

Best Practices for Nonprofit Charter Schools Accountability:
A Case Study of American YouthWorks

by

Christian Pfeiffer Flores

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Thomas Longoria, PhD

Emily Balanoff Jones, MA, ABD

Tiffany White, MPA

ABSTRACT

Purpose: The purpose of this applied research project is to develop a best practice model for nonprofit charter school accountability, and to gauge how closely American YouthWorks compares to the practical ideal type. American YouthWorks is an award-winning nonprofit charter school in Austin, Texas, and was chosen for this study to gauge the feasibility of implementing a best practices model. A review of the literature has identified four key components for the best practices model: Mission-Based Accountability, Ethical Culture, Financial Practices, and Performance Measures.

Methodology: A conceptual framework is developed from the components of the best practices model of nonprofit charter school accountability. A case study research design incorporates a structured face-to-face interview to identify how closely American YouthWorks measures to the best practice model for nonprofit accountability. Responses to the structured interview questions are measured using a scoring system. Pertinent documents are reviewed in order to supplement the structured interview.

Findings: Generally, American YouthWorks exceeds standards delineated in the best practices nonprofit charter school accountability model. However, the organization could improve accountability standards by incorporating a few additional best practices.

ABOUT THE AUTHOR

Christian Pfeiffer Flores is currently a Senior Grants and Contracts Specialist in the Office of Sponsored Projects at The University of Texas at Austin. Prior to working at The University of Texas at Austin, she served as Policy Coordinator for the Communities in Schools State Office. The Communities in Schools program is a statewide dropout prevention program administered by the Texas Education Agency. Prior to her time at Communities in Schools, Flores served as Legislative Aide for Senator Gonzalo Barrientos, specializing in public education policy.

In 2000, Flores received her Bachelor of Science degree in Communication Studies from The University of Texas at Austin. At the present time, she is pursuing her Master of Public Administration degree from Texas State University. She can be reached by e-mail at christianpflores@gmail.com.

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CHAPTER 1: INTRODUCTION

Since the 1960s, the government has relied on the nonprofit sector to provide social services to low socioeconomic populations. This trend continued across bipartisan administrations, and government agencies have expanded by leveraging nonprofits as providers for other services. Nonprofits continue to play a greater role in public service, either through direct tax dollars or private funds, in support of the government's initiatives. The government's increased investment in nonprofit organizations promotes expansion, but is tied together with the expectation that these organizations foster higher standards of accountability (The White House 2010). Additionally, higher standards for accountability are a result of high profile scandals, which have led to public demand for more nonprofit accountability (Ospina, Diaz and O'Sullivan 2002, 8). New investments in the nonprofit community require stronger accountability control practices.

Participation of a nonprofit organization in governmental affairs is not a new development. The dramatic increase of nonprofit participation in government programs began in the 1960s with social welfare agencies (Smith 2008, 133). The 1970s saw an increase in federally funded nonprofit drug and alcohol treatment facilities (Smith 2008, 134). Michael Lipsky and Steven Rathgeb Smith examined the increase in government contracts with nonprofit agencies and its effect on nonprofit accountability (Lipsky and Smith 1990, 636). Lipsky and Smith observed that government entities had to be accountable to legislatures and public electives, while nonprofits did not have such responsibilities (Lipsky and Smith 1990, 642). However, increased competition for government contracts coincided with greater accountability expectations for nonprofits (Lipsky and Smith 1990, 643).

Nonprofit organizations are utilized as viable partners with public agencies to provide resources and services to the community. The increased role of nonprofit participation will most likely be coupled with higher standards of accountability. The increase in public funding to nonprofit organizations has intensified efforts to hold nonprofits more accountable (Smith 2008, 136). Those nonprofit organizations that are on the forefront of highly accountable practices will be well positioned to receive increased funding, affording the programs greater sustainability.

Government agencies partner, or contract out, with nonprofit organizations, to provide a multitude of services. Nonprofit organizations are viable partners with the government and provide services such as the aforementioned drug and alcohol treatment facilities. Education is also a function in which the government leverages nonprofits to be service providers, through charters. In Texas, a board of directors (“board”) governs nonprofit charter schools, which are funded by private donations as well as public funds.

The charter school concept is a relatively new phenomenon in comparison to nonprofit organizations providing other public policy services, such as human services. The charter school concept was first introduced in Minnesota in 1991 (Osborne and Hutchinson 2004). However, as the charter school movement was just beginning, the government was already contracting with nonprofits to provide human services at an unprecedented and exceptional rate (Dicke and Ott 1999, 503). Nonprofit charter schools have not been afforded the time or resources to develop accountability best practices that other social service agencies have incorporated. The primary reasons for charter school closures are due to problems with financial failures or organizational mismanagement (Manno, Finn and Vanourek 2000, 481). Unlike many social services functions, nonprofit

charter schools are perceived as having lower standards of accountability.

Nonprofit charter schools are in a unique position as society has increased demands for greater accountability for schools, as well as for nonprofit organizations. A charter school has several customers. In Texas, the Texas Education Agency purchases educational services from charter schools. Therefore, the state is a customer. Charter schools also have additional funders, or donors, who are also customers. Charter schools' customers also include their service recipients, who are the students and their parents. Further, the community as a whole benefits from an educated citizenry (Garn and Cobb 2001, 126); therefore the community receiving the services is also considered a customer. Nonprofit charter schools must be accountable to several customers.

ACCOUNTABILITY

Accountability is defined as being responsible for one's actions (Worth 2009, 115). Accountability requires "answerability to some external authority" (Dubnick 2003, 405). Fundamentally, accountability means informing customers of, and being responsible for, the tasks to be done. Therefore, accountability demands responsibility for the public interest (Mulgan 2000, 556). Nonprofit organizations are accountable to its customers: donors, service recipients, community, society, and the government.

A nonprofit accountability model should incorporate "discussion on accountability from conceptual, managerial, and policy-making standpoints" (Kearns 1994, 186). The adoption of a best practices nonprofit accountability model will assist charter schools by enhancing the trust of service recipients, donors, and the community. Increased trust could potentially result in increased donations and organization viability.

All types of publically funded schools face pressure to become more accountable

for student achievement (Garn and Cobb 2001, 113). Nonprofit charter schools are uniquely categorized as they operate in the realm of the public school accountability movement, but ultimately they must also be accountable as nonprofit organizations. Nonprofit organizations that incorporate best practices of accountability will be better positioned to leverage public dollars and private donations than those that are simply meeting minimum legal standards.

A NONPROFIT CHARTER SCHOOL ACCOUNTABILITY PRACTICAL IDEAL TYPE

At this time, there is not a comprehensive accepted accountability model for charter school nonprofit organizations. Rather, nonprofit charter schools are expected to work within an accountability paradigm, and adopt fragmented accountability practices. Nonprofit charter schools face a unique set of challenges that suggest the need to systematically organize literature, as presented in Chapter Two, in ways useful to nonprofit charter schools. Additionally, nonprofit charter schools would benefit from a best practices accountability model in order to combat preexisting perceptions and to demonstrate high levels of accountability to funders, service recipients, and the community.

The purpose of this study is the development a practical ideal type nonprofit charter schools accountability model. The research will develop a nonprofit charter school best practices accountability model and will gauge how the accountability practices of American YouthWorks, a nonprofit charter school, compare to the practical ideal type model. This assessment will help determine the feasibility of implementing a best practices model for charter schools. Direct comparisons of nonprofit organizations are problematic because nonprofits are multifaceted entities, developed to serve a

multitude of purposes. This research project does not attempt to develop a scoring system for accountability practices of charter schools to be used to compare one charter school against another.

Currently, nonprofits adopt fragmented accountability practices in an attempt to meet accountability expectations. This research project fills the gap in the literature by developing a comprehensive nonprofit charter school accountability model. Best practices for nonprofit charter school organization will significantly contribute to increased standards of accountability for nonprofit charter school organizations.

CHARTER SCHOOLS IN TEXAS

Before reviewing the literature, this section presents information on charter schools in Texas and some background on the subject of the case study: American YouthWorks.

In Texas, charters are granted by governing entities, such as the State Board of Education (SBOE) or the Board of Trustees of independent school districts, to provide education to Texas children. Charter schools seek to: (1) improve student learning, (2) increase the choice of learning opportunities within the public school system, (3) create professional opportunities that will attract new teachers to the public school system, (4) establish innovative learning methods, and (5) encourage different innovative learning methods (Texas Education Agency 2010). The primary type of charter school in Texas is an open-enrollment charter school. Generally, open-enrollment charter schools are administered by nonprofit organizations and, to a lesser extent, universities or government entities.

The primary source of funding for charter schools is the Foundation Schools

Program. Open-enrollment charter schools receive funds based on the average daily attendance of students. However, unlike public schools, charter schools do not receive funds from local tax revenue and are not able to access funding from the facilities allotment. In order to offset funding deficits, open-enrollment charter schools have the ability to accept charitable donations as well as to seek additional public funding (Texas Education Agency 2010).

The Commissioner of Education may revoke the charter of an open-enrollment charter school for the following violations (Texas Education Agency 2010):

- (1) Committed a material violation of the charter, including failure to satisfy accountability provisions prescribed by the charter;
- (2) Failed to satisfy generally accepted accounting standards of fiscal management;
- (3) Failed to protect the health, safety, or welfare of the students enrolled at the school; or
- (4) Failed to comply with the Texas Education Code, Chapter 12, Subchapter D or another applicable law or rule.

AMERICAN YOUTHWORKS

American YouthWorks is a nonprofit organization with an Internal Revenue Code 501(c)(3) status, and provides services to at-risk youth in Austin, Texas. American YouthWorks operates a “public charter high school, a GED program, and green jobs training and service programs” (American YouthWorks 2010). This organization has been operating for more than 30 years.

The American YouthWorks Mission Statement prescribes, “American

YouthWorks is dedicated to transforming the lives of at-risk youth through education, service and green jobs training” (American YouthWorks 2010). The nonprofit organization is governed by a Board of Directors (“Board”), and has seven Board members. There are three senior staff members (“Executive Leadership”) that serve in the capacity of Chief Executive Officer, Chief Operating Officer, and Superintendent/Finance Director.

CONCLUSION

This chapter described the role of nonprofit charter schools in public education. As detailed in this chapter, the government contracts out with nonprofit charter schools to provide education to students. In addition, this chapter discussed American YouthWorks, a nonprofit charter school located in Austin, Texas, as an example of how charter schools operate. Finally the chapter presented the research purpose: to develop best practices for nonprofit charter school accountability and to gauge how closely American YouthWorks compares to the practical ideal type.

Subsequent chapters present the literature review, describe the research methodology, outline the operationalization of the research, and provide the research results. Chapter Two reviews literature to establish best practices for the nonprofit charter school accountability model. Chapter Three discusses the research methodology and the operationalization of the conceptual framework. Chapter Four presents the results of the research: how closely American YouthWorks accountability best practices measure to the best practices identified through literature review detailed in Chapter Two. Chapter Five provides a summarization of the previous chapters, strengths and weaknesses of the research, as well as recommendations for American YouthWorks and

future research.

CHAPTER 2: LITERATURE REVIEW

CHAPTER PURPOSE

The purpose of this chapter is to review the literature concerning the best practices for accountability in nonprofit organizations, as applied to a nonprofit charter school organization. A review of the literature highlights the best practices for accountability in nonprofit charter school organizations, as well as the necessary components of model accountability standards. The research regarding common key elements of nonprofit accountability practices is consistent, and these key elements are transformed into a model of best practices for nonprofit charter school accountability in order to develop an assessment tool. The ideal standard for nonprofit accountability is delineated below.

INTRODUCTION

The practical ideal type nonprofit accountability model represents the best practices as identified in the scholarly literature. A “practical ideal type provides benchmarks and/or best practices that enable the manager/researcher to understand (and improve) reality” (Shields and Tajalli 2006, 325). The literature included in this research illustrates the best practices for nonprofit accountability.

The conceptual framework of this paper is based on literature review and interpretation of the best practices of accountability, as applied to nonprofit charter school organizations. The proposed ideal accountability model, which includes four broad categories, is presented as Table 2.1 in the conceptual framework. The remainder of this chapter presents the literature review supporting the categories and subcategories of the ideal model of nonprofit accountability, as applied to charter school organizations.

The four categories include: Mission-Based Accountability, Ethical Culture, Financial Practices, and Performance Measures.

MISSION-BASED ACCOUNTABILITY

The mission is the fundamental reason for the existence of a nonprofit organization (Worth 2009, 172). Additionally, the mission is the “psychological and emotional logic” of a nonprofit that drives the organization (Phills 2005, 15). When developing an ideal nonprofit charter school accountability model, it is prudent to include mission-based management practices. These practices demonstrate a commitment to a framework of accountability. At a minimum, it is necessary for the mission statement to be a “living” document that is adaptive and responsive to changes in the external environment. A nonprofit charter school can demonstrate accountability by evaluating the accuracy of the mission, committing to organizational alignment toward the mission, and communicating the mission to students, parents, donors, and the community.

Mission accuracy is essential for effective nonprofit charter school accountability. The accuracy of the mission begins with the mission statement. A nonprofit organization is required to have a mission statement to maintain its tax-exempt status under section 501(c) of the Internal Revenue Code (“IRC”). The mission is a “social contract” that is required in order to maintain tax-exempt status (Bryce 2000, 12). The federal government requires nonprofits with more than \$25,000 of revenue to file Form 990, 990-EZ, or 990-PF (“Form 990”) with the IRS (Worth 2009, 117). Additionally, the mission statement serves to define the significance of a nonprofit organization (Phills 2005, 15). The mission statement is included on Form 990, and the IRC requires mission statements to accurately reflect the activities of the nonprofit

organization.

