
AGENDA ITEM: Compliance Matters – Classroom Site Fund (Discovery Plus Academy)

Issue

Based on its submitted fiscal year 2008 audit, Discovery Plus Academy has violated Classroom Site Fund requirements for three consecutive years. Pursuant to the Board’s [Audit & Compliance Questionnaire Follow-up Matrix](#), the charter holder has been placed on the agenda for the Board’s consideration.

Background

The Classroom Site Fund (CSF) was established in state statute in fiscal year 2002 and is funded primarily through an increase in the sales tax as a result of Proposition 301 which was passed by the voters to provide, among other things, for teacher salary increases and other specified maintenance and operation purposes. The specific purposes for which CSF monies can be spent are outlined in A.R.S. §15-977. Additional guidance on the proper use and tracking of the monies is outlined in USFRCS Memorandum No. 44 issued by the Office of the Auditor General.

Since the law limits how CSF monies may be spent, if a school does not spend all of the CSF monies it received during the fiscal year, then at the end of the year, the school needs to have enough cash in the bank to cover the unspent portion (“carryover”). The compliance questionnaire, which is completed as part of the annual audit, includes a series of questions relating to CSF monies.

Discovery Plus Academy

As demonstrated in the table below and based on the charter’s annual audits, for the past three fiscal years, Discovery Plus Academy has not had sufficient cash to cover its CSF carryover.

**Discovery Plus Academy
CSF Carryover and Shortfall**

	Carryover	Shortfall
Fiscal Year 2006	\$22,136	\$10,288
Fiscal Year 2007	\$28,753	\$7,702
Fiscal Year 2008	\$35,710	\$17,440

On April 9th, staff faxed and mailed a letter asking Discovery Plus Academy to provide by April 24th a written description detailing what the school has done since receiving the fiscal year 2008 audit to ensure future compliance with CSF requirements. Prior to the deadline, staff received the school’s response, which addresses recent changes in staffing and efforts to reduce expenditures. [A copy of the response has been included in the meeting materials.](#)

Board Options

1. Based on the information provided by the charter holder, the Board may instruct staff to monitor Discovery Plus Academy’s compliance periodically until such time as compliance is demonstrated through the review of the fiscal year 2009 audit, which is due November 15, 2009, or a later audit.
2. The Board may find Discovery Plus Academy is in noncompliance with state law for its failure to comply with Classroom Site Fund requirements found in A.R.S. §15-977 and approve withholding 10% of Discovery Plus Academy’s monthly State aid apportionment until the charter holder can demonstrate compliance with Classroom Site Fund requirements either through the fiscal year 2009 audit or through Agreed Upon Procedures established by Board staff.

Staff’s Recommendation

Staff’s recommendation is Option #2.