

**Special Review of**  
**Charter School Closure Procedures**  
**September 20, 2019**

**Report #2019-12**



## **MISSION STATEMENT**

The School Board of Palm Beach County is committed to providing a world class education with excellence and equity to empower each student to reach his or her highest potential with the most effective staff to foster the knowledge, skills, and ethics required for responsible citizenship and productive careers.

Donald E. Fennoy II, Ed.D.  
Superintendent of Schools

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**Special Review of  
Charter School Closure Procedures  
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PALM BEACH COUNTY, FLORIDA

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DONALD E. FENNOY II, Ed.D., SUPERINTENDENT

## MEMORANDUM

TO: Honorable Chair and Members of the School Board  
Donald E. Fennoy II, Ed.D., Superintendent of Schools  
Chair and Members of the Audit Committee

FROM: Lung Chiu, CPA, Inspector General

DATE: September 20, 2019

SUBJECT: Special Review of Charter School Closure Procedures

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### PURPOSE AND AUTHORITY

Pursuant to the *Office of Inspector General's (OIG) 2018-2019 Work Plan*, we have reviewed the charter school closure procedures. The primary objective of this review was to evaluate the adequacy of existing District procedures in safeguarding and recovering assets funded by tax dollars upon closure of a charter school.

### SCOPE AND METHODOLOGY

This review focused on existing procedures for Fiscal Year 2019. The review included (1) interviewing District staff, and (2) reviewing:

- *Section 1022.33, Florida Statutes*
- *Section 1013.62, Florida Statutes*
- *School Board Policy 2.57 – Charter Schools*
- *Termination of Charter School Check-Out Checklist*
- State of Florida Auditor General's Reports:
  - *Report #2019-218, Operational Audit of Palm Beach County District School Board* (dated June 2019)
  - *Report #2017-149, Operational Audit of Palm Beach County District School Board* (dated March 2017)

The draft report was sent to management for review and comments. Management responses are included in the Appendix. We appreciate the courtesy and cooperation extended to us by staff during the review. The final draft report was included in the September 20, 2019, Audit Committee Meeting Agenda.

## BACKGROUND

Pursuant to *Section 1002.33(8)(d), Florida Statutes*, when a *Charter* contract is not renewed or is terminated,

*“any unencumbered public funds, except for capital outlay funds and federal charter school program grant funds, from the charter school shall revert to the [District].”*

Unencumbered funds, along with property and improvements, furnishings, and equipment purchased with public funds should be held in trust until any appeal status is resolved and then revert to the District, subject to complete satisfaction of any lawful liens or encumbrances. Charter schools are responsible for all debts of the charter school.

The statute further states,

*“Capital outlay funds provided pursuant to Section 1013.62 and federal charter school program grant funds that are unencumbered shall revert to the [D]epartment [of Education] to be redistributed among eligible charter schools.*

Additionally, *Section 1002.33(9)(o)2, Florida Statutes*, requires that

*“...an independent audit shall be completed within 30 days after notice of nonrenewal, closure, or termination to account for all public funds and assets.”*

There were no charter school closures in Fiscal Year 2019. During Fiscal Year 2018, four schools were closed due to financial reasons or low grades.

## CONCLUSIONS

*School Board Policy 2.57(9)(e)* outlines the District’s process when a charter school is closed. These processes are designed to protect both the District’s and students’ interests. A comprehensive closing school checklist is provided to the charter school, which outlines the components of the closure plan (see Exhibit on pages 5-7). School management are reminded of their statutory responsibilities. Transition and closure meetings are scheduled to ensure that all steps are timely completed.

Similar Objectives and Testing Procedures Performed by State Auditor General. The original objective of this special review was to review the closure procedures for charter schools, which were voluntarily or non-voluntarily terminated or non-renewed. During our fieldwork, the Florida Auditor General (FAG) conducted an Operational Audit of the School District between February 2018 and August 2018, and issued *Report #2019-218, Operational Audit of the Palm Beach County School District* in June 2019. The FAG’s audit scope included the review of certain monitoring procedures for charter schools and performed the following audit steps:

- *For the four charter schools that were not renewed or were terminated in the 2017-18 or 2 preceding fiscal years, evaluated District procedures to determine whether applicable funds and property appropriately reverted to the District and whether the District did not assume debts of the school, except as previously agreed upon by the District.*
- *Interviewed District personnel and reviewed supporting documentation to evaluate whether the District effectively monitored charter schools to ensure that audit reports are timely completed.*
- *Evaluated the sufficiency of District procedures to determine whether District charter schools and charter technical career centers were required to be subjected to an expedited review pursuant to Section 1002.345, Florida Statutes. For the six schools and charter technical career centers subjected to an expedited review, we examined records to determine whether the District timely notified the applicable governing board pursuant to Section 1002.345(1)(b), Florida Statutes, and whether the District, along with the governing board, timely developed and filed a corrective action plan with the FDOE pursuant to Section 1002.345(1)(c), Florida Statutes.*
- *Evaluated District records and determined whether the District properly monitored the new charter school during the audit period to evaluate whether charter school employees received the appropriate training, pursuant to Section 1002.33(6)(f), Florida Statutes.*
- *Determined whether the District for the audit period verified that the charter schools or charter technical career centers subjected employees and contractors to background screenings pursuant to Section 1002.33(12)(g)1., Florida Statutes.*

(Source: FAG's **Report #2019-218**)

Specifically, the first two audit procedures are similar to our planned testing for the review. To avoid the duplication of review testing pursuing the same audit objectives, the OIG has decided to discontinue the fieldwork and close the project. Most importantly, the OIG will be able to utilize its resources for other projects in the Annual Work Plan.