A board's commitment to reviewing the mission statement is a key part of mission-based accountability. A nonprofit charter school's executive leadership, including the board, is responsible for actively reviewing the mission statement. The board has a legal and fiduciary responsibility to ensure the accuracy of the mission statement and the only way to demonstrate this is by documenting active review. The mission statement should be rewritten every three years, should reflect the board's input, and should be approved by the board (Brinckerhoff 2009, 40). A charter school, as a nonprofit organization, must review and revise its mission statement in order to adequately reflect the business practices of the organization.

Specific issues that must be considered include the service area and the nature of the services provided (Brinckerhoff 2009, 41). In the event that a nonprofit charter school should revise its services or alter the geographic region it serves, the mission statement should be modified accordingly. A mission statement should accurately identify the geographic region served, as well as the services provided.

The accuracy of the mission should be reflected in the programs and services that the nonprofit organization provides to service recipients. An effective board develops a clear understanding of the mission of the organization by undergoing this activity and working toward the objectives of the mission throughout program activities (Brinckerhoff 2009, 74). In this way, accountability is promoted through this review.

A nonprofit charter school manager should consider the mission when evaluating services or programs, or making decisions to implement new services or programs (Phills 2005, 112). Gauging mission accuracy requires nonprofit charter school leadership to

pursue services or programs that reflect the values of the mission, and to evaluate existing programs or services.

In order to demonstrate the best practices of nonprofit accountability, a nonprofit charter school should have a mission that adequately reflects the purpose of the organization. Further, the mission statement of the organization should accurately reflect the mission. Effective executive and board leadership must examine substantive changes from the current mission statement, proactively and routinely review the statement for accuracy, and rewrite as necessary. A nonprofit organization should implement programs or services that are consistent with the values of the mission.

Organizational alignment toward the mission occurs when executive leadership reinforces the objectives and values of the mission to management, employees, and the board. Effective communication of the mission statement throughout the organization will help nonprofit charter schools to be more accountable to the students, parents, donors, and the community served. Additionally, mission statements serve as an effective resource. “The mission statement can be a management tool, a rally cry, a staff motivator, a volunteer recruiter, and a fundraiser” (Brinckerhoff 2009, 47). Effective mission statement communication promotes accountability because it sets the standard for the nonprofit charter school.

A clearly understood mission is essential for gaining commitment from the nonprofit charter school’s staff members and teachers. The organization’s mission is a powerful motivator for employees, and management should communicate the mission continuously and consistently. Executive leadership should reinforce and clarify the mission to employees so that the principles of the mission are clearly understood

(McDonald 2007, 260). New employees should be introduced to the mission and must buy into the mission (McDonald 2007, 275). Mission statements should be transparent throughout the nonprofit's activities and should be used daily (Brinckerhoff 2009, 49).

Mission transparency occurs when a nonprofit communicates a standard of values and expectations of the organization to service recipients and funders. "Hold the mission and values up high and people will both see them and they'll hold you accountable to act by them – which is a good thing" (Brinckerhoff 2009, 61). The mission should be transparent to the customers of nonprofit organizations.

Including the mission statement on all documents will allow the organization to effectively communicate the mission to its customers. At a minimum, the mission statement should be included on the annual report, marketing materials, the board manual, staff personnel policies, the staff orientation manual, the strategic plan, and the organization's website (Brinckerhoff 2009, 49). The mission statement of the nonprofit charter school should be effectively communicated to donors, students, parents, and the community.

The nonprofit organization's mission is the legal basis for its existence. Therefore, a nonprofit charter school must be accountable for the objectives of the mission. Ideal mission accountability standards include executive leadership's ability to define the organization's mission, to adequately oversee and commit to the mission, and the ability to be transparent toward the objectives of the mission.

ETHICAL CULTURE

The concepts of accountability and ethics have been linked for many years. The discussion about ethics and accountability began as early as the 1940s when the

“Friedrich-Finer” debate set the “intellectual agenda for American public administration during the cold war era” (Dubnick 2003, 405). This debate resulted in the fundamental belief that ethics alone was insufficient to carry the will of the people, and that accountability was also necessary (Dubnick 2003, 406). Encompassed in the concept of accountability is a foundation of an ethical culture. Ethics and accountability do not operate autonomously.

A nonprofit charter school’s executive leadership is responsible for developing an ethical culture in order to foster an organization that is accountable to the students, parents, and community it serves. An ethical culture is achieved by incorporating ethical standards, training staff on ethical expectations, and maintaining consistency by reinforcing a zero-tolerance culture. An ethical culture is one that is more than just compliant (Menzel 2007, 25). Creating a sustainable ethical culture is a process that occurs over time, and requires managers to have an ongoing commitment to ethics and integrity.

An ideal accountability standard for nonprofit charter schools includes the creation of an ethical culture. In order to create an ethical culture, a nonprofit must have a standard of ethics, training on ethics, and a zero-tolerance position against unethical behavior. A nonprofit charter school is the steward of the community’s resources and an ethical culture is an expectation of nonprofit organizations.

Ethics standards help to build an ethical culture by formalizing ethical values. A nonprofit charter school’s executive leadership should adopt a code of ethics, or formal ethics policies, in order to provide a standardized list of expectations. The American Society for Public Administration includes on its website the following in their Code of

Ethics: "...Encourage organizations to adopt, distribute, and periodically review a code of ethics as a living document" (American Society for Public Administration 2010). The adoption of a code of ethics assists in disseminating professional norms and expectations, and helps to achieve or verify accountability (Dicke and Ott 1999, 504). A code of ethics provides consistency for ethical boundaries.

In order to support the code of ethics, management should require staff to sign the ethics code (Bowman and Knox 2008, 631). By formalizing the acknowledgement of the ethics code, staff members are held accountable for ethics policies. James Bowman and Clair Connolly Knox's survey of members of the American Society of Public Administration determined that the members believed that "well-designed ethics codes can be important in promoting organizational integrity" (Bowman and Knox 2008, 636).

Nonprofit charter schools should implement a code of ethics with several key elements. A code of ethics should be written in a manner that clearly describes the expectations for staff members, and the ethical standards should be specified in statements that are easy to understand (Bryce 2000, 21). Further, ethical codes should not be general statements, but instead should be enforceable policies that are clearly understood by staff.

The board should establish ethical standards for board members, including implementing Conflict of Interest policies. A nonprofit should make a distinction in the financial controls between the organization's executives and their voting board members (Herman 2009, 338). In order to maintain adequate accountability, a nonprofit charter school's executive leadership should not include voting board members. A Conflict of Interest policy should include a requirement of separation of voting procedures for the

board members and the charter school's executives.

Herrington Bryce suggests that Conflict of Interest policies include: (1) disclosure of interested persons toward applicable financial interests, (2) procedures for determining potential conflicts, (3) procedures for voting abstention for related matters, (4) procedures for corrective actions for conflicts, (5) procedures for recording discussion related to potential conflicts, and (6) procedures for board acknowledgement toward Conflict of Interest Policies (Bryce 2000, 134).

A code of ethics fosters accountability by increasing staff accountability. Additionally, a formalized code helps to standardize ethical expectations. Although management's adoption of a professional code of ethics is a necessary component of ensuring accountability, alone it is insufficient; ethics training on ethics policies are needed to introduce and reinforce ethical standards.

Ethics training initiatives offer a valuable tool for a charter school's executive leadership to inform staff and teachers of management's expectations regarding ethics. Management should incorporate ethical training programs to offset "ethical lapses" (Menzel 2007, 12). Individuals who have received training are likely to lead by example, thus influencing others to act ethically as well (Menzel 2007, 19). Professional administrators are charged with having good judgment, which is inherent in ethical responsibility (Brady 2003, 530). Ethics training is a valuable tool for management to use in ensuring staff accountability toward ethical standards and expectations.

A nonprofit charter school that has an ongoing ethics-training program is more accountable to the students, parents, donors, and the community. Training on ethics policies should be completed annually (Brinckerhoff 2009, 272). The ethical training

should be “timely” in order to ensure that employees are using current rules and values in a proper way (Zietlow, Hankin and Seidner 2007, 109). Nonprofit charter school organizations should train staff annually on ethics policies in order to assist them in making ethical decisions.

Ethical training should help employees to make ethical decisions. Ethical training should help build capacity for making decisions based on moral judgment (Zietlow, Hankin and Seidner 2007, 109). Annual ethics training will help reinforce ethics policies, thus increasing the accountability of nonprofit charter schools. Consistent training will reinforce ethical policies. However, an accountable nonprofit should also create an environment that does not tolerate unethical behaviors or lapses in moral judgment.

Management should implement a **zero-tolerance culture for ethical misconduct** (Brinckerhoff 2009, 64). A zero-tolerance culture fosters an environment that makes it uncomfortable for individuals who exhibit unethical behavior, and ultimately those individuals are more likely to leave the organization. Appropriate consequences should be applied toward employees who exhibit ethical lapses.

At a minimum, the executive leadership of a charter school should reprimand staff members for ethical lapses. An ideal standard approach seeks fair consequences for unethical actions. The zero-tolerance policy should not mandate automatic dismissal of deviants, but instead, should allow for appropriate reprimands or consequences for intolerable actions (Brinckerhoff 2009, 64). In the survey conducted by Bowman and Knox, the least effective strategies of senior management for handling unethical behavior were neglect, perfunctory compliance, and heavy-handed leadership (Bowman and Knox 2008, 64). Nonprofit managers should not tolerate unethical behavior, and should

respond accordingly and appropriately.

To meet accountability standards, on a pragmatic level, social dilemmas require managers themselves to consistently exhibit ethical behaviors (Dubnick 2003, 407). Ethical behaviors require making ethical decisions. Nonprofit management is charged with ensuring that ethical decisions are a fundamental component of the organization's accountability practices (Brinckerhoff 2009, 63). Ethical decision-making involves asking, "What is the right thing to do?" in situations where ethical boundaries might be crossed (Menzel 2007, 25). Ethical training programs should be structured to help employees make ethical decisions using moral judgment. Accountable nonprofit charter schools have inherently ethical cultures. Ethical cultures are demonstrated by the incorporation of a code of ethics, ongoing ethics training, and zero-tolerance for unethical behavior. Accountability is, in part, derived from an ethical culture.

FINANCIAL PRACTICES

The public funds nonprofit charter schools through grants and contracts for services. This relationship between government and nonprofit charter schools requires sound financial management and control practices. An accountable nonprofit is an organization that adopts and enforces practices that minimize the risk of financial mismanagement. Effective financial controls can diffuse financial mismanagement through accountability practices such as strong financial governance and adequate financial reporting to service recipients.

Nonprofit charter school accountability requires management, at a minimum, to comply with state and federal laws, and to routinely monitor this compliance. State governments grant nonprofit charters, and noncompliance can result in legal action by the

states' attorneys general (Worth 2009, 117). Legal action includes, but is not limited to, removal of board members and revocation of charters (Worth 2009, 117).

The IRS's Division on Tax-Exempt and Government Entities conducts nonprofit regulation. Noncompliant management could face sanctions including revocation of a nonprofit's tax exemption status, which would consequently eliminate the nonprofit's ability to fundraise (Worth 2009, 117). Without the ability to raise funds, a nonprofit organization cannot operate, and subsequently cannot carry out its mission. Ensuring compliance with legal authority is the responsibility of the board and executive leadership.

Federal laws require nonprofits with more than \$25,000 of revenue to file Form 990, 990-EZ, or 990-PF with the IRS (Worth 2009, 117). Federal laws mandate minimum levels of accountability for nonprofit management. In addition to the minimum levels of legal accountability, some nonprofit boards choose to adopt financial accounting best practices. Research indicates that larger boards are more likely to adopt accountability practice best practices such as creating audit committees, conducting independent audits, and implementing conflict-of-interest policies (Herman 2009, 388). Nonprofit boards that adopt best practice components of financial accounting have management with high integrity and sound governance (Worth 2009, 125). Nonprofit charter school organizations demonstrate financial accountability by ensuring that strong financial governance exists and reporting relevant financial information.

Strong **financial governance** is paramount to ensure financial accountability. A nonprofit's board of directors will contribute to the organization's accountability standards by being engaged in the financial practices of the organization. A board that is

engaged in the organization's financial practices is less prone to scandal (Strickland and Vaughan 2008, 240). Therefore, a charter school board's involvement in the financial practices of the organization will increase board accountability.

Board members' financial responsibilities must include approving annual budgets, receiving financial status reports, and establishing financial management policies (Worth 2009, 71). A board that is accountable will use the annual budget to monitor the organization's performance (Keating and Frumkin 2003, 7). The board's financial responsibilities help to ensure that the board is aware of the financial practices of the nonprofit, thus ensuring accountability.

The adoption of an audit committee is a financial accounting best practice (Strickland and Vaughan 2008, 241). Questionable financial practices of the board members and executive leadership are characteristics of accountability failures (Herman 2009, 338). An audit committee could be well positioned to identify and alert the board of any questionable financial practices. Audit committees should be comprised of individuals who are knowledgeable about finance, financial statements, and financial management (Bryce 2000, 20). Ideally, the audit committee, as well its membership, should be separate from the finance committee (BoardSource 2010, 153). Having a standalone audit committee allows the audit committee to assess financial risks, provide oversight to financial responsibilities, and monitor compliance issues.

The primary function of an audit committee is to monitor the "risk issues" of an organization (BoardSource 2010, 133). Audit committees should stay abreast of changes in accounting and auditing rules (Floch 2004, 2). An audit committee should also be responsible for establishing policies on conflicts of interest and codes of conduct, and

monitoring these areas for compliance (Floch 2004, 2). The committee would give the board an opportunity to rectify any potential problems prior to a formal audit (Strickland and Vaughan 2008, 241). The purpose of the audit committee is to ensure that the charter school's board has met its financial responsibilities and disclosure requirements.

Accountable board members of a charter school are knowledgeable about the financial performance of the organization. A board should have substantial knowledge of financial performance because "knowledge about the financial performance of the organization is indicative of the staff's performance" (Keating and Frumkin 2003, 6). Therefore, in order for a nonprofit charter school's board to hold staff accountable for financial management, the board must be aware of the financial performance of the organization.

