

---

**AGENDA ITEM:** Compliance Matters – Classroom Site Fund (Sierra Summit Academy)

**Issue**

Based on its submitted fiscal year 2008 audit, Sierra Summit 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.

**Sierra Summit Academy**

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

**Sierra Summit Academy  
CSF Carryover and Shortfall**

	<b>Carryover</b>	<b>Shortfall</b>
<b>Fiscal Year 2006</b>	\$14,286	\$6,296
<b>Fiscal Year 2007</b>	\$21,169	\$10,472
<b>Fiscal Year 2008</b>	\$24,413	\$14,295

On April 10<sup>th</sup>, staff faxed and mailed a letter asking Sierra Summit Academy to provide by April 24<sup>th</sup> a written description detailing what the school has done since receiving the fiscal year 2008 audit to ensure future compliance with CSF requirements. Since the school did not provide a response by April 24<sup>th</sup>, the following additional communications with the school occurred:

- On April 27<sup>th</sup>, staff sent the charter representative a reminder fax and email indicating that the requested information due on April 24<sup>th</sup> had not been received.
- On April 28<sup>th</sup>, staff contacted the school to ensure that the fax sent on April 27<sup>th</sup> had been received. Since the school indicated that the third page did not come through, staff resent the fax and confirmed that the school received the complete resent fax.
- On April 28<sup>th</sup>, staff forwarded the email sent to the charter representative to a member of Sierra Summit’s board, who has responded on behalf of the school to staff requests in the past.
- On May 1<sup>st</sup>, staff received the school’s response, which provides background on why the school is in this situation and proposes a solution for the Board to consider. [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 Sierra Summit 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 Sierra Summit 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 Sierra Summit 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.
3. The Board may find Sierra Summit 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 Sierra Summit 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 and direct staff to conduct a full compliance monitoring of the school prior to the end of school year.

Staff's Recommendation

Staff's recommendation is Option #3.