



Washington State Auditor's Office

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Accountability Audit

First Place Scholars Charter School

First Place Inc., a Seattle nonprofit, has provided educational and other services to homeless and low-income youth for more than 20 years. In September of 2014, the organization's private school became the state's first school to receive public funding under Washington's Charter School Initiative, passed by voters in 2012. As a public charter school, First Place Scholars Charter School is required to follow state laws holding it accountable for the use of public resources.

The state Charter School Commission asked our Office to conduct an audit of First Place Scholars Charter School before the end of its first year. Our accountability audit found school management did not correctly report required information to the state, had not properly accounted for the use of some public funds, inappropriately mixed the business expenses of the private parent organization with the public charter school, and failed to follow provisions of the Open Public Meetings Act. Many of these issues stemmed from the school management's lack of understanding of government accountability standards.

After we concluded our audit work, but before we published our report, the Washington State Supreme Court ruled against the constitutionality of the law authorizing charter schools to receive state funding as common schools. The court decision prompted the Charter School Commission to begin closing its operations. Because of these extraordinary circumstances and the unusual number of audit findings, we are providing this brief summary of our report on First Place Scholars Charter School. The full report, including a response from the school, can be found on our website.

Student enrollment and teacher education and experience not correctly reported

Public schools, including charter schools, must report their actual student enrollment to the state. Charter school funding, for the first year is based in part on the number of students the school expects to serve. The school's actual enrollment was lower than it had estimated, and our audit also found errors in the enrollment numbers First Place Scholars Charter School reported to the state. The school did not have documentation supporting the contracts and certification of its teachers; teachers without certificates at the beginning of the school year affected basic enrollment funding. Additionally, the school did not provide special education services as required by law. These issues resulted in overpayments by the state to the school totaling \$200,372.

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Among the charter school contract conditions that were not met:

- All staff shall possess all applicable qualifications required by state and federal law.
- Instructional staff shall maintain active certification
- The charter school will provide services and accommodations to students with disabilities.

Lack of financial controls over revenues, expenditures and cash

Controls over financial activities, including documenting how funds were spent and the source of funding received, are critical in ensuring accountability. It is also important for public entities to monitor cash balances. Our audit found First Place Scholars did not have policies or procedures to track local revenues such as donations from supporters or to determine whether these donations were to the nonprofit or to the charter school. The school did not provide adequate documentation for \$18,000 paid to vendors. A lack of controls and frequent staff turnover made it difficult to identify who had signature authority on the school's bank account. And the school's spending exceeded its revenues in the first six months of its school year, from September 2014 to February 2015, leading to a cash balance well below best-practice guidelines.

Public agencies should have enough cash on hand to pay for operating expenses for a number of days

Best practice guidelines



April 2015
First Place Scholars
Charter School



The charter school used public funds for nonprofit expenses

First Place, Inc., the nonprofit organization, runs First Place Scholars Charter School, but First Place, Inc. does not have policies or procedures separating the operation of First Place Charter School from its other enterprises. The same people sat on both the school board and the nonprofit's board.

Without clearly defined roles, it is difficult to determine whether public funds were appropriately spent for school expenses. For example, there was no written agreement regarding rent and expenses in the building owned by the nonprofit, although the school paid for some maintenance and repairs for the entire building. People who worked for and were paid by the school also did work on behalf of the nonprofit, and vice versa, without an agreement showing what portion of their duties supported which organization.

The charter school board did not comply with the Open Public Meetings Act

Under state law, in order to conduct business, a school board must have a minimum number of members present at a meeting. The minimum number of charter school board members required to establish a quorum and conduct business was never met. To ensure the public is aware of the business being conducted, the Open Public Meetings Act requires the school board to keep minutes of all public meetings, and to provide public notice of future meetings. We found the school did not comply with the Act. For example, meeting minutes kept did not document important items, such as an allowable purpose for a closed-door executive session.

Recommendations for improvement

Our Office works with government agencies to help them be accountable to the public. Our audit made recommendations to address each of our findings. The full list of recommendations is available in our complete report.

We recommend First Place Scholars Charter School

- ✓ Gain a better understanding of the accountability requirements for public schools
- ✓ Establish clear lines of responsibility between the charter school and its nonprofit parent
- ✓ Establish policies and procedures to accurately document and maintain documentation to support key facts such as:
 - ✓ How donations are receipted
 - ✓ Certification status of teachers and their education and experience
 - ✓ Activities conducted at board meetings