Financial reporting ensures that a nonprofit organization is transparent with its financial activities. Effective communication of the financial outlook to the community, donors, and service recipients is vital to a nonprofit charter school's financial livelihood. Elizabeth Keating and Peter Frumkin suggest that community stakeholders, particularly donors, make decisions about support and participation based on the financial reporting of nonprofits (Keating and Frumkin 2003, 3). Nonprofit charter schools have a responsibility to report financial implications to customers, the community, and donors (Keating and Frumkin 2003, 3).

A nonprofit charter school that communicates the organization's finances promotes accountability by preventing scandal. Transparency is a deterrent to scandal and financial mismanagement because it "facilitates" the engagement of financial accountability (Strickland and Vaughan 2008, 240). Increased financial transparency can

also be financially rewarding to a nonprofit charter school as well. Nonprofits that are more transparent are more connected to the community (Smith 2008, 143). A more participatory community could result in a diversified revenue base (Smith 2008, 136). Additionally, community support will increase with a greater sense of trust.

More “relevant disclosures” should be provided to stakeholders, including “management discussion and analysis and indicators of program activity,” and this information should be provided in the financial reports (Keating and Frumkin 2003, 12). The costs associated with making an organization’s budget more accessible to the community and stakeholders would be nominal (Keating and Frumkin 2003, 11). A nonprofit that seeks to demonstrate financial accountability would disclose on the organization’s website pertinent information, such as budget materials, compliance related documents, and financial reports (Saxton and Guo 2009, 4). A nonprofit charter school can be more financially accountable to the students, parents, and the community by increasing the application of transparency for financial information.

Margaret Sloan examined the relationship of accountability practices of nonprofits and the effects on donor behavior (Sloan 2009, 222). Sloan notes that donors will view nonprofit managers who implement best practices for financial accountability as more responsible and professional. A charter school could be better positioned to raise donations from the community by adopting financial accounting best practices.

Nonprofit financial management allows the organization’s leadership to focus on its performance toward the mission instead of concerning itself with the potential mismanagement of funds (Brinckerhoff 2009, 34). A nonprofit charter school is more financially accountable when engaging the board in financial activities and

communicating financial activities to the community, donors, and services recipients. Accountable financial practices help to create a critical component of the ideal nonprofit accountability model. The next component of the ideal nonprofit accountability model concerns performance measures.

PERFORMANCE MEASURES

Nonprofits should implement performance measures in order to gauge how the resources of the community are being used toward the mission of the organization (Worth 2009, 126). Performance measures can be used as a motivator to stakeholders and staff to improve performance (Behn 2003, 594). The implementation of a balanced performance measurement system will measure financial and nonfinancial results (Zietlow, Hankin and Seidner 2007, 61). Balanced performance measures reflect the charter school's mission, should reflect the objectives of the mission, and the results should be communicated to the customers, donors, and the community.

Balanced performance measurement approach is necessary for nonprofit organizations. Nonprofit organizations are unique, as they have to be responsible for program performance to a multitude of constituencies. Financial viability is imperative, but ultimately, program sustainability is equally dependent upon the success of the objectives of the mission. This requires charter schools to measure program performance with a balanced approach. Additionally, accountable charter schools use multiple measures and measure performance with a balanced approach (Garn and Cobb 2001, 126).

Robert Kaplan contends that nonprofit organizations must measure performance by more than their ability to achieve financial success (Kaplan 2003, 358). Performance

measurement must consider the nonprofit's ability to meet the goals and objectives of its mission (Kaplan 2003, 358). Kaplan contends that performance measurement should focus on the goals and objectives of the strategy statement in order to minimize ambiguity and confusion of the nonprofit's mission (Kaplan 2003, 360).

A balanced approach for performance measurement of charter schools is an ideal standard. Charter school failure is often unrelated to educational performance but rather organizational or financial mismanagement (Bulkley and Fisler 2003, 328). A charter school accountability system should use several types of indicators of performance, all tied to the mission of the organization (Manno, Finn and Vanourek 2000, 485). Therefore, a balanced performance measurement system would afford executive leadership and stakeholders the ability to monitor performance of the charter school on a variety of levels.

Kaplan offers the Balanced Scorecard approach to performance measurement as a way to "bridge the gap between vague mission and strategy statement and day-to-day operational actions," and this approach allows nonprofits to be focus-oriented rather than trying to do too much outside the mission (Kaplan 2003, 369). Kaplan's adaptation of the Balance Scorecard for nonprofit performance measurement is derived from its for-profit counterpart (Zietlow, Hankin and Seidner 2007, 61).

The objectives of nonprofit organizations are substantially different from the objectives of for-profit organizations. Therefore, in order to gauge performance, appropriate performance measures for nonprofit organizations should be adapted in order to account for the mission. The Balanced Scorecard provides a balanced approach to performance measurement by measuring four perspectives: the financial perspective, the

customer's perspective, the internal business perspective, and the learning and growth perspective (Kaplan and Norton 1992, 71). The first strategy in applying the Balanced Scorecard approach requires management to translate the mission of the organization into specific objectives (Lipe and Salterio 2000, 285).

The first perspective of the Balanced Scorecard is the financial perspective (Kaplan and Norton 1992, 72). Kaplan and Norton developed this perspective for the business sector to measure the financial outlook from a shareholder perspective (Kaplan and Norton 1992, 72). Measuring the financial outlook serves to achieve program sustainability and is achieved by increasing efficiency (Kaplan 2003, 366). "Financial measures or metrics are specific indicators that track or measure strategic success related to...financial measures" (Zietlow, Hankin and Seidner 2007, 61).

Although the financial perspective is the most important component of the private sector model, in Kaplan's nonprofit adaption, the most important objective is the organization's responsibility toward the mission. Kaplan suggests that "the agency's mission represents the accountability between it and society," and therefore the mission should be the top priority of the Balance Scorecard hierarchy (Kaplan 2003, 360). In nonprofit organizations, the mission is achieved by serving the customers. Kaplan suggests that the customer perspective should be placed as the top priority of a nonprofit organization's Balanced Scorecard, rather than the financial perspective (Kaplan 2003, 361). Nonprofit charter schools can measure the customer perspective by monitoring student learning and achievement, as well as donors' commitments.

Michael Worth suggests that the internal business perspective of Kaplan and Norton's Balanced Scorecard method measures a nonprofit's operational efficiency and

quality (Worth 2009, 134). The balanced scorecard system requires charter schools to examine current internal business process to indentify potential weaknesses and suggest areas for improvement (Zietlow, Hankin and Seidner 2007, 61). Kaplan and Norton suggest that organizations should pose the question “What must we excel at?” in order to successfully link internal business perspectives to performance measures (Kaplan and Norton 1992, 72). Accountable charter schools examine internal business practices and modify as necessary in order to improve internal efficiency.

The final perspective seeks to measure goals relating to innovation and learning. Worth suggests that nonprofits should measure the “organizations’ ability to adapt to change in the environment” in order to measure innovation and learning (Worth 2009, 134). Charter schools must look at future needs for the innovation and learning component, and ask, “How can we improve and change to better meet our mission?” (Zietlow, Hankin and Seidner 2007, 61). Charter schools meet this objective for performance measurement by staying abreast of new services or education techniques to provide to students.

Kaplan believes that the Balanced Scorecard method is most effective when executive leadership and board members are participatory in the process of developing the Balanced Scorecard (Kaplan 2003, 388). Executive leadership, including the board, should participate in developing a balanced scorecard performance measurement system. Kaplan offers that the Balanced Scorecard affords nonprofit management the ability to connect the organization’s mission to direct daily operations (Kaplan 2003, 369).

Proactive **performance reporting** is necessary for nonprofit organizations to be accountable to its customers. Adequate transparency requires organizations to

“voluntarily, energetically, and routinely” provide information for public consumption (Manno, Finn and Vanourek 2000, 484). A nonprofit can demonstrate accountability for performance by including on its website any disclosure of performance based on measurable goals and objectives toward the organization’s mission (Saxton and Guo 2009, 5). “Top-notch charter schools lay all their cards on the table to keep parents, the community, and sponsors informed about what is happening at the school. This is the essence of transparency” (Manno, Finn and Vanourek 2000, 487). Nonprofit charter schools will be more accountable by communicating performance to service recipients, the community, and donors.

Nonprofit charter schools should use annual reports in order to communicate performance. Annual reports should include outcomes for previous years in laymen terms, which are easily digestible by the community (Brinckerhoff 2009, 70). The ideal standard of performance reporting calls for charter school’s leadership to communicate more than its annual report to stakeholders (Manno, Finn and Vanourek 2000, 487). Charter schools demonstrate accountability by making available information regarding student and staff turnover, detailed board information, and non-confidential information regarding staff (Manno, Finn and Vanourek 2000, 486). A higher level of commitment to accountability requires nonprofit managers to provide stakeholders, including donors and the community, with a measure of how the nonprofits are performing and meeting the objectives of their missions (Ospina, Diaz and O’Sullivan 2002, 8).

Performance Reporting is a key type of information that is necessary and relevant to the community. Heightened transparency to stakeholders helps to increase the public’s trust in the nonprofit organization. Communicating performance reporting to external

stakeholders is important because it enhances the relevance and effectiveness of performance reporting (Yang and Hsieh 2007, 863).

CONCEPTUAL FRAMEWORK

Based on supporting literature, a practical ideal nonprofit accountability model approach includes four categories: Mission-based Accountability, Ethical Culture, Financial Practices, and Performance Measures. Each category has subcategories. The conceptual framework for the categories and subcategories is presented in Table 2.1 below, and is accompanied by a list of the supporting literature.

TABLE 2.1 CONCEPTUAL FRAMEWORK

CONCEPTUAL FRAMEWORK	
<i>Ideal Type Categories</i>	<i>Literature</i>
MISSION-BASED ACCOUNTABILITY <ul style="list-style-type: none"> • MISSION ACCURACY • ORGANIZATIONAL ALIGNMENT • MISSION TRANSPARENCY 	Worth 2009, 172; Phylls 2005, 15; Bryce 2000, 12; Worth 2009, 117; Brinkerhoff 2009, 40; Brinkerhoff 2009, 41; Brinkerhoff 2009, 74; Phylls 2005, 112; Brinkerhoff 2009, 47; McDonald 2007, 260; and McDonald 2007, 275; ; Brinkerhoff 2009, 49; and Brinkerhoff 2009, 61
ETHICAL CULTURE <ul style="list-style-type: none"> • ETHICAL STANDARDS • ETHICS TRAINING • ZERO-TOLERANCE CULTURE 	Dubnick 2003, 405; Dubnick 2003, 406; Menzel 2007, 25; American Society for Public Administration 2010; Dicke and Ott 1999, 504; Bowman and Knox 2008, 631; Bowman and Knox 2008, 636; Bryce 2000, 20; Herman 2009, 338; Bryce 2000, 134; Brady 2003, 530; Brinkerhoff 2009, 272; Zietlow, Hankin and Seidner 2007, 109; Brinkerhoff 2009, 64; Bowman and Knox 2008, 64; Dubnick 2003, 407; Brinkerhoff 2009, 63; Menzel 2007, 25;
FINANCIAL PRACTICES <ul style="list-style-type: none"> • FINANCIAL GOVERNANCE • FINANCIAL REPORTING 	Worth 2009, 117; Herman 2009, 388; Worth 2009, 125; Strickland and Vaughan 2008, 240; Worth 2009, 71; Keating and Frumkin 2003, 7; Strickland and Vaughan 2008, 241; Herman 2009, 338; Bryce 2000, 20; BoardSource 2010, 153; BoardSource 2010, 133; Floch 2004, 2; Strickland and Vaughan 2008, 241; Keating and Frumkin 2003, 6; Keating and Frumkin 2003, 3; Strickland and Vaughan 2008, 240; Smith 2008, 143; Smith 2008, 136; Keating and Frumkin 2003, 12; Keating and Frumkin 2003, 11; Saxton and Guo 2009, 4; Sloan 2009, 222; and Brinkerhoff 2009, 34

<p>PERFORMANCE MEASURES</p> <ul style="list-style-type: none"> • <i>BALANCED PERFORMANCE MEASUREMENT</i> • <i>PERFORMANCE REPORTING</i> 	<p>Worth 2009, 126; Behn 2003, 594; Zietlow, Hankin and Seidner 2007, 61; Garn and Cobb 2001, 126; Kaplan 2003, 358; Kaplan 2003, 360; Bulkley and Fisler 2003, 328; Manno, Finn and Vanourek 2000, 485; Kaplan 2003, 369; Kaplan and Norton 1992, 71; Lipe and Salterio 2000, 285; Kaplan and Norton 1992, 72; Kaplan 2003, 366; Kaplan 2003, 361; Worth 2009, 134; Kaplan 2003, 388; Kaplan 2003, 369; Manno, Finn and Vanourek 2000, 484; Saxton and Guo 2009, 5; Brinckerhoff 2009, 70; Manno, Finn and Vanourek 2000, 487; Manno, Finn and Vanourek 2000, 486; Ospina, Diaz and O'Sullivan 2002, 8, and Yang and Hsieh 2007, 863</p>
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CHAPTER SUMMARY

This chapter summarizes the conceptual framework of a best practices nonprofit accountability model, as identified through literature review. The four categories of the conceptual framework model are: Mission-Based Accountability, Ethical Culture, Financial Practices, and Performance Measures. The next chapter provides the methodology based on the conceptual framework and presents the research methods.

CHAPTER 3: METHODOLOGY

CHAPTER PURPOSE

This chapter presents the research methods utilized to gauge American YouthWorks accountability practices against the best practices for nonprofit charter school accountability developed from literature review. This chapter identifies the methods for collecting and analyzing data, and provides a discussion on the strengths and weaknesses of the methodology used. Further, this chapter delineates the human subjects protection protocols for this study.