No Significant Deficiencies Noted by State Auditor General. FAG's **Report #2019-218** did not identify any deficiencies with the District's charter school closure procedures in safeguarding and recovering assets funded by tax dollars. The FAG concluded that the District did not receive the final audit reports from three of the four closed charter schools as required by statute, and the fourth one submitted the final audit report after the due date. A similar finding related to final audit reports was noted in FAG's **Report #2017-149** (dated March 2017).

District personnel stated that while the District notifies charter schools of their responsibilities for complying with statutory requirements for school closure, the District has no leverage to make them comply with the requirements. Additionally, once a charter school is closed, charter school staff are usually non-responsive to District's requests. District staff document their attempts to enforce compliance through the Charter Tools online compliance software.

***Management's Response:*** *The Charter Office concurs. (Please see page 8.)*

– End of Report –

## Termination of Charter School Check-Out

*Please have all documents (where appropriate) available for pick-up by date(s) indicated.*

**Name of Charter School:**

<b>Parent Notification</b> – Person responsible:		
	Completed by	Completion Date
Send written notification of date for school closing to parents (District)		
Send written notification of date for school closing to FLDOE		
<b>Transition Meeting</b> – Person responsible:		
	Completed by	Completion Date
Meet with parents to disseminate information about termination of charter		
Meet with teachers to disseminate information about termination of charter and to assist with job placement in District schools.		
Meet with students for orientation and registration process		
<b>Curriculum and Instruction – (Hard Or Electronic copy)</b> Person responsible:		
	Completed by	Completion Date
Provide Teacher Roll Books with grades for each nine-week period (please include any special grading codes/criteria used; and legend for abbreviations)		
Provide copy of all student grades in FY18		
Provide copy of all Grade Sheets FY18(alpha order)		
Provide Teacher Lesson Plans FY18		
Provide list of students retained by grade level for FY18		
Provide list of students eligible for Summer School or Extended School Year		
Return District Software (SRI, etc.)		
Provide Educator Support Program (ESP) documentation		
Provide results of PSAT/SAT/ACT tests		
Obtain copy of semester exam for each course, and key for grading		
<b>Student Services</b> – Person responsible:		
	Completed by	Completion Date
Provide student- daily sign-in attendance sheets		
Organize and provide Attendance folders		
Organize and provide Cumulative folders (active & inactive)		

Termination of Charter School Close-Out Checklist

**DRAFT**

<b>ESE Folders (Active and Inactive) – Person responsible:</b>		
	Completed by	Completion Date
Provide ESE Staff Roster		
Insure all IEPs and Three-Year Re-Evaluations are current		
Securely fasten all documents and forms to the ESE folder with a top two-punch fastener		
File documents with the current IEP on top		
Insure all folders are in good condition		
Hand-deliver folders to receiving schools		
<input type="checkbox"/> 504 Folders <input type="checkbox"/> ELL Folders <input type="checkbox"/> PMP Folders		
Obtain review log on the inside page of each ESE file		
<b>Personnel – Person responsible:</b>		
	Completed by	Completion Date
Obtain a list of all active school personnel on leave from District		
Obtain and secure all payroll information and reports		
<b>Fiscal Management – Person responsible:</b>		
	Completed by	Completion Date
Obtain the most recent Inventory Report from School and arrange for relocation of publically owned property		
Secure property and equipment by closing date		
Obtain Annual Cost Report by due date		
Obtain annual un-audited financial statements by due date		
Obtain engagement letter for CPA firm		
Obtain Management Letter Response for fiscal Audit by due date		
Obtain Annual Audit by due date		
Obtain financial documentation for IDEA & Title I		
Obtain bank reconciliations		
Obtain petty cash reconciliation		
School to return any unencumbered funds after all debts are liquidated		
Obtain Annual Progress Reports		
<b>Miscellaneous – Person responsible:</b>		
	Completed by	Completion Date
Provide Health/Medical Logs		
Provide Student Accident Reports for ESE and non-ESE students		
Provide Disposition Report of Cumulative Folders		
Provide teacher conference notes with parents		
Provide school Telephone Logs		
Provide school Sign-In and Sign-Out Logs		

Termination of Charter School Close-Out Checklist

**DRAFT**

Provide Copy of Discipline Referrals		
<b>Computers, Vehicles, Furniture and Fixtures</b> – Person responsible:		
	Completed by	Completion Date
Date for pick-up _____ Computers		
Date for pick-up _____ Vehicles/Buses		
Date for pick-up _____ Title (s)		
Date for pick-up _____ Furniture/Fixtures		

\_\_\_\_\_  
*Signature of Principal*

\_\_\_\_\_  
*Date*

\_\_\_\_\_  
*Signature of Governing Board Chair*

\_\_\_\_\_  
*Date*

\_\_\_\_\_  
*Signature of Department of Charter Schools Representative*

\_\_\_\_\_  
*Date*

Management's Response



THE SCHOOL DISTRICT OF  
PALM BEACH COUNTY, FL

JOE DePASQUALE  
DIRECTOR

KEITH OSWALD  
DEPUTY SUPERINTENDENT/CHIEF OF SCHOOLS

DEPARTMENT OF CHARTER SCHOOLS

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GLEND A SHEFFIELD, Ed.D.  
CHIEF ACADEMIC OFFICER

September 9, 2019

The Charter Office concurs.

Sincerely,

A handwritten signature in blue ink that reads "Joe DePasquale".

Joe DePasquale  
Director

RECEIVED  
SEP - 9 2019  
INSPECTOR GENERAL

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The School District of Palm Beach County, Florida  
A Top-Rated District by the Florida Department of Education Since 2005  
An Equal Education Opportunity Provider and Employer

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