
AGENDA ITEM: Compliance Matters – Back-to-Basics School and Scottsdale Horizons Charter School**Issue**

Reviews conducted between February 2010 and May 2010 by staff of the accuracy of the student attendance data being reported by Back-to-Basics School and Scottsdale Horizons Charter School to the Arizona Department of Education for funding purposes identified:

1. Two separate records created for at least six students and uploaded to ADE which were not supported by the teacher-marked attendance rosters (“duplicate students”).
2. Instances where student data reported to ADE did not match the information supported by the teacher-marked rosters, including at a minimum, a net overstatement of nearly 1,000 student membership days.

This is not the first time staff has identified issues with the student data the charter holders have submitted to ADE for funding purposes. In fiscal year 2009, site visits conducted to the three charter schools operated by Back-to-Basics School and Scottsdale Horizons Charter School identified more than 80 students being reported to ADE for funding that were not supported by the schools’ teacher-marked attendance rosters.

General Background

Back-to-Basics School, a non-profit, tax-exempt entity, was granted a charter by the Board in June 2003. The organization currently operates one charter school, Horizons Back-to-Basics, in Phoenix serving grades kindergarten through eighth. The charter representative is Marcia Lee. Per the most recently submitted Arizona Corporation Commission annual report, Marcia Lee is the only officer and director of the corporation.

Scottsdale Horizons Charter School, a non-profit, tax-exempt entity, was granted a charter by the Board in July 1995. The renewal application for this charter is set for consideration by the Board at its July 2010 meeting. The organization currently operates two charter schools. Peoria Horizons Charter School in Peoria is approved to serve grades kindergarten through eighth. Montage Academy in Scottsdale is approved to serve grades kindergarten through fourth. The charter representative is Marcia Lee. Per the most recently submitted Arizona Corporation Commission annual report, Marcia Lee is the only officer and director of the corporation.

The number of students attending a charter school during the first 100 days of the school year drives the amount of State funding received by the school. The amount of funding received from the State is affected by the point at which students enroll during that 100-day period, how long they stay enrolled, as well as the attendance patterns of the students while enrolled. For Horizons Back-to-Basics, Peoria Horizons Charter School, and Montage Academy, the first day of school was August 12, 2009. The 100th day was January 20, 2010.

Background – Fiscal Year 2009 Site Visits

On August 28, 2008, two weeks after the start of the school year, staff conducted a site visit of Horizons Back-to-Basics to count students due to an approximate 28% increase in the number of students being reported by the school from fiscal year 2008 to fiscal year 2009 without the submission of an expansion amendment or a request for an enrollment increase.

- During the site visit, 88 students were observed which was higher than the 80 students being reported to ADE at the time of the visit.
- On September 2, 2008, five days after visiting the school, staff accessed the school’s revised estimated student count list and found the school had increased its student count to 119 students.
- Staff notified the school of the discrepancy and requested certain attendance rosters. The school provided the rosters and the following explanation for the discrepancy:
“In regards to the ‘discrepancy’ you mentioned, I researched the matter with Marcia Lee, the Charter Rep. I learned that the school is still expecting those other students. A number of students enrolled over the Summer due to the bussing we planned to provide this year. There was a delay with the financing of the buses which has now been cleared up. ... We are in the process of recontacting the parents of those students to let them know bussing will now take place. We expect them to begin school forthwith. Also, several of our students go back to Mexico over the Summer and some informed us that they would not return until a few weeks into the school year. As we

contact the parents of these students, we are revising our lists and, if need be, will remove them from Estimated Counts. ...”

- The rosters provided by the school supported 90 students. Staff shared with the school that, because the school had been in session in excess of 10 days, it is not appropriate for the school to claim students that have not yet attended in its revised estimated count for the purposes of calculating future funding. Following staff’s request, the Arizona Department of Education (ADE) opened up the estimated count application so the school could revise its estimated student count down.
- The school revised its estimated count down from 119 students to 93 students. In comparing the names on the revised estimated count list to the names on the school rosters for August 13th through August 29th, staff identified three more students who should have been removed from the revised estimated count list submitted to ADE for the September payment. These three students included one who did not appear on the rosters at all, one who the rosters showed withdrew on the second day of school, and one who appears on the rosters, but for whom no attendance was indicated.
- Subsequently, the school revised its estimated student count list to 91 students for the October 2008 payment.

Because of the discrepancies found at the Horizons Back-to-Basics site, on September 3, 2008 and September 4, 2008, staff conducted site visits of Peoria Horizons Charter School and Montage Academy, respectively, to count students. Prior to the visits, staff had requested rosters for the week of August 25th for these two schools. A comparison of the student names on the documents provided by the schools to the student names reported to ADE for the September payment identified more students being reported than were supported by the documents.