AMERICAN YOUTHWORKS

This research identifies best practices of accountability in nonprofit charter schools. The case study method was used to examine the accountability practices of a well-established nonprofit organization. American Youth Works is an ideal choice for a case study because they are well regarded, and because of their longstanding history. American YouthWorks began in 1976 as the Creative Rapid Learning Center. The organization began serving students in an educational setting in 1986, becoming more aligned with the current goals of the organization. In 1996, American YouthWorks again reorganized as one of the first six open-enrollment charter high schools in Texas. Through the years, American YouthWorks has received several distinguished recognitions on local, state, and national levels (American YouthWorks 2010).

American YouthWorks is an ideal candidate as a case study for this research project. American YouthWorks is a sound nonprofit charter school, based on the history of the organization and its credibility. This case study focused on a sound charter school, in order to gauge the feasibility of applying a best practice charter school accountability

model.

OPERATIONALIZATION OF NONPROFIT ACCOUNTABILITY BEST PRACTICES

Given the case-study method, a face-to-face structured interview method was selected. Document analysis, a review of documents such as American YouthWorks' Code of Ethics, was also used to supplement information gained from the structured interviews. Tables 3.1-3.14 present the structured interview questions used to operationalize each element of the practical ideal type conceptual framework. Based on the responses to the structured interview questions, a corresponding scoring system was used to gauge how closely American YouthWorks measured to the best practices standard. The scoring system was applied as followed: 0=does not meet standard, 1=meets standard, 2=exceeds standard.

CASE STUDY METHOD

The case study method was used in order to “understand a real-life phenomenon in depth, but such understanding encompassed important contextual conditions,” and these conditions, the senior management’s perspective of accountability practices, are pertinent to the study (Yin 2009, 18). One prejudice of the case study is a lack of rigor (Yin 2009, 14). In order to prevent a careless research design, two techniques were employed. The primary research method for this case study was structured interviews; the secondary method was document analysis. Structured interview questions were carefully constructed. Structured questions were designed in advanced, and correlated to a scoring system to measure the response given. Document analysis was used as a secondary research methodology. Document analysis added support to the interviewee’s responses. The case study methodology incorporated a structured interview as the

primary resource, as well as document analysis as a secondary resource in order to understand American YouthWorks' accountability policies.

STRUCTURED INTERVIEWS

Structured interview questions were developed from the conceptual framework presented in Chapter Two. This study required the researcher to ascertain specific accountability practices policies of American YouthWorks. Structured interview questions correlated to specific evidence, as identified from the best practices based on the literature. The structured interview consisted of a face-to-face interview with a high-level manager at American YouthWorks. To protect the identity of this individual the interviewee is referred to as "The Senior Manager."

Interview questions focused on obtaining information about American YouthWorks' current policies and practices employed by the organization's executive leadership and board of directors. The questions did not inquire about the attitudes or opinions of the organization's management regarding the accountability practices. The questions focused specifically on the organization's existing practices and policies relating to the conceptual framework.

The structured interview method had several advantages. It allows the researcher the ability to clarify questions, thus reducing the number of incomplete responses. Using a mail or online survey, the respondent can potentially misunderstand some of the best practices identified by literature, or the respondent might be unfamiliar with a specific term or concept as presented in the question. The interview format afforded the researcher the ability to clarify as necessary.

The structured interview technique is beneficial for this study because it allowed for the use of probing. Probing is a technique employed by an interviewer, requesting elaboration from a respondent (Babbie 2010, 277). The ability to probe, or request elaboration, from the respondent was ideal in order to accurately code responses to open-ended questions. Probing allowed the researcher to seek additional information in order to ensure that the respondent's answer was thorough and clear.

The structured interview technique has disadvantages, which were considered during this research project. As a research method, interviews are subject to "reflexivity." During the occurrence of reflexivity, the respondent provides answers based on what he believes to be the answer that the researcher wants to hear (Yin 2009, 102). This study accounts for the concept of reflexivity by focusing on questions concerned with tangible policies or practices, rather than discretionary opinions. Additionally, document analysis was used to support the respondent's answer.

Another potential weakness of the interview method is bias due to a poorly articulated question (Yin 2009, 102). Taking this into account, structured interview questions were carefully prepared and reviewed prior to the interview. The structured interview approach allowed the researcher an opportunity to review questions prior to interview in order to safeguard against any possible poorly articulated questions.

A structured interview was selected as the primary research method for this study due to the multiple disadvantages associated with other research methods. One weakness associated with documentation is that certain documents might be deliberately withheld (Yin 2009, 102). Due to the sensitivity of the nature of certain documents, this could potentially be an impediment. Furthermore, this study does not involve content analysis

of documents, but rather the existence of organization practices. Other research methods such as direct observation and physical artifact were entirely inappropriate methods to obtain the information needed because the researcher's main concern was the existence of policies and practices.

Document analysis was used as a secondary research method, in order to supplement the structured interviews. This research focused primarily on the senior management's perspective of the organization's accountability practices. Therefore, document analysis could not be used as a primary method.

STRUCTURED INTERVIEW QUESTIONS

Tables 3.1 - 3.14 present operationalization tables that include the structured interview questions that correspond to the categories of the conceptual framework, the follow up questions, and scores assigned to the responses. In some cases, multiple lines of questioning are pursued to elicit the most complete picture of accountability practices possible. For example, mission accuracy is examined in terms of the fit with the mission of the organization, as well as the process used to determine this fit (see tables 3.1 and 3.2).

Mission-Based Accountability

Tables 3.1 - 3.4 present the interview questions, follow up questions, and assigned scores that correspond to the Mission-Based Accountability subcategories of the conceptual framework.

Table 3.1 Interview Questions - Mission Accuracy

How does senior management ensure that the mission is reflective of the values of the organization?

- a. How does management make sure that the services provided are in sync with the mission?
- b. What is the process for gauging the services provided against the mission?
- c. What do you do if you find a difference between mission and what your organization is doing?

Scores:

0=Does not review the mission for accuracy

1=Mission is revised when management is made aware of inconsistencies

2=Mission is consistently and proactively evaluated for accuracy

Table 3.2 Interview Questions - Mission Statement Review

How often does the board review the mission statement for accuracy?

- a. When does management review the mission statement for accuracy?
- b. Is there a formal review process?
- c. If so, how often does the board review the mission statement?

Scores:

0=Does not review the mission statement for accuracy

1=Mission statement is revised as necessary

2=Mission statement is routinely reviewed and approved by the board

Table 3.3 Interview Questions - Organizational Alignment toward the Mission

How does management orient staff to the mission?

- a. How often is the mission statement communicated to staff?
- b. In what ways is the mission communicated to staff?

Scores:

0=Mission is not routinely communicated

1=Mission is generally reinforced throughout program activities

2=Mission is communicated at every opportunity and programs are evaluated to reflect the mission

Table 3.4 Interview Questions - Mission Transparency

How does the organization communicate the mission to the community, students, parents, and funders?

- a. Is the mission included on all documents, websites, and reports?

Scores:

0=Mission is not routinely communicated

1=Mission is generally reinforced throughout program activities

2=Mission is continuously communicated to all customers

Ethical Culture

Tables 3.5 - 3.9 present the interview questions, follow up questions, and assigned scores that correspond to the Ethical Culture subcategories of the conceptual framework.

Table 3.5 Interview Questions - Ethics Policies

Does the organization have ethics polices?

- a. Does the organization have a code of ethics?
- b. How does the organization promote ethical standards?

Scores:

0=Organization does not have ethical policies or standards

1=Organization does not have formal policies but has ethical standards

2=Organization has formal ethics policies

Table 3.6 Interview Questions – Employees’ Acknowledgement of Ethics

Policies

Are staff required to sign ethics policies?

Scores:

0=There are no ethics policies

1=Employees are provided a copy of the ethics policies

2=Employees are required to sign the ethics policies

Table 3.7 Interview Questions - Ethics Training

Does the board have a Conflict of Interest policy?

Scores:

0=No

1=No formal policy but potential conflicts are discussed

2=Yes

Table 3.8 Interview Questions - Ethics Training

Do employees receive training on ethics?

- a. If there are formal ethics policies, how does new and existing staff become familiar with the policies?
- b. How often do employees receive training on ethics?

Scores:

0=There is no formal training

1=Ethical training is provided when hired

2=Ethical training is provided when hired and reinforced annually

Table 3.9 Interview Questions - Zero-tolerance Culture for Ethical Misbehavior

What is management's policy or philosophy on how to handle ethical misconduct?

- a. How did the organization address the major ethical issues in employee behavior?

Scores:

0=There is no consistent approach for dealing with ethical misconduct

1=Management utilizes a heavy-handed approach

2=Management does not tolerate ethical misconduct but has an appropriate and consistent approach

Financial Practices

Tables 3.10 - 3.12 present the interview questions, follow up questions, and

assigned scores that correspond to the Financial Practices subcategories of the conceptual framework.

Table 3.10 Interview Questions - Financial Oversight

What are the board's financial oversight responsibilities?

- a. How do you certify/validate the accuracy of financial statements?
- b. What is the board's financial planning process?
- c. How does the board monitor the organizations revenue and expenditures?

Scores:

0=Board does not approval finance concerns

1=Board approvals annual budget

2=Board and executive leadership are in constant communication on budget matters and budget items require full board approval

3.11 Interview Questions - Audit Committee

Does the board have an independent audit committee?

- a. What does the board do with audit reports after they are completed?
- b. When an audit issue found how is addressed?
- c. How are audit committee members selected?

Scores:

0=Board does not have an audit committee of any capacity

1=There is no independent audit committee but the board takes responsibility for assessing risk and preventing audit findings

2=There is an independent audit committee

Table 3.12 Interview Questions – Financial Transparency Results

In what ways does management make financial information available to customers (students, parents, funders, and the community)?

- a. What type of financial information is available?
- b. In what ways does the organization make financial information available to the public?

Scores:

0=Organization does not communicate financial information

1=Organization communicates finances to donors as well as required by law

2=Organization proactively provides information to customers

Performance Measures

Tables 3.13 - 3.14 present the interview questions, follow up questions, and assigned scores that correspond to the Performance Measures subcategories of the conceptual framework.

Table 3.13 Interview Questions - Balance Performance Measures

Does the organization use a balanced approach for measuring performance?

- a. What does the organization do to measure performance?
- b. How does management analyze the information received?
- c. How are the students educational performance measured?
- d. Does management monitor the organizations internal efficiency and make adjustments as necessary?
- e. How does the organization monitor new services or initiatives?

Scores:

0=Performance is not measured

1=Financial and academic performance are measured

2=Organization measures and monitors performance with a balanced approach

Table 3.14 Interview Questions – Performance Transparency

Does the organization proactively communicate performance to the customers (students, parents, funders, and the community)?

- a. Do you share performance data with donors, the community, and service recipients beyond basic and required information?
- b. Is the organization strategic with performance reporting?
- c. How is the organization proactive about performance reporting?

Scores:

0=Performance is not communicated

1=Organization communicates performance as necessary

2=Management routinely and voluntarily discloses performance related information to customers

HUMAN SUBJECTS PROTECTION

The Texas State Institutional Review Board (“IRB”) exempted this study from full review. The IRB exemption is included as Appendix A. This study is exempt under 45 CFR, Part 46, Sec. 101(b) (2). This study used an information-gathering interview, focusing on existing management practices or policies rather than the people or their thoughts regarding themselves. Disclosure of information will not put the human subjects at risk of criminal, civil, or financial liability because the information collected is concerned with best practices, not legal standards. No personal identifiable information regarding the personal characteristics of the participant was relevant to this study, or included in the results of this study. There were no children surveyed, interviewed, observed or otherwise studied in any form.

The participant received a consent form, included as Appendix B, prior to participation in the study. A structured interview was conducted with informed consent. The participant had the right to refuse to answer any question, or terminate the study at

any time. The participant did not receive compensation for participation in this study. The interviewee is referred to as “The Senior Manager” to protect the identity of the participant.

CHAPTER SUMMARY

This chapter reviewed the research methods used in this research project. This chapter presented the research methods used, and discussed their strengths and weaknesses. Tables 3.1- 3.14 provided the operationalization of the conceptual framework, through structured interview questions. Finally, the chapter delineated the human subject protection protocol for this study. The next chapter discusses the results of the research.

CHAPTER 4: RESULTS

CHAPTER PURPOSE

The purpose of this chapter is to gauge how closely American YouthWorks' organizational accountability resembles the practical ideal nonprofit accountability model, as identified through literature review. Structured interviews were conducted to identify how closely American YouthWorks meets standards using an ordinal rating scale. This chapter presents the results of the structured interview and document analysis.

MISSION-BASED ACCOUNTABILITY

Mission Accuracy. Overall, American YouthWorks ensures the accuracy of the mission by pursuing new programs and by using program measures to determine how programs or services are meeting the objectives of the mission. Program measures include measuring outputs and outcomes related to particular programs. For example, in the American YouthWorks Workforce Development program, management measures the number of “participants enrolled in job readiness training” (output), and the “percentage of graduating participants who obtained employment, post secondary education, apprenticeship training, the military or other national service who retained employment for 6 months or longer” (outcome). Both the output and outcome directly correlate to the mission of the organization.

As a result of the response of the interview, American YouthWorks is assigned a score of “2” (Mission is consistently and proactively evaluated for accuracy) and American YouthWorks exceeds practical ideal type standards. Table 4.1 presents the summary of the findings. The remainder of this section presents evidence for this conclusion.

Table 4.1 - Mission Accuracy

How does senior management ensure that the mission is reflective of the values of the organization?

Response summary from interview: The mission is constantly and proactively evaluated to address changes in nonprofit values.

Score: 2=Mission is consistently and proactively evaluated for accuracy

According to the interview responses, American YouthWorks does review the mission for accuracy when evaluating programs or services, and making decisions on implementing new services. Evaluating new programs or services requires executive leadership to reflect upon the values of the organization as expressed in the mission statement. Additionally, new services or programs that promote the mission are examined in the context of the mission statement. This process of program review against the mission statement promotes mission accuracy by linking services to the objectives of the mission.

