serving 540,000 students, to Jeffers School District, serving only three. Regardless of their size or administrative capacity, all of them are obligated to consider a charter petition and, if they approve it, to serve as the school's authorizer.

In addition, a school district presented with a petition, or a county office presented with a petition for a county charter or an appeal of a school district's denial of a petition, must approve the petition unless the petition fails under one or more of eight relatively narrow criteria for denial. In other words, the default decision must be approval. In contrast, a county office of education only can approve a petition for a countywide charter if certain criteria are met—including that the petition could not have been submitted to a school district. The county office has the discretion to reject a petition for a countywide charter for any reason.

The State Board of Education (SBE) is the authorizer of a diminishing number of charter schools but is in the process of transferring the schools it had authorized to school districts and COEs over time as the schools complete their charter terms and come up for charter renewal. The SBE's role as an appellate body for charter decisions also has changed. Whereas the SBE previously considered charter petitions de novo, it now **only reviews school district and COE decisions** to determine whether the district and the county abused their discretion in rendering their decisions. This is standard of review highly deferential to local decision-makers. If the SBE finds that the school district and COE abused their discretion in denying a charter petition, rather than becoming the authorizer, as previously, the SBE determines whether the district or the county will be the authorizer.

COUNTY SUPPORT FOR SCHOOL DISTRICT AUTHORIZERS

In addition to the role of COEs as authorizers, some COEs provide **significant support to districts** in fulfilling their authorizing and oversight responsibilities. This is part of the variety of critical services and programs for students and school districts that COEs provide, which have evolved over time and vary from county to county, based on geographic location, the size of the county's student population, and many other factors.

As a result of legislation over the last three decades, **COEs have increased in importance** providing fiscal accountability, educational support, and leadership in California's public education system. COEs are also unique in that county boards of education and the county superintendents have separate duties and responsibilities in fulfilling the mission of the county offices. Yet they must work together to ensure their efforts align with county office programs and services, as well as meeting the needs of students and educators throughout the county. The COE's responsibility and unique governance structure impacts charter school oversight.

COEs with dedicated charter school oversight staff often are **the source of training and expert advice** for school districts in the county. In addition, a few COEs create support structures that serve both authorizers and charter schools within their counties together. Riverside COE and Butte COE are two examples of COEs that convene meetings with authorizers and charter schools. These COEs also create oversight tools that offer guidance to questions concerning process and requirements of the law.

POLICY AND POLITICS

Any proposals relating to California charter schools and charter school oversight must be made in a **complex policy and political environment**. Despite the growth in the number of charter schools and the students who attend them, charter schools continue to be embroiled in controversy.

School district advocates and parents may fear the impact of charter schools on the health of school district schools resulting from the loss of enrollment and sometimes of engaged families. In a state with declining overall student enrollment and, currently, a looming budget crisis, there are **questions about how many public schools can be financially and operationally strong**—and about policies favoring the creation of more of them. Public employee unions often have especially strong misgivings about charter schools because many charter schools are not unionized. And everyone—including strong charter school advocates—is outraged by fraud cases like A3.

Supporters of charter schools are cautious about many proposals to increase charter oversight. Over time, regulation of charter schools tends to increase as problems that have come to light are addressed in policy—much the same way that school districts became so heavily regulated over time as to inspire the concept of more flexible charter schools. Even when motivated by the best of intentions, the increase of regulation risks chipping away at the autonomy and flexibility so **essential to charter school success**. Charter advocates also worry that some proposals couched as reforms actually are intended by charter skeptics to undermine charter schools.

All of the above information is important for understanding the [California Challenges to Fiscal Oversight](#).

Section 8

California Challenges to Fiscal Oversight

California's charter school law poses certain challenges to fiscal oversight, by school district and county office authorizers, by COEs in their non-authorizing capacity, and by the California Department of Education (CDE). In addition, some aspects of **California's law enforcement system** complicate the task of investigating and prosecuting financial fraud in charter schools and in the rest of the public school system.

CHARTER SCHOOL AUTHORIZING

The authorizing system explained in [A Brief Overview of California's Charter School System](#) allows for weak spots in charter school oversight.