According to American YouthWorks' Senior Manager, the board of directors reviews new programs or services to ensure their appropriateness toward the mission, as well as the accuracy of the mission toward the goals of the program. For example, American YouthWorks operates a Parent/Child Development Center ("PCDC") to assist young parents by allowing them to bring their babies to school while the parents continue to receive education services. The Senior Manager discussed how the PCDC directly aligns with one of the goals of the mission by providing services to youth at risk of dropping out of school, as one indicator for at-risk youth is pregnancy or parenthood, according to the Texas Education Code § 29.081(d)(5).

Program measures are indicators of the program's alignment with the mission, and gauge the effectiveness of programs or services toward achieving the goals and values of the mission. "Program measures give us an opportunity to evaluate whether we are moving in the right direction," said the Senior Manager. Programs or services that are underperforming the mission are discontinued. According to the Senior Manager, the process of measuring programs for mission accuracy is an ongoing and consistent process.

In general, American YouthWorks exceeds standards for mission accuracy identified in the practical ideal type. According to the Senior Manager, the mission is consistently evaluated to determine if the mission reflects the services. As noted above, programs or services are pursued and monitored to ensure that the services provided reflect the values of the mission. An ongoing evaluation of the programs and services in terms of the mission is a best practice of nonprofit accountability because it affords the organization the opportunity to stay abreast of current issues affecting the population served. For example, one component of American YouthWorks' mission is providing training to at-risk youth in employment fields that promote environmental protection, such as Environmental Corps, Casa Verde Builders, and Computer Corps (American YouthWorks 2010). The goal was adopted because careers in environmental protection are sure to grow as Americans become more environmentally conscious and the government adopts new programs and policies that require hiring new employees. In this way, American YouthWorks' mission has evolved through constant evaluation.

Mission Statement Review – Generally, American YouthWorks’ mission statement is revised as necessary. While programs and services are routinely monitored to ensure that the mission is accurate, there is no formal review process for the mission statement itself. However, the board has formally reviewed the mission statement in the past. As a result, American YouthWorks is assigned a score of “1” (Mission statement is revised as necessary). American YouthWorks meets the standards for Mission Statement Review. Table 4.2 presents the summary of the findings. The remainder of this section presents evidence for this conclusion.

Table 4. 2 - Mission Statement Review

How often does the board review the mission statement for accuracy?

Response summary from interview: The mission is statement is revised as necessary.

Score: 1=Mission statement is revised as necessary

According to the Senior Manager, the goal of the board is to formally review the mission statement every year; however, the previous mission statement review was performed two years ago. According to the interviewer’s responses, the process for reviewing the mission statement has been inconsistent. Routine review of the mission statement every three years is a best practice approach as identified from literature review, presented in Chapter Two. The board should adopt policies for mission statement review, the mission statement should reflect the board’s input, and the board should approve the mission statement.

Organizational Alignment toward Mission – American YouthWorks’ organizational alignment toward the mission occurs through employee training, ongoing

communication with staff, and programs assessment. American YouthWorks is assigned a score of “2” (Mission is reinforced to staff consistently and programs evaluated routinely for mission alignment). The organization exceeds the standards for best practice because the mission is constantly reinforced to staff and programs are evaluated routinely for mission alignment. Table 4.3 presents the summary of the findings. The remainder of this section presents evidence for this conclusion.

Table 4.3 - Organizational Alignment toward the Mission

<p>How does management orient staff to the mission?</p> <p><i>Response summary from interview:</i> The mission is reinforced to staff consistently and programs evaluated routinely for mission alignment.</p> <p><i>Score:</i> 2=Mission is communicated at every opportunity and programs are evaluated to reflect the mission</p>

According to the interview, potential staff members are oriented to the goals and values of the mission beginning with the employee interview process. The Senior Manager commented, “During the interview process, it is important to find out why people want to be here.” This process helps to achieve organizational alignment of program staff by ensuring that the personnel hired are more likely to buy into the objectives of the mission. Mission orientation continues when new employees are informed of policies and procedures, which incorporate the mission’s objectives.

Organizational alignment toward the mission continues through ongoing communication. The mission is reinforced during weekly team meetings. According to the Senior Manager, staff meetings useful tools for promoting organizational alignment toward the mission because they allow management to evaluate the organization’s

progress regarding the mission, and adjust as necessary.

Organizational alignment toward the mission occurs when programs and services are measured against the objectives of the mission. “We have let go of programs that do not meet the objectives of the mission,” said the Senior Manager. According to the Senior Manager, American YouthWorks ensures the alignment toward the mission when pursuing new funding or services, and this process “begins at a management or team level” who then ensure that new programs meet the objectives of the mission.

American YouthWorks exceeds standards because the mission of the organization is routinely communicated throughout the program, and management continuously evaluates whether program services reflect the goals of the mission. According to the literature present in Chapter Two organizational alignment toward the mission is most effective when managers include the mission regularly in discussions with staff and board members.

Mission Transparency – Primarily, American YouthWorks communicates the mission to customers by including the mission on materials, documents, and reports. According to the literature presented in Chapter Two, including the mission on all materials, documents, and reports is a best practice approach, therefore the organization is assigned a score of “2” (Mission is continuously communicated to all customers). Table 4.4 presents the summary of the findings. The remainder of this section presents evidence for this conclusion.

Table 4.4 - Mission Transparency

How does the organization communicate the mission to the community, students, parents, and funders?

Response summary from interview: The mission is continuously communicated to the community, students, parents, and funders.

Score: 2 =Mission is continuously communicated to all customers

According to the Senior Manager, the mission statement is communicated on all materials and documents. For example, a review of the organization's website finds that the mission statement is accessible by a viewing link labeled "Mission and Overview." American YouthWorks' general marketing materials, presented in Appendix C, includes the mission as well.

According to the Senior Manager, American YouthWorks' management communicates the mission to employees by including the mission in its policies, as well as through its training. Students are required to go through an orientation where they are acclimated to the values and objectives of the mission. According to the Senior Manager, "the students are communicated the mission of the organization through orientation." According to the literature review presented in Chapter Two, mission transparency is a best practice because it helps to reinforce the mission throughout the program.

The Senior Manager states that board members are given materials with the mission statement and the mission is also reinforced during meetings. Potential funders are presented with the mission when funding is sought. According to the Senior Manager, donors are educated on the mission during presentations about the program, as well as in program material. Additionally, the organization uses its website as a resource

for communicating the mission to the community.

Based on summary responses and document analysis, American YouthWorks exceeds standards for mission transparency. The mission of the organization is communicated to all stakeholders of the program. According to the literature presented in Chapter Two, mission transparency is a best practice for accountability because proactively exposing the organization's mission holds the values and objectives of the organization to a higher standard. A nonprofit organization that publically promotes standards elevates the accountability of the organization.

ETHICAL CULTURE

Ethical Standards – American YouthWorks has ethical policies, a “code of ethics,” and employees are required to acknowledge these policies by signing them. Further, the board has an adopted Conflict of Interest policy. For all categories, American YouthWorks was assigned scores of “2” (Organization has ethical policies, employees are required to sign the ethics policies, and the board has a conflict of interest policy). Tables 4.5 - 4.7 present the summary of the findings. The remainder of this section presents evidence for these conclusions.

Table 4.5 - Ethics Policies

<p>Does the Organization have ethics policies?</p>
<p><i>Response summary from interview:</i> American YouthWorks has a formal code of ethics.</p>
<p><i>Score:</i> 2=Organization has formal ethics policies</p>

Table 4.6 - Employees' Acknowledgement of Ethics Policies

Are staff members required to sign ethics policies?

Response summary from interview: American YouthWorks' employees are required to read sign code of ethics to demonstrate acknowledgement of the policies.

Score: 2=Employees are required to sign the ethics policies

Table 4.7 – Conflict of Interest Policy

Does the board have a Conflict of Interest policy?

Response summary from interview: American YouthWorks' board has a conflict of interest policy.

Score: 2=Yes

American Youthworks' Code of Ethics is presented in Appendix D. A document review of the Code of Ethics reveals a clearly written code, which outlines specific expectations for employees. For example, one ethical policy prescribes, "Staff shall not furnish alcohol or illegal/unauthorized drugs to any student or knowingly allow any student to bring alcohol or illegal/unauthorized drugs onto AYW's premise or to consume alcohol or illegal/unauthorized drugs in the presence of Staff."

Ethical policies are updated as necessary to remain current. For example, American YouthWorks recently "... updated our policies to address Facebook," said the Senior Manager. This ethical code of conduct prohibits staff from engaging with students on "social media sites." All employees are required to sign the ethics policies.

One best practice ethical policy, as identified through literature in Chapter Two, is a conflict of interest policy for board members. According to the Senior Manager,

American YouthWorks has adopted a formal conflict of interest policy for board members. Potential conflicts are discussed and vetted by the board. “Sometimes potential conflicts are tabled until the next meeting, in order to get more information,” said the Senior Manager. The Senior Manager offers that when potential conflicts occur, the board votes on issues, and majority rules apply.

American YouthWorks exceeds standards for Ethical Standards. The organization has formally adopted a Code of Ethics. Employees are required to acknowledge the ethical standards by signing them. Additionally, the board has a formal conflict of interest policy, as well as procedures for handling potential conflicts. Although American YouthWorks has adopted best practices for ethical standards, the organization could increase accountability best practices by including the ethical policies for the staff and board on the organization’s website.

Ethical Training – American YouthWorks’ management primarily promotes a standard of ethics by training on its ethics policies and discussing ethical issues. Ethics training is conducted when an employee is hired, as well as annually for existing employees. As a result, the organization is assigned a score of “2” (Ethical training is provided when hired and reinforced annually), and exceeds practical ideal type standards. Table 4.8 presents the summary of the findings. The remainder of the section provides evidence for this conclusion.

Table 4.8 - Ethics Training

Do employees receive training on ethics?

Response summary from interview: American YouthWorks conducts training on ethics for new employees and annually for staff.

Score: 2=Ethical training is provided when hired and reinforced annually

According to the Senior Manager, the organization conducts training on ethics for both new employees and existing employees. American YouthWorks conducts ethics training for new employees upon hire. For existing employees, ethics training occurs each year at the beginning of the school year. For example, annual ethics training consists of managers providing actual potential ethical situations, as well as feedback on the appropriate response to those ethical dilemmas. According to the Senior Manager, managers provide oversight to staff on ethical issues. Additionally, training on ethics occurs on an ongoing basis as situations occur that require management to address.

American YouthWorks exceeds standards for Ethical Training. New employees receive training when hired. This training is reinforced through annual training for employees. One highlight identified through a review of literature presented in Chapter Two of a best practice for ethics training is to provide scenarios to employees, which enhance the employees' decision-making process for ethical dilemmas; American YouthWorks has adopted this best practice.

Zero-tolerance Culture for Ethical Misconduct – Overall, American YouthWorks appropriately and systematically reprimands ethical misconduct. Therefore, the organization is assigned a score of “2” (Management does not tolerate ethical misconduct but has an appropriate and consistent approach). American YouthWorks

exceeds standards of best practices for Zero-tolerance Culture for Ethical Misconduct.

Table 4.9 presents the summary of the findings. The remainder of this section presents evidence for this conclusion.

Table 4.9 - Zero-tolerance Culture for Ethical Misbehavior

What is management's policy or philosophy for handling ethical misconduct?

Response summary from interview: American YouthWorks appropriately and systematically reprimands ethical misconduct.

Score: 2=Management does not tolerate ethical misconduct but has an appropriate and consistent approach.

Management uses formal Correction Plans for handling ethical misconduct. “We follow our formal Correction Plan for handling ethical misbehaviors,” said the Senior Manager. For example, should a Corrective Plan be required, it would include a written improvement plan to correct any issue concerning unethical behavior. Additionally, the Senior Manager contends that employees who exhibit unethical behavior are appropriately reprimanded, as necessitated by the situation.

American YouthWorks exceeds standards for a Zero-tolerance Culture for Ethical Misconduct. Employees are reprimanded for ethical lapses on a situational basis, using a consistent approach. The organization implements a best practice approach, as identified by literature in Chapter Two, by not tolerating unethical behavior and responding to any issues as management deems appropriate.

FINANCIAL PRACTICES

Financial Governance - American YouthWorks’ board maintains a Finance and Audit standing committee to oversee the organization’s finances and audits. The board

maintains constant communication and oversight of the organization’s financial responsibilities. American YouthWorks is assigned a score of “2” (Board and executive leadership are in constant communication on budget matters and budget items require full board approval) concerning the question on the board’s financial oversight, presented as Table 4.10. However, the organization is assigned a score of “1” (There is no independent audit committee but the board takes responsibility for assessing risk and preventing audit findings) for the Audit Committee interview item, presented as Table 4.11. American YouthWorks exceeds standards for Financial Oversight, however it meets standards for Audit Committee. The remainder of this section presents evidence for these conclusions.

Table 4.10 - Financial Oversight

What are the board’s financial oversight responsibilities?

Response summary from interview: American YouthWorks’ board routinely monitors financial information. There is ongoing dialogue between Senior Management and the Financial and Audit Committee, and ultimately the board has final approval on financial considerations.

Score: 2=Board and executive leadership are in constant communication on budget matters and budget items require full board approval

4.11 - Audit Committee

Does the board have an independent audit committee?

Response summary from interview: American YouthWorks’ board has a Financial and Audit Committee. There is not an independent audit committee.

Score: 1=There is no independent audit committee but the board takes responsibility for assessing risk and preventing audit findings

According to the Senior Manager, the Finance and Audit standing committee reviews monthly financial reports, and scrutinizes as necessary. Section 2.07(b)(1) of American YouthWorks' Board of Director's By-Laws, presented in Appendix E, delineates the standing committees responsibilities: "The Financial and Audit Committee shall assist the Chief Executive Office in preparing and presenting the annual budget to the Board of Directors, make necessary investment choices and generally protect the soundness of the corporation's finances and fiscal operations." The Senior Manager adds, "The Finance and Audit [standing] committee is responsible for picking [the financial reports] apart." The standing committee requests any additional information from Senior Managers that would be beneficial for full board review. The Senior Manager contends that the board and executive leadership are frequently in communication about the organization's financial issues.

According to the Senior Manager, the Finance Committee Chair makes sure that staff members are held accountable for finances. During the review process, if the Finance and Audit standing committee identifies something that is unfavorable, it is brought to the attention of the Senior Managers, who are responsible for making changes. Thereafter, financial reports are sent to the formal monthly board for approval. Ultimately, the board is responsible for all financial considerations. "The second step of the process is where [the financial reports] go to the board for approval," said the Senior Manager.

An independent auditor conducts annual audits of American YouthWorks. According to the Senior Manager, American YouthWorks "hires an outside independent auditor to come in and review our finances." The audit is thereafter reviewed by the full

board. The Finance and Audit standing committee is responsible for reviewing the organization's annual audit. American YouthWorks does not have a stand-alone audit committee.

American YouthWorks meets standards for Financial Governance. The organization clearly demonstrates best practices for reviewing financial reports, based on the literature presented in Chapter Two. There is monthly communication between the board's Financial Committee and senior management to review financial items. However, the board's By-Laws, presented in Appendix E, include the functions of the Audit Committee together with the Financial Committee. By combining the committees' membership, the committees' duties are inequitably distributed to monitor financial responsibilities, rather than having an independent committee whose sole responsibility is to safeguard against risk. The best practice approach is to separate the responsibilities of the two functions into separate committees. The Researcher concedes, however, that separating the two functions into two stand-alone committees could be problematic for smaller boards, which may not have sufficient number of board members to separate into two distinct committees.

Financial Transparency – Primarily, American YouthWorks communicates financial performance by making available the annual audit, Federal Form 990, and also by holding public meetings. As a result, American YouthWorks is assigned a score of “2” (Organization proactively provides information to customers). The organization exceeds standards for best practices for financial transparency. Table 4.12 presents the summary of the findings. The remainder of this section presents evidence for this conclusion.

Table 4.12 - Financial Transparency

In what ways does management make financial information available to customers (students, parents, funders, and the community)?

Response summary from interview: American YouthWorks puts financial documents on the organization's website and holds public meetings to discuss the organizations financial standing.

Score: 2=Organization proactively provides information to customers.

According to the Senior Manager, American YouthWorks files their annual audit with the federal government, which is available for public review. "Our audit is also filed with the Texas Education Agency," said the Senior Manager, and the audit is available on the Texas Education Agency website. "Each year we have a public meeting to talk about audit," the Senior Manager stated. Both the audit and the Federal Form 990 are available on American YouthWorks' website. American YouthWorks communicates financial performance by using the primary funders' website as well as by holding public meetings.

American YouthWorks exceeds standards for financial transparency. Both the annual audit and Federal Form 990 are made available on the organization's website for public review. The organization could enhance its best practices by including on the website the annual budget for each new fiscal year. American YouthWorks holds an annual public meeting to discuss the finances of the organization. According to literature presented in Chapter Two, this is a best practice highlight for financial transparency because it provides an opportunity for service recipients without Internet access to have access to the financial information. Financial transparency enhances organization

accountability, which results in a greater sense of public trust.

PERFORMANCE MEASURES

Balanced Performance Measurement – Overall, American YouthWorks uses a balanced approach for measuring performance. The organization routinely monitors academic and financial performance. Additionally, internal organizational efficiency is monitored, as is the application of new services or initiatives. Therefore, the organization exceeds standards for balance performance measurement and receives a score of “2” (Organization measures and monitors performance with a balanced approach). Table 4.13 presents the summary of the findings. The remainder of this section presents evidence for this conclusion.

Table 4.13 - Balance Performance Measures

Does the organization use a balanced approach for measuring performance?

Response summary from interview: American YouthWorks measures and monitors the financial health, student performance, and internal business practices of the organization, and the organizations ability to adapt to change.

Score: 2=Organization measures and monitors performance with a balanced approach.

The organization measures financial performance by monitoring participation. The school receives state revenue for the average daily attendance. According to the Senior Manager, “The school looks at financial health weekly. It is measured by looking at the enrollment goals, by monitoring the average daily attendance.” For program services, measuring program enrollment goals monitors the financial health of the organization.

Additionally, educational performance is measured each semester through

benchmark tests and class assessments. “[Education performance] is monitored on a semester basis by looking at passage rates, and benchmark tests,” said the Senior Manager. Additionally, education performance is monitored through class assessment.

Organizational efficiency is also measured. American YouthWorks’ management team holds weekly meetings to discuss issue, and during these meetings any internal deficiencies will be addressed. “Each week we have Issues Meetings where managers address internal issues,” said the Senior Manager. The Issue Meeting is where broad internal efficiency issues are addressed. Additionally, Senior Managers work with Program Managers on internal efficiency issues. Management scrutinizes the staff’s performance numbers in order to monitor internal efficiency. According to the Senior Manager, if a Program Manager has low performance numbers, then that staff member is required to develop an improvement plan, which is then monitored by management.

The organization monitors the adaptation of new services or initiatives generally through two processes. For example, the CEO of the organization is charged with seeking new initiatives through community involvement. According to the Senior Manager, the CEO identifies potential programs or initiatives, and the organization “may bring in the new program to make a presentation.” The CEO stays abreast of any new initiatives or programs that could be beneficial to the organization. Another example of the management’s measurement of new service or program adaptation is through grant-writing activities. The Senior Manager contends that a grant writer is also charged with monitoring new initiatives through grant-writing activities. Both the CEO and the grant writers assist in monitoring the adaptation of potential new services and initiatives.

American YouthWorks exceeds standards for Balanced Performance Measures.

American YouthWorks monitors performance for the financial and academic components of the organization. Additionally, American YouthWorks has a process for monitoring organizational efficiency, as well as innovation and learning. Routinely monitoring efficiency is a best practice because it allows corrective action to be taken in a timely manner. Additionally, proactively monitoring potential new services or programs is a best practice because it seeks innovative new ways to meet the objectives of the mission. The balanced performance measurement system promotes accountability by linking the mission of the organization with daily actions.

Performance Transparency – American YouthWorks primarily communicates performance data as necessary to the funders, as well as to services recipients. Consequently, the organization meets standards for performance transparency and is assigned a score of “1” (Organization communicates performance as necessary). Table 4.14 presents the summary of the findings. The remainder of this section presents evidence for this conclusion.

Table 4.14 - Performance Transparency

Does the organization proactively communicate performance to the customers (students, parents, funders, and the community)?

Response summary from interview: American YouthWorks reports performance to funders and makes available on website.

Score: 1=Organization communicates performance as necessary

Performance-related information is made available to the community on the Texas Education Agency’s website. American YouthWorks includes performance data on the organization’s website, in the “Resources for Parents” link. The Senior Manager

contends that the organization utilizes the Texas Education Agency's performance reporting system, the Academic Excellence Indicator System, by reporting performance through the system. Additionally, public meetings are held to talk about performance data. "We then have a public meeting to talk about the data," says the Senior Manager.

American YouthWorks does not have a recent Annual Report. According to the Senior Manager, the organization has issued an annual report in the recent past, but this report is not issued consistently. An Annual Report is an instrumental tool for communicating performance information to the community.

American YouthWorks meets the standards for Performance Transparency. American YouthWorks' performance is available on the organization's website, however, it was not easy to find. Performance reporting should target a larger audience rather than only funders and parents, since the entire community benefits from the services of the organization. Additionally, an annual report is a best practice method for communicating performance.

AMERICAN YOUTHWORKS MOSTLY EXCEEDS STANDARDS

American YouthWorks generally received an "Exceeds Standards" scoring for nonprofit accountability best practices. However, there were a few notable exceptions. While the organization routinely seeks programs in line with the mission, there is no formal process for reviewing the mission statement by the board. Furthermore, although the board is responsible for all financial information, including reviewing an annual independent audit, there is no formal audit committee to assist with this process. Finally, while the organization does make performance information available, there is no annual report that is proactively provided to customers. Despite the few gaps in accountability

best practices, American YouthWorks generally operates using high standards of accountability based on the ideal standard of nonprofit accountability presented in this research project.

CHAPTER SUMMARY

This chapter presented the results of American YouthWorks' responses in four areas: Mission-Based Accountability, Ethical Culture, Financial Practices, and Performance Measures. The results were presented in conjunction with the operationalization of the conceptual framework. Each subcategory included a narrative describing how American YouthWorks measured against the best practices for nonprofit charter school accountability. Additionally, the table included in each section provided the interview question, as well as the scored response. Each subcategory of the conceptual framework was measured with the applicable rating based on the scoring system, relating to the interviewee's response. The chapter provided the operationalization of the conceptual framework as tables nested within each section. The next chapter provides a conclusion, summarization of the research, and recommendations for future research.

CHAPTER 5: CONCLUSION

PURPOSE OF THE RESEARCH

The purpose of this research is to fill a gap in literature by developing an ideal standard for nonprofit charter school accountability, and to gauge how American YouthWorks measures to the ideal standard. A case study is used to gauge the feasibility of implemented a comprehensive best practice model of nonprofit accountability. More than ever, nonprofit organizations are expected to incorporate accountability standards to show they are good stewards of public funds. Increased accountability practices enhance trust from the community served. However, literature on nonprofit accountability is fragmented. The literature review presented in this research provides a comprehensive collection of best practices of nonprofit accountability.

Using a charter school to gauge the ideal nonprofit accountability model filled a gap in literature and a societal need. Nonprofit charter schools that incorporate best practices will be more likely to increase trust with the service recipients, funders, community, and the government. Increase public trust will likely thwart any negative perceptions of charter schools. Charter schools that adopt best practices of accountability are more likely to continue to receive funding, which will result in further sustainability, than those that do not.

CHAPTER SUMMARIES

Chapter One provided an introduction to the concept of nonprofit organizations as contractors for governmental services. The chapter also described the infusion of accountability expectations for nonprofit organizations, including charter schools.

Background information was provided on Texas charter schools in general, and specifically on the American YouthWorks organization.

Chapter Two provided the conceptual framework for a best practices nonprofit charter school accountability model. The chapter also discussed literature on each category and subcategory of the best practices model. A table was provided that summarized the conceptual framework.

Chapter Three detailed the research methodology used. The chapter summarized the merits for the case study approach. Strengths and weaknesses were discussed for the structured interview method. The chapter provided the human subject protocol, as well as the operationalization table.

Chapter Four discussed the results of the research. The results were presented as subcategories of the conceptual framework. Tables were included that connected the operationalization of the research methodology to the coded responses. Recommendations for the adoption of additional best practices for American YouthWorks were also given.

RECOMMENDATIONS FOR AMERICAN YOUTHWORKS

Based on the research presented, American YouthWorks can operate at a higher level of accountability by incorporating a few best practices. It is recommended that the organization should adopt policies for mission statement review, include the mission statement on the main page of the website, have a stand-alone audit committee, and develop an annual report.

The organization's board should adopt board policies for reviewing the mission and approving the mission statement. The mission statement should be reviewed, and

revised if necessary, every three years. Reviewing the mission statement will not only ensure that it is accurate, but also recommit the board to the values and goals of the mission. Additionally, the organization should include the mission statement on the main page of the website, rather than as a link. Including the mission statement on the main page will help promote transparency of the mission.

The board should adopt a stand-alone audit committee, independent of the finance committee, to review the annual audit. A formal audit committee will be able to provide a detailed level of attention to the annual audit, and will help to correct any potential issues prior to undergoing the audit. A prerequisite for having an independent audit committee is sufficient board size to support both an audit committee and a finance committee. This could be a limitation for American YouthWorks' board. According to American YouthWorks' website, the board has seven members. It is recommended that the board discuss the feasibility for adopting an independent audit committee and, potentially, increasing the number of board members.

The organization should be proactive about reporting performance measures to ensure adequate transparency. Analyzing the performance data and translating it into layman's terms could accomplish this. One recommendation for enhancing performance reporting is for American YouthWorks to return to the practice of issuing annual reports. An annual report is an ideal tool for communicating performance, as well as other pertinent information.

STRENGTHS AND WEAKNESSES OF RESEARCH

This research links best practices of nonprofit accountability in order to have a comprehensive ideal standard of nonprofit accountability. By incorporating the best

practices of this research, nonprofits could potentially be recognized by funders and highly accountable organizations. Increased funding would likely result in the ability to provide additional services, or to serve greater populations. This research project does not attempt to provide a scoring system to be used to compare nonprofit organizations against each other. Generally, nonprofit charter schools are unique, serve diverse populations, and provide a multitude of services; and these differences make it difficult to compare accountability in nonprofits against each other.

Many charter schools serve populations with historically underperforming academic performance. Thus, performance reporting is not easily digestible for many charter schools. Taken out of context, this issue provides an unfair disadvantage for charter school administrators. Charter schools serving populations of students considered “at-risk” of dropping out of school should not be compared to traditional schools. Academic performance reporting should be a component of an accountability model, however there are many other important components as well. Additionally, many nonprofit charter schools have limited resources and small board sizes, which could impede them from implementing some components of the best practice accountability model.

FUTURE RESEARCH

The primary focus of this research was to develop best practices for charter school accountability from an administrative level. The research focused on the accountability policies and practices of the nonprofit charter school organization. While some discussion of board responsibilities was included, it was not sufficient in order to capture a comprehensive approach of board management for accountability. Subsequent research

should focus exclusively on best practices of board accountability.

CHAPTER SUMMARY

Chapter Five summarized the research project as it relates to the purpose of the research. Strengths and weaknesses of the research were discussed. Recommendations for future research were provided. Finally, the chapter summarized the contents of the research project.