The combination of **(1) mandatory consideration of charter petitions**, and **(2) the default of petition approval** in effect obliges every school district or COE to be a charter school authorizer, regardless of its interest or capacity to fill that role. This can create situations in which authorizers that never sought the role must fulfill it well regardless of their other priorities and challenges. This can cause some authorizers to be less than fully engaged in, and committed to, oversight functions.

Adding to this potential for oversight gaps is the funding system to support the authorizing role. An authorizer is allowed to charge an administrative fee equal to the lesser of its actual authorizing costs or one percent of the charter's school state Local Control Funding Formula (LCFF) revenue, or up to three percent if the authorizer provides substantially rent-free facilities to the school. According to a July 2009 report by the [National Association of Charter School Authorizers \(NACSA\)](#), in other states where authorizing oversight is funded from charter school review, the fee ranges from **0.5 to 5 percent of revenue**.

A California charter school's LCFF revenue is based on enrollment, which means an authorizer that authorizes only a few schools and/or schools with small enrollment typically lacks the resources to retain dedicated authoring staff or other supports for consistently high quality authorizing. Of California's **328 authorizers, 283 authorize from one to five schools**. **Eighty-five percent** are designated as "small authorizers," and **149 California authorizers**, 45 percent, oversee just a single school.

According to the data website [Public School Review](#), the median enrollment in California public schools overall is **588 students**, while the median enrollment in California charter schools is **387 students**, and only **232 students in rural charter schools**. These rural charter schools are likely to be authorized by a school district with similarly small enrollment, and thus similarly limited resources. For example, one percent of one median sized rural charter school's LCFF amounts to \$29,696. This chart shows the oversight funds available for rural and non-rural districts based on student enrollment:

OVERSIGHT FUNDING EXAMPLES BASED ON MEDIAN CHARTER SCHOOL ENROLLMENT

STATEWIDE				RURAL			
Number of Schools	Funding per Student	Enrollment Based on 387 Median	Total Available Funding	Number of Schools	Funding per Student	Enrollment Based on 232 Median	Total Available Funding
1	\$128	387	\$49,536	1	\$128	232	\$29,696
2	\$128	774	\$99,072	2	\$128	464	\$59,392
3	\$128	1,161	\$148,608	3	\$128	696	\$89,088
4	\$128	1,548	\$198,144	4	\$128	928	\$118,784
5	\$128	1,935	\$247,680	5	\$128	1,160	\$148,480

Authorizers also experience **significant turnover among staff members** assigned charter oversight responsibilities. Small- and medium-sized authorizers often do not have the staff to prioritize oversight and may add that responsibility to someone laden with other duties. This can mean that the work is being done intermittently, frequently without the necessary institutional structures in place. This **problem is compounded** if the work has to be shuffled between staff members in an attempt to manage demanding workloads.

Even **larger authorizers** also can face challenges, albeit different ones. Many large authorizers have dedicated staff with deep charter school authorizing and oversight expertise. However, political tensions over charter schools can be particularly intense in large urban communities, and this in turn sometimes can make it more difficult to attract and retain staff members for these positions.

Another unusual feature of California's charter law is that the charter petition remains the **formative and guiding document** for the school even after it is approved by the authorizer, as opposed to being merely the application that then enables the school to be given a charter contract by the authorizer.

Oversight of nonclassroom-based schools presents additional oversight challenges. Schools that do not have students coming together at a school site, or that combine onsite with at-home learning, make for somewhat more complicated oversight of accounting, enrollment, and attendance. The [Legislative Analyst's Office's \(LAO\)](#) and the [Financial Crisis Management & Assistance Team's \(FCMAT\) 2024 Review of the Funding Determination Process for Nonclassroom-Based Charter Schools](#) found that, based on 2022-23 data, 14 small school districts were authorizing about one-third of the state's nonclassroom-based attendance, and that each of them authorized nonclassroom-based charter school attendance that was more than ten times the size of the district's attendance.

The A3 fraud case highlighted some of these weaknesses. The convicted perpetrators had targeted several small school districts and promised them greater revenue than the one percent administrative fee for oversight. Because these were Independent Study schools, they were allowed to enroll students from the authorizer's entire county and from adjacent counties, thus far exceeding each school district's enrollment. Although the additional funding from A3 to increase staff and services was beyond what LCFF typically offered, **it was not enough to provide adequate oversight** for A3's schools, thus creating greater opportunity to commit financial fraud.