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APPENDIX A – INSTITUTIONAL REVIEW BOARD EXEMPTION



Christian Flores <christianpflores@gmail.com>

Exemption Request EXP2010J1352 - Approval

1 message

AVPR IRB <ospirb@txstate.edu>
To: christianpflores@gmail.com

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APPENDIX B – CONSENT FORM

Consent Form

Researcher: Christian Flores

Phone: (512) 797-1018, Email: christianpflores@gmail.com

This study involves *research* for a Texas State MPA Applied Research Project. The purpose of this study is to research the best practices of nonprofit accountability. American Youthworks has been chosen to participate in order to gauge how closely the organizations accountability practices/policies are to the ideal standard, as developed based on literature review.

This study will involve an approximately 45 minute interview. The researcher will ask questions regarding accountability in four key areas: Mission-based Accountability, Ethical Culture, Financial Practices, and Performance Measures.

Survey questions will be asked in a format similar to the question below.

How often does the board rewrite mission statements?

This study could be beneficial to participant by identifying best practices of nonprofit accountability. There is no compensation offered to participants. Participation is voluntary, and refusal to participate will involve no penalty or loss of benefits to which the subjects otherwise entitled, and the subject may discontinue participation at any time. The participant has the right to refuse to answer any question at any time, for any reason, and participants may withdraw from the study at any time without prejudice or jeopardy to their standing with the University and any other relevant organization/entity with which the participant is associated.

Pertinent questions about the research, research participants' rights, and/or research-related injuries to participants should be directed to the IRB chair, Dr. Jon Lasser (512-245-3413 – lasser@txstate.edu), or to Ms. Becky Northcut, Compliance Specialist (512-245-2102).

The confidentiality of the individuals will be maintained as a result of the project.

A summary of the findings will be provided to participants upon completion of the study, if requested. Participants may access the results by contacting the researcher listed above.

Participant

Researcher

IRB Approval # _____

APPENDIX C – AMERICAN YOUTHWORKS’ MARKETING MATERIALS



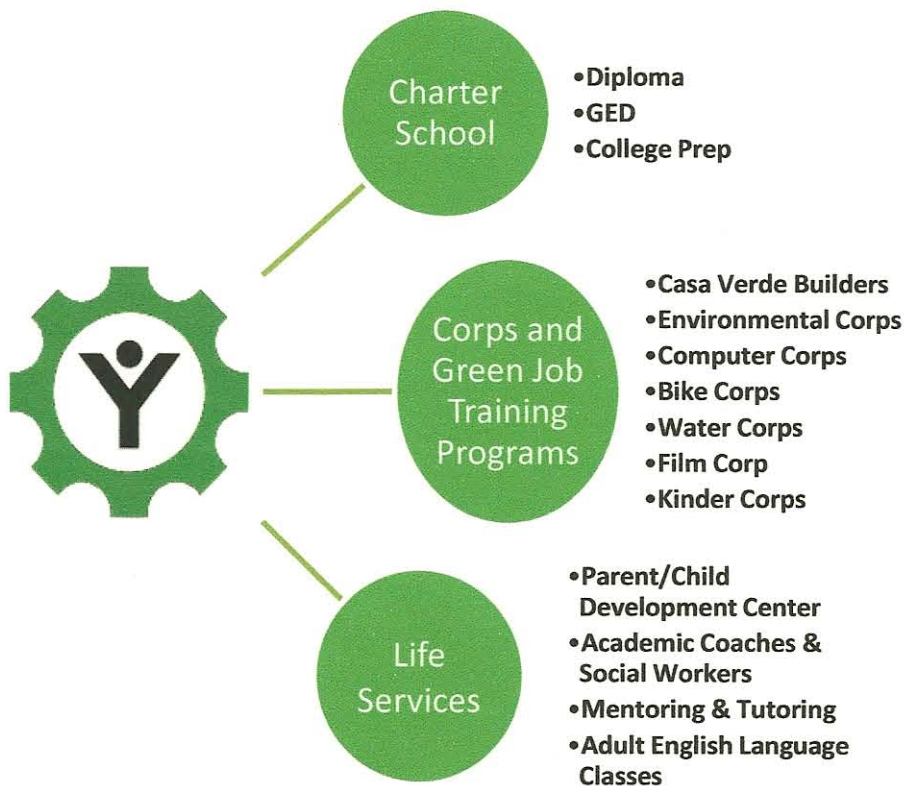
AMERICAN YOUTHWORKS

Green Jobs Training & Education Center



American YouthWorks (AYW) is a nonprofit Green Jobs Training and Education Center located in Austin, Texas. AYW operates a comprehensive program providing education, jobs training, and life services to transform the lives of youth and adults. AYW creates a holistic opportunity for individuals to acquire the life skills needed to succeed in the new, green economy.

Committed to conservation, community revitalization and education, American YouthWorks offers:



The **GREEN JOBS TRAINING CENTER** is a U. S. Department of Commerce investment retrofit of the AYW building to provide onsite green jobs training and technical certification in areas such as solar panel installation, wind turbine technology, energy efficiency building maintenance, fire control certification, HVAC technology and several other green business specialties. (LEED GOLD retrofit underway, complete 9/2009)

www.americanyouthworks.org

APPENDIX D – AMERICAN YOUTHWORKS’ CODE OF ETHICS



Code of Ethics

Statement of Purpose

American YouthWorks staff commits themselves to ethical behavior. In accordance with the Texas Educators Code of Ethics, we do hereby agree that all AYW staff shall comply with standard practices and ethical conduct toward students, professional colleagues, school officials, parents, and members of the community. All staff shall respect and obey the law, demonstrate personal integrity, and exemplify honesty.

1. Professional Ethical Conduct, Practices and Performance:

- 1.1. Staff shall not knowingly engage in deceptive practices regarding official policies of the school district or educational institution.
- 1.2. Staff shall not knowingly misappropriate, divert or use monies, personnel, property or equipment committed to his or her charge for personal gain or advantage.
- 1.3. Staff shall not knowingly submit fraudulent requests for reimbursement, expenses or pay.
- 1.4. Staff shall not use institutional or professional privileges for personal or partisan advantage.
- 1.5. Staff shall neither accept nor offer gratuities, gifts, or favors that impair professional judgment or to obtain special advantage. This standard shall not restrict the acceptance of small gifts or tokens offered and accepted openly from students, parents or other persons or organizations in recognition or appreciation of service.
- 1.6. Staff shall not falsify records, or direct or coerce others to do so.
- 1.7. Staff shall comply with Texas and federal regulations and other applicable Texas and federal laws.
- 1.8. Staff shall apply for, accept, offer, or assign a position or a responsibility on the basis of professional qualifications.

2. Ethical Conduct toward Professional Colleagues:

- 2.1. Staff shall not reveal confidential health or personnel information concerning colleagues unless disclosure serves lawful professional purposes or is required by law.
- 2.2. Staff shall not harm others by knowingly making false statements about a colleague or the school system.
- 2.3. Staff shall adhere to Texas and federal laws regarding the hiring, evaluation, and dismissal of personnel.
- 2.4. Staff shall not interfere with a colleague's exercise of political, professional or citizenship rights and responsibilities.
- 2.5. Staff shall not discriminate against or coerce a colleague on the basis of race, color, religion, national origin, age, sex, disability, or family status.
- 2.6. Staff shall not use coercive means or promise of special treatment in order to influence professional decisions or colleagues.



3. Ethical Conduct toward Students:

- 3.1. Staff shall not reveal confidential information concerning students unless disclosure serves lawful professional purposes or is required by law.
- 3.2. Staff shall not knowingly treat a student in a manner that adversely affects the student's learning, physical health, mental health or safety.
- 3.3. Staff shall not deliberately or knowingly misrepresent facts regarding a student.
- 3.4. Staff shall not exclude a student from participation in a program, deny benefits to a student, or grant an advantage to a student on the basis of race, color, sex, disability, national origin, religion, or family status.
- 3.5. Staff shall not engage in physical mistreatment of a student.
- 3.6. Staff shall not engage in any personal, social, or financial activities or have any personal, social, or financial relationships with students or participants other than bona-fide educational activities sanctioned by AYW. This includes visiting, social media sites, popular hang out spots, and other such area or activities where relationships can be formed. This standard shall not apply to staff and students who are relatives.
- 3.7. Staff shall not solicit or engage in sexual conduct or a romantic relationship with a student.
- 3.8. Staff shall not furnish alcohol or illegal/unauthorized drugs to any student or knowingly allow any student to bring alcohol or illegal/unauthorized drugs onto AYW's premises or to consume alcohol or illegal/unauthorized drugs in the presence of Staff.
- 3.9. Employees knowing of other employees engaged in any personal, social, or financial relationship must notify their immediate supervisor and the Human Resources department immediately upon learning of the relationship.
- 3.10. AYW strongly encourages staff to notify their manager of any incident in which it may appear that there is a personal, social or financial relationship that benefits the employee in any way.

Failure to adhere to the standard practices and ethical conduct toward students, professional colleagues, school officials, parents, and members of the community may result in disciplinary action up to and including termination of employment.

Circumstances may arise in which American YouthWorks determines that changes are required in these standards. For this reason, American YouthWorks reserves the right, at any time, to modify, rescind, or supplement any or all of the standards contained herein, and to take actions which may be contrary to a standard set forth in this Code of Ethics for the benefit of American YouthWorks or its employees.

Print Name

Employee Signature

Date

Manager and/or Human Resources Representative

Date

APPENDIX E – AMERICAN YOUTHWORKS BOARD OF DIRECTORS' BY-LAWS

BYLAWS

American YouthWorks A NON-PROFIT CORPORATION

ARTICLE ONE OFFICES

Registered Office

1.01 The registered office of the corporation is located at 1901 East Ben White Blvd. Austin, Texas 78741.

Registered Agent

1.02 The name of the registered agent of the corporation at such address is Chester Steinhauser.

Principal Office

1.03 The principal office of the corporation shall be located in the City of Austin, County of Travis, Texas.

Other Offices

1.04 The corporation may also have offices at such other places, within or without the State of Texas, where the corporation is qualified to do business, as the Board of Directors may from time to time designate, or the business of the corporation may require.

Membership Organization

1.05 The corporation can be a membership organization.

ARTICLE TWO ORGANIZATION

Board of Directors

2.01 (a) The corporation shall have a Board of Directors which shall carry out the business and affairs of the corporation and exercise all corporate powers subject to the limitations imposed by the Texas Non-Profit Corporation Act, the Articles of Incorporation and these bylaws.

(b) “Directors,” when used in relation to any power or duty requiring collective action, means Board of Directors.

Size, Election and term of Board of Directors

2.02 (a) The minimum number of Directors of the corporation shall be three (3). The number of Directors may be increased or decreased from time to time by majority vote of the Board of Directors, but in no event shall any decrease have the effect of shortening the term of an incumbent Director.

(b) It is a goal of AYW that at one-third of the Directors shall be residents of low-income neighborhoods, other low income community residents or elected representatives of low income neighborhood organizations, so as to meet the requirements of a certified Community Housing Development Corporation.

(c) Annually the chair shall appoint a Nominating Committee composed of members of the Board of Directors. The Nominating Committee shall prepare and submit to the Board of Directors the nominations for membership to the Board of Directors upon which the Board will vote.

(d) Directors shall be elected by majority vote of the Board of Directors at which a quorum is present at any regular scheduled meetings.

(e) The Chief Executive Officer and Chief Operations Officer shall be an ex-officio member of the Board of Directors. All other employees of the corporation are ineligible to serve on the Board of Directors.

(f) The term of the Directors shall be for a period of three years.

(h) Directors elected to full three-year terms may succeed themselves for additional three-year terms.

(i) No governmental body shall have any power to appoint any member of the Board of Directors.

(j) At no time shall more than one third of the positions on the Board of Directors be filled by public officials or public employees.

(k) Under no circumstances shall any Board member who is a public official or employee, have any power to appoint any other member of the Board of Directors, other than the individual vote of the Board member as a Director.

Resignation

2.03 Any Director of the corporation may resign at any time by giving written notice to the Board of Directors. Such resignation shall take effect upon receipt or at any later time specified therein.

Removal For Cause

2.04 (a) Any Director may be removed for cause at any time during his or her term of office by voting of a majority of the Board of Directors present at a regularly scheduled meeting, or at special meeting called for that purpose.

(b) Removal for cause may be predicated upon malfeasance, misfeasance, nonfeasance or adjudication of in-competency by a court having jurisdiction. However, in no event shall the above grounds constitute the exclusive causes for removal.

(c) Failure to attend three (3) consecutive meetings without notifying the Chair of the Board and offering him or her a satisfactory explanation shall constitute cause for the loss of voting rights until said director attends two consecutive meetings; thereafter the board may remove said director for non-attendance.

Vacancies

2.05 Vacancies in the Board of Directors shall exist in the case of the occurrence of any of the following events:

- (a) the death, resignation, or removal for cause of any Director;**
- (b) the authorized number of Directors is increased;**
- (c) the Board of Directors fails, for whatever reason, to elect the fully authorized number of Directors to be voted in.**
- (d) if within sixty days (60) of election, a Director fails to accept the office whether in writing or by attending a meeting of the Board of Directors.**

Filling Vacancies

2.06 Vacancies may be filled by majority vote of the remaining Directors, though less than a quorum. A Director elected to fill a vacancy shall serve for the un-expired term of his or her predecessor in office.

Standing Committees

2.07 (a) The corporation shall have standing committees which shall assist the Board of Directors in carrying out the business and affairs of the corporation.

(b) There shall be four standing committees of the corporation. They shall be the Finance and Audit Committee, the Development/Fundraising Committee, the Education Committee, and the Program Committee.