STATE EDUCATION SYSTEM FACTORS

California law provides **very little language and regulatory guidance** for charter school authorizing. While the Charter Schools Act has grown from its original eight pages into **hundreds of pages** today, less than a single page details the specific oversight duties of the authorizer.

California Code, Education Code - EDC § 47604.32

(a) Each chartering authority, in addition to any other duties imposed by this part, shall do all of the following with respect to each charter school under its authority:

- (1) Identify at least one staff member as a contact person for the charter school.
- (2) Visit each charter school at least annually.
- (3) Ensure that each charter school under its authority complies with all reports required of charter schools by law, including the local control and accountability plan and annual update to the local control and accountability plan required pursuant to Section 47606.5.
- (4) Monitor the fiscal condition of each charter school under its authority.
- (5) Provide timely notification to the department if any of the following circumstances occur or will occur with regard to a charter school for which it is the chartering authority:
 - (A) A renewal of the charter is granted or denied.
 - (B) The charter is revoked.
 - (C) The charter school will cease operation for any reason.

The Education Code provisions have not been significantly expounded upon in **regulations or guidance**. While strong authorizers adopt many oversight best practices not specified in law, authorizers that by choice or by necessity do only the minimum required by law may not provide the high quality authorizing that is best suited to preventing fraud or accomplishing educational objectives.

Authorizers themselves are further handicapped by a **lack of statutory or regulatory enforcement tools** that typically are available to regulatory agencies, such as a hierarchy of progressive sanctions to address compliance issues of varying seriousness. As one Task Force member put it, *“There is not much in the toolbox between a sternly worded letter and closing the school down.”*

The state’s systems for tracking enrollment and attendance currently have **limitations** that make them **inadequate** in some instances to guard against either error or intentional fraud.

LAW ENFORCEMENT

California’s system of law enforcement is sometimes **ill equipped to investigate and prosecute fraud** in public schools. Many district attorney’s offices are relatively small, and even larger ones tend to be fully occupied with the full range of serious crimes. The scale of a potential fraud case may initially appear too small, or at least too uncertain, to warrant further attention by busy prosecutors.

The determination whether to move forward in a fraud case can require **extensive investigation** by district attorney’s offices that typically lack much familiarity with the complexities of public school law and finance. The learning curve prosecutors face in an investigation can cause them to refrain from pursuing all but the largest potential cases.

The separation in California among **(1) knowledge** of the education system and school finance, **(2) robust investigative powers**, and **(3) prosecutorial authority** presents a structural obstacle to consistent prosecution of fraud and the deterrent effect that such consistency would provide.

Section 9

CCAP and Its Authorizer Work

California Charter Authorizing Professionals (CCAP) is a California nonprofit founded in 2013. [CCAP](#)'s founders included professionals from school districts and county offices of education with deep experience in the oversight of charter schools and a commitment to high professional authorizing standards.

CCAP **works collaboratively** with school districts and COEs to provide the **support** and **resources necessary** to oversee and support fiscally sound, autonomous, accountable, and high-performing charter schools, with the end goal of strengthening California's entire public school system.

CCAP'S HISTORY

Initially, CCAP supported the California Authorizers Regional Support Network (CARSNet), funded by a 2015-17 federal Charter Schools Program (CSP) National Dissemination Grant awarded to the Alameda COE. As the successor to CARSNet, CCAP continued the work under a new federal CSP grant and partnered with authorizer associations in Colorado and Florida to form the Tri-State Alliance to Improve District-Led Authorizing. From 2018 to 2020, CCAP refined existing key resources and developed new ones to support authorizers, including toolkits for charter petition reviews and comprehensive annual oversight reports. CCAP and its Tri-State partners provided critical support to authorizers to meet the challenges to effective oversight caused by COVID pandemic.

CCAP has created and collected hundreds of resources in its [free online resource library](#), and it provides authorizers with tools and online training. Since 2022, CCAP has hosted an annual statewide [California Charter Authorizers Conference](#).

In continuation of its support for authorizers, CCAP currently is funded by a third CSP National Dissemination grant. CCAP has partnered with the Colorado Association of Charter School Authorizers (CACSA) and the Florida Association of Charter School Authorizers (FACSA) to launch the [National Network for District Authorizing \(NN4DA\)](#). This partnership also supports state-level initiatives that strengthen charter authorizing practices of school district authorizers in other states where school districts are the primary authorizers of charter schools. CCAP is continuing to support post pandemic support and preparation for the resumptions of charter school renewals in 2025.

CCAP is also a co-recipient, along with the Santa Clara County Office of Education, of a Public Charter Schools Grant Program Charter School Authorizer Technical Assistance Provider Subgrant, under the federal CSP grant to the [California Department of Education \(CDE\)](#). The [Charter Authorizer Support Initiative \(CASI\)](#), implemented by the subgrantees in coordination with CDE, hosts monthly online “Charter Chats,” provides in-depth training workshops online quarterly and onsite locally upon request, and presents widely on authorizing topics at a range of education conferences.

A VISION FOR AUTHORIZING IN CALIFORNIA & FOUR ESSENTIAL QUESTIONS

The basic premise that a charter school receives **greater flexibility and autonomy** in exchange for **higher accountability** for achieving results for students can only be achieved if the charter school is financially sound and functions effectively. The three sets of criteria used to evaluate charter schools are based on three questions discussed in CCAP’s white paper entitled [Authorizing 2.0: Advancing Equity and Access Through Quality Authorizing](#). These questions are:

1. **Is the charter school’s educational program a success?**
2. **Is the school financially viable?**
3. **Is the charter school operating and governed effectively?**

In December 2021, an updated version of the white paper added a fourth question:

4. **Is the charter school serving public policy purposes?**

This fourth question stems from recognition in California and the nation that charter school reviews also should be based on the schools’ **contributions to overarching public policy objectives**, not solely on the success of the school unto itself. This encompasses the general ideas of “good government,” as well as accountability and fairness to all those who have a stake in the health of our public school systems as a whole. The overall goal is to advance the improvement all public schools through innovation, competition, collaboration, and/or addressing system needs.

CCAP calls these the **four Core Charter Performance Questions**. In whatever form they take, CCAP believes these four questions should serve as a guide for all authorizer responsibilities, including consideration of charter petitions, monitoring and reporting on school operations, intervention if performance targets are not met, and petition renewal.

CHARTER OVERSIGHT DESIGN PRINCIPLES

In its white paper, CCAP also identified **six CA 2.0 Design Principles** for developing a high-quality, transparent, and effective performance-based charter school authorizing system:

1. **The authorizer's role** is primarily regulatory.
2. **The first level of oversight** responsibility resides with the charter school's governing board.
3. **Charter school performance-based indicators** can be identified and measured for quality.
4. **The intensity of a particular school's oversight** should be on the school's results using Key Performance Indicators.
5. **Communication between authorizer and the charter school** concerning monitored results helps lay a foundation for future decision-making.
6. **The process for implementing effective authorizing** must be within the capacity of all that serve as authorizers.

Like the four guiding questions, CPAP has embedded these **six design principles** into its toolkits, support materials, and professional development activities.

A COMMITMENT TO COLLABORATION

CCAP is committed to collaborative work. Because of limited funding, CCAP recognizes that day-to-day working professionals are best suited to understand their true authorizing needs. CCAP collaborates with authorizing professionals throughout the state to develop tools and assist in training. Through this collaboration with CCAP, the districts and county offices that employ them have developed resources and tools that benefit the entire state.

In California, large authorizers oversee **twenty or more** charter schools. They have sophisticated oversight systems, a deep knowledge of charter school law and best practice, and staffs with extensive oversight experience. However, **only two percent** of the state's authorizers fit this category. Small authorizers—those that authorize **five or fewer** charter schools—make up **85 percent** of California's authorizers. These authorizers need a great deal of support.

In addressing this challenge, CCAP draws on the expertise of large authorizers and works as a team member with the small authorizers to help design toolkits and process templates that are accessible and usable by them. This helps promote best practice standards throughout California.

This collaborative approach has characterized the work of the Task Force. Both the formation of the Task Force and its work required more time and more care in order to bring key participants from across the education system and beyond together around developing consensus as to proposals that will be effective and that can be implemented widely. The collaborative process is detailed in the section of the report on [The Task Force: Its Origins and Its Work](#).