- (1) The Finance and Audit Committee shall assist the Chief Executive Officer in preparing and presenting the annual budget to the Board of Directors, make necessary investment choices and generally protect the soundness of the corporation's finances and fiscal operations.**
- (2) The Development/Fundraising Committee shall be responsible for fundraising and capital campaigns, public relations and visibility of the corporation and for intergovernmental relations.**
- (3) The Education Committee shall be responsible for the charter school and its endeavors.**
- (4) The Program Committee shall be responsible for the AmeriCorps programs, YouthBuild, enterprise training center, property opportunities, and activities of the Community Housing Developing Organization, which oversees the provision of decent sustainable built housing that is affordable to low and moderate income persons. The service area for this purpose includes: the City of Austin and Bastrop, Caldwell, Hays, Travis, and Williamson Counties.**

(c) Each standing committee shall have at least three (3) but not more than five (5) Directors as members. Other members may be employees of the corporation or volunteers from the community.

(d) Directors may volunteer to serve on a standing committee. If there are not enough volunteers or too many volunteers for a committee, the President shall appoint the members of the committees.

(e) Committee meetings are open to all members of the Board of Directors.

(f) The Treasurer shall serve as Chair of the Finance and Audit Committee. The Board President shall appoint other Committee Chairs.

(g) Committees shall meet upon call of the Board of Directors or their chair and shall review activities of the corporation in their areas and make recommendations to the Chief Executive Officer, the Chief Operation Officer and the Board of Directors. It is recommended that each committee meet monthly.

Strategic Advisory Council

2.08 Strategic Advisory Council of an unlimited number will be appointed by the Board of Directors to serve a one year term. Members of the Strategic Advisory Council may be appointed to additional one-year terms without limitation. The duties include fundraising for American YouthWorks, other resource development, and to contribute to the mission and long-range planning of the corporation. Attendance at the regular Board of Directors meetings is welcomed but not required.

Other Committees

2.09 The Board of Directors or the President may designate ad-hoc committees which shall exercise the powers, have responsibilities, or perform duties authorized by the board or the President consistent with these bylaws.

ARTICLE THREE PROCEDURES

Meetings and Voting

3.01 (a) The Board of Directors shall meet monthly unless a meeting is deemed necessary by the President and Chief Executive Officer. There will be an orientation meeting held each year for the new members of the Board of Directors. Special meetings of the Board of Directors may be called at the request of the President or any three (3) Directors. The Board of Directors may meet at any place designated by the President. The Secretary shall cause the Directors to be notified of regular or canceled meetings at least five (5) days in advance. Notice may be given to those present in an

announcement at a previous meeting. Notice of special meetings must be given three (3) days in advance. Special meetings shall be called at the discretion of the Chief Executive Officer and the President.

(b) One-third of the Directors shall constitute a quorum for the transaction of business.

(c) Every act done or decision made by a majority of the Directors present at any meeting duly held at which a quorum is present is an act of the Board of Directors, unless an act of greater number is required by these bylaws.

(d) Any action required or permitted to be taken by the Board of Directors under any provision of the Texas Non-Profit Corporation Act that do not violate the open meetings act or under these bylaws may be taken without a meeting, if a majority of all members shall individually or collectively consent in writing or email to such action. Such written consent shall have the same force and effect as a majority vote of such Directors.

Personal or Adverse Interest

3.02 Any contract or other transaction between the corporation and any of its Directors (or any corporation or firm in which any of its Directors is directly or indirectly interested) shall be valid for all purposes notwithstanding the presence of such Director at the meeting and authorizing such contract or transaction provided, however, that the Director has made a full disclosure to the Board of Directors of his/her interest. Such interested Director may be counted in determining whether a quorum is present but not in calculating the majority necessary to carry such a vote.

Compensation

3.03 Directors as such shall not receive any salaries for their services, but may be compensated for any actual or necessary expenses incurred in the performance of their duties for the corporation.

ARTICLE FOUR OFFICERS

Number and Titles

4.01 The officers of the corporation shall be a President, First Vice-President, Secretary and a Treasurer. The corporation may also have, at the discretion of the Board of Directors, such other officers as may be appointed by the Directors. One person may hold two or more offices, except those of President and Secretary. The officers shall be elected by the Board of Directors to serve three-year terms of office. The election shall be conducted at the Board of Directors' last meeting preceding the close of the fiscal year. Officers can be elected to serve no more than two consecutive three-year terms of office.

Nomination and Election

4.02 The Nominating Committee shall prepare and submit to the Board of Directors at its annual meeting, nominations for the offices due to become vacant by virtue of the expiration of the term of the person holding office. The election of officers at the annual meeting shall be by vote of the majority of the Board of Directors present. The Chair emeritus shall be elected by the Board of Directors.

Vacancies

4.03 If a vacancy occurs during the term of the office for any elected officer, the Board of Directors shall fill the vacancy in the same manner provided for the election at the next board meeting.

President

4.04 (a) The President will preside at all meetings of the Board of Directors and shall be an ex-officio member of all standing or new committees, unless otherwise provided by the Board of Directors or these bylaws.

(b) The President shall, with the advice of the Board of Directors and in accordance with the requirements of these bylaws set and cause the secretary to give notice of the agenda for each meeting of the Board of Directors.

(c) The President shall have the duty to generally supervise, direct or control the business and officers of the corporation and shall exercise such supervisory powers as may be given him/her by the Board of Directors from time to time.

(d) The President signature shall be an authorized signature for all checking, savings, and investment accounts of the corporation.

First Vice President

4.06 (a) The First Vice-President shall be the parliamentarian and interpret any ambiguities of the bylaws.

(b) The First Vice-President shall assume the duties of the President in the absence or disability of the President.

(c) The Secretary and then Treasurer shall assume the duties of the President in the absence or disability of the President or First Vice-President.

Treasurer

4.07 (a) The Treasurer shall direct the CFO to keep all financial records or copies thereof at the principal office of the corporation and exhibit them to any Director during regular business hours.

(b) The Treasurer, CEO, COO, and CFO of the corporation shall devise a plan providing for the acceptance and disbursement of all funds of the corporation which shall be approved by the Board of Directors.

(c) The treasurer will direct all lines of credit which will require dual signatures of either the CEO, COO, CFO, President or Treasurer and approved by the finance/audit committee.

(d) The Treasurer's signature shall be authorized signator for all checking, savings and investment accounts of the corporation.

(e) The Treasurer shall direct the Chief Executive Officer and or the Chief Operating Officer to render to the President and the Board of Directors, whenever they request it, an accounting of all transactions and of the financial condition of the corporation.

Secretary

4.08 (a) The Secretary shall attest to and keep the bylaws and other legal records of the corporation or copies thereof at the principal office of the corporation.

(b) The Secretary shall keep a record of the names and addresses of the Directors entitled to vote at the principal office of the corporation.

(c) The Secretary shall take or cause to be taken minutes at all meetings of the committees or Board of Directors and keep copies of all those minutes at the principal office of the corporation.

(d) The Secretary shall, with the approval of the Board of Directors, set up the procedures for any elections held by the corporation. The Secretary shall keep a record of all votes cast in such elections.

(e) The Secretary shall cause all records of the corporation, minutes of all official meetings and records of all votes to be available for inspection by any member of the Board of Directors at the principal office of the corporation during regular business hours.

(f) The Secretary shall see that all notices are duly given in accordance with these bylaws or as required by law.

(g) The Secretary shall with the assistance of the First Vice-President see that all books, reports, statements, certificates and other documents and records by law are properly kept and filed.

(h) In the case of the absence or disability of the Secretary, or the Secretary's refusal or neglect to act, the First Vice-President shall perform all of the functions of the Secretary.

Immediate Past-President

4.09 (a) There shall be a position entitled the Immediate Past-President of the organization.

(b) The Immediate Past-President shall assist the President in transition and any other duties required by the President.

Chair Emeritus

4.10 (a) There shall be a position entitled Chair Emeritus elected by the board.

(b) The Chair Emeritus has voting privileges

(c) The Chair Emeritus shall be the historian of the organization.

Executive Committee

4.11 The President, and First Vice-President, Treasurer, Secretary, Immediate Past President on the board shall constitute and serve as the Executive Committee. A majority of the Executive Committee shall constitute a quorum for the transaction of business. The Executive Committee shall have such power and authority to conduct the business and affairs of the corporation between regularly scheduled meetings of the full Board.

Any and all actions taken by the Executive Committee shall be presented to the full Board for approval and/or ratification. The Executive Committee shall meet as necessary, execute Board of Directors' directives, act for the Board of Directors in emergencies and evaluate CEO performance and adherence to the corporation's mission.

Fidelity Bond

4.12 The corporation at its expense shall provide directors and officers insurance and a fidelity bond to cover all board members.

ARTICLE FIVE RULES OF PROCEDURE

5.01 The proceedings and business of the Board of Directors shall be governed by the most recent Robert's Rules of Order unless otherwise provided herein.

ARTICLE SIX EXECUTIVE OFFICERS Chief Executive Officer

6.01 (a) The Board of Directors shall hire the Chief Executive Officer of American YouthWorks who shall serve at the pleasure of the Board of Directors.

(b) The Chief Executive Officer shall be paid an annual salary determined by the Executive Committee and approved by the Board of Directors.

(c) Subject to such supervisory powers as are vested in the Board of Directors, and based upon the specific limits given by the Board the Chief Executive Officer shall supervise, the business of the corporation and have the general powers and duties to assure for the long term planning, vision, viability and mission of the corporation, and shall have such other powers and duties as may be prescribed or restricted by the Board of Directors or by these bylaws.

Duties and Limitations

6.02 (a) The Chief Executive Officer may engage in negotiations involving commitments of the resources of the corporation or the acceptance of money or resources by the corporation. Any final contract, deed, conveyance, notice, lease, promissory note or legal written instrument shall be executed by the Chief Executive Officer and the President, in accordance with the approved budget of through general authorization of the Board. When authorized by the Board of Directors, and in accordance with the annual budget, the Chief Executive Officer may dispense the funds of the corporation. Transactions, not previously approved, or which have a value of \$10,000 or more shall require majority approval of the Executive Committee or at its discretion by a majority of the Board of Directors. In the event that the delay of a transaction, which has a value of more than \$10,000 but less than \$15,000, would cause material loss of value or good will, the Chief Executive Officer may execute such transaction provided that the Chair is notified of the transaction within five (5) days of the transaction and the transaction is ratified at the next meeting of the Board of Directors. In the event of non-ratification, the CEO authority to act in this way is suspended until reinstated by the Board.

(b) The Chief Executive Officer shall and/or his/her designee represent the corporation in person or by substitute to all other groups, associations, foundations or other organizations including federal, state and local governmental entities.

(c) The Chief Executive Officer shall render an annual report of the activities of the corporation, including its financial activities, for the prior year and be presented by the November board meeting including its financial plans, to the Board of Directors.

(d) The Chief Executive Officer shall deliver an annual budget including a compensation plan activities and plans for the corporation for the following year to be presented to the Board of Directors for its approval in August.

(e) The Chief Executive Officer shall keep the Board of Directors informed about the activities of the corporation on a monthly basis.

(f) The Board of Directors may transfer any of the powers and duties given the Chief Executive Officer. The Board of Directors shall notify the Chief Executive Officer in writing of any changes in his/her powers or duties.

(g) The Chief Executive Officer (CEO) shall have the authority to hire/fire ONLY with (1) the concurrence of the Chief Operating Officer (COO) or (2) with the concurrence of the Executive Committee with a minimum of two votes or the Board of Directors.

(h) The CEO shall NOT have the authority to fire the COO and CFO without Board approval.

(i) Hiring of replacement positions of the two senior job positions below COO require a two-thirds (2/3) vote by CEO, COO and Executive Committee.

(j) No hiring decisions for a new (unbudgeted) position can be made without board approval.

CHIEF OPERATING OFFICER

6.03 (a) The Chief Operating Officer shall from time to time hire whatever employees or contract with persons as necessary to staff the programs of American YouthWorks and accomplish the tasks necessary to run the programs of the organization.

(b) The Chief Operation Officer may appoint and remove, employ and discharge, and may prescribe the duties of all agents and employees of the corporation, other than the Chief Executive Officer. The COO has the right to hire the top two managers in concurrence with the CEO and the Board of Directors breaks a tie.

(c) The Chief Operation Officer shall act in temporary capacity of CEO if the CEO is unable to act provided concurrence with the President of the board of Directors.

(d) The Chief Operation Officer shall manage all daily operating issues.

- (e) The Chief Operation Officer shall report to CEO.**
- (f) The Chief Operation Officer shall have any powers and/or duties as may be prescribed by the Board of Directors.**
- (g) The Chief Operation Officer shall prepare an annual report for the CEO including retrospective and prospective activity of the corporation by July 31 each year to the CEO and Board of Directors.**
- (h) The Chief Operation Officer shall provide for expertise and efficiency of staff, programming and finances to satisfy the long term vision, planning and mission of the corporation.**

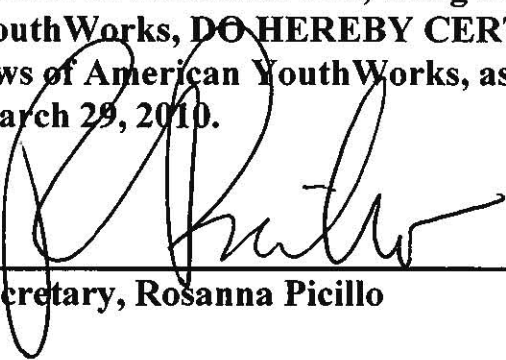
ARTICLE SEVEN NON-DISCRIMINATION

7.01 Neither the corporation nor any of its programs or projects nor the programs or projects with which it is affiliated shall unlawfully discriminate on account of race, color, age, national origin, sexual orientation, familial status, religion, political affiliation or disability.

ARTICLE EIGHT AMENDMENTS

8.01 (delete – These bylaws may be amended by giving the Board of Directors twenty-eight (28) days notice prior to a majority vote of the full Board of Directors at any Board meeting where a quorum is present. Revised December 20, 2004. (Approved October 25, 2005). Revised March 29, 2010.

I, THE UNDERSIGNED, being the Secretary of American YouthWorks, DO HEREBY CERTIFY that the foregoing are the By-laws of American YouthWorks, as adopted by the Board of Directors on March 29, 2010.



Secretary, Rosanna Picillo