Section 10

The Task Force: Its Origins and Its Work

At its 2022 California Charter Authorizers Conference, CCAP sought to broaden understanding among authorizers and other conference attendees of the lessons to be learned from the **\$400 million A3 fraud case**. The conference kicked off with an opening keynote presentation by Kevin Fannon, a San Diego deputy district attorney who had helped prosecute the offenders. Mr. Fannon warned that California's public education system remained vulnerable to fraud at many levels and explained how lucky it was that the **A3 case was discovered, investigated, and prosecuted**.

As a result of the response of the authorizing community to this message, CCAP convened the broad-based, statewide Task Force to address the kinds of **organizational and systemic shortcomings** revealed by the A3 case and other cases. The [Task Force members](#) were drawn from a diverse cross-section of experts and stakeholders, including representatives of authorizers, charter schools and charter management organizations (CMOs), state officials, prosecutors, attorneys for both charter schools and authorizers, auditors, and vendors. The Task Force's work, and the publication of this report, are supported in part by a **Charter Schools Program National Dissemination Grant** from the [U.S. Department of Education](#).

The Task Force met starting in January 2023. It set its purpose as **"To Prevent and Detect Fraudulent Activity in Public School System, with a Special Emphasis in the Charter School Sector."** To help pursue this objective, it set the following guiding principles.

1. **A commitment to integrity** is the foundation for this work and is required of all charter school system participants.
2. **The Task Force will propose approaches** that address the most serious challenges and are effective and efficient, while also seeking to minimize the regulatory burden.
3. **Systems and structural approaches and solutions** are often the most effective and efficient.
4. **Perfection is the Enemy of the Good** (Voltaire), and **the Power of KISS** (Keep It Simple, Stupid) is real.
5. **Recommendations for immediate adoption** will be grounded in existing law and best practice; recommendations for potential operational and system changes in the future may be broader.

The Task Force identified three main areas of focus based on vulnerabilities in the current system, and the Task Force members divided themselves into three corresponding subgroups to lead the development of corresponding recommendations for consideration by the entire group:

1. **Preventing and Detecting Fraud;**
2. **Getting Help When a Fraud Concern Arises; and**
3. **System Improvements.**

These subgroups met separately between meetings of the full Task Force. Significant milestones in the process leading to this report includes the following:

- ▶ **March 2023** - Second Task Force Meeting convenes to share initial recommendations developed separately by each subgroup
- ▶ **June 2023** - Task Force makes a presentation and holds an input session at CCAP's California Charter School Authorizers Conference
- ▶ **Summer and Fall 2023** – Subgroups continue to refine recommendations, and CCAP staff compile and edit feedback and forward to each subgroup
- ▶ **November 2023** - Third and Fourth Task Force Meetings convene to review and discuss revised recommendations
- ▶ **December 2023 and January 2024** - All subgroups meet additional times and further revise recommendations
- ▶ **January 2024** - CCAP staff again compiles feedback and edits recommendations, meets with subgroup leads
- ▶ **January 2024** - CCAP send recommendations to all participants for final review
- ▶ **January 2024** - Final Task Force Meeting convenes to discuss final recommendations
- ▶ **February and March 2024** – Remainder of report written, finalized, and produced

The 20 recommendations in this report represent the overall consensus resulting from lengthy discussions among the Task Force members, although the Task Force member organizations and individuals may not endorse every particular point in this report or be in an institutional position to formally endorse any such recommendations, particularly those requiring legislative action.

While the report focuses particularly on the charter school sector, many of the recommendations are **equally valid for the entire TK-12 education system**. Some of the recommendations are systemwide state proposals, while others are intended to apply to all LEAs, including both school districts and charter schools.

The Task Force consciously decided to provide sufficient **explanatory detail** on these recommendations to ensure that they are understandable and are not stated in such general terms as to lack traction among participants and policymakers, but, at the same time, to strike a balance by deliberately avoiding getting bogged down in, or locked into, particular secondary details that could risk sidetracking a proposal that overall has merit and/or that are best addressed by others with more direct decision-making authority or expertise.

Section 11

Task Force Members

CCAP extends its deep appreciation to the members of the Anti-Fraud Task Force.

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Protecting California Public Schools Against Fraud The Charter School Sector & Beyond



CALIFORNIA
CHARTER
AUTHORIZING
PROFESSIONALS