- 58 students were observed on the Peoria Horizons campus and an additional 13 students were confirmed absent. Additional rosters were obtained during the visit. For the September 2008 payment, Peoria Horizons was reporting a total of 102 students. The documents obtained from the school supported 71 students. The ADE estimated count list included 32 student names that did not appear on the rosters. Additionally, the rosters supported the attendance of 1 student who had not been included on the estimated count list. The net difference was 31 students being over-reported.
- 50 students were observed on the Montage Academy campus. Additional rosters were obtained during the visit. For the September 2008 payment, Montage Academy was reporting a total of 80 students. The documents obtained from the school supported 57 students. The ADE estimated count list included 25 student names that did not appear on the rosters and the name of 1 student, who appeared on the rosters, but for whom no attendance was indicated. Additionally, the rosters supported the attendance of 3 students who had not been included on the estimated count list. The net difference was 23 students being over-reported.
- Pursuant to A.R.S. §15-185(B)(2), ADE was requested to revise its computation for Peoria Horizons’ and Montage Academy’s September payment by reducing the schools’ student counts by 31 students and 23 students, respectively.
- Subsequently, Peoria Horizons and Montage Academy revised their estimated student count lists to 74 students and 57 students, respectively, for the October 2008 payment.

Fiscal Year 2010 Site Visits & Documentation Review

Back-to-Basics School Review

Back-to-Basics School’s fiscal year 2009 financial statements were prepared assuming the organization will continue as a going concern.¹ The audit included the required disclosure regarding management’s plans. The organization states, in part, that management has developed a plan that includes increasing enrollment by 37%. Staff reviewed ADE reports and found that the school’s 100th day average daily membership (ADM) for last

¹ “Going concern” is the idea that an organization will continue to engage in its activities for the foreseeable future. If the auditor doubts that the organization will exist for at least the next year, the audit opinion would include a paragraph explaining this concern, as was the case with Back-to-Basics School.

year (fiscal year 2009) was 77.883 and its estimated count for this fiscal year (fiscal year 2010) was 101.5.² This represented an increase of approximately 30% over the prior year. Based on the issues identified in fiscal year 2009, as described above, staff determined that it was appropriate to conduct a site visit to confirm the school’s fiscal year 2010 student count.

On February 16, 2010, staff conducted a site visit of Horizons Back-to-Basics that included counting students. Prior to the visit, staff reviewed information available through ADE’s website and determined that the school was reporting a total of 111 students as enrolled and still attending. In the morning, staff observed 74 students on campus. Staff returned later that day in order to meet with the principal and observed 88 students on campus. At the meeting with the principal, the principal stated that approximately 98 students were currently enrolled. He mentioned that enrollment was approximately 110 students at the beginning of the year, but some students did not return after the winter break. Rosters obtained on February 16th indicated no more than 100 students were enrolled at the time of the visit, which represented approximately 10% fewer students than were reported to ADE for funding purposes. Because of the discrepancy, staff obtained copies of teacher-marked attendance rosters for the school year.³

Staff compared the information contained on the teacher-marked attendance rosters for the first 100 days of the school year to the information submitted by the school to ADE and used by ADE to determine the school’s funding for fiscal year 2010. Staff’s comparison focused primarily on determining the accuracy of students’ names, entry dates and withdrawal dates reported to ADE and identified two main issues:

1. Two separate records were created for at least two identified individual students and uploaded to ADE which were not supported by the teacher-marked attendance rosters (“duplicate students”). For example, the teacher-marked attendance rosters supported the following:

Name	SAIS ID	School’s Student ID	Entry Date	W/D Date	Absences
John Doe	67891011	100	11/2/2009	N/A (Still enrolled)	9

However the following information was reported to ADE:

Name	SAIS ID	School’s Student ID	Entry Date	W/D Date	Absences
John Doe	67891011	100	11/2/2009	N/A (Still enrolled)	9
John Doe	87654321	100	11/2/2009	N/A (Still enrolled)	0

As a result, instead of being funded for the one student supported by the teacher-marked attendance rosters, the school received funding for two students.

2. Instances where student data reported to ADE did not match the information supported by the teacher-marked rosters, including overstatement of student membership days. For example, the rosters supported a student as enrolled in and attending the school from August 12th through September 18th. However, the information reported to ADE and used for determining funding indicated that the student enrolled on August 12th and was still enrolled and attending the school through the 100th day and beyond.

Scottsdale Horizons Charter School Review

Based on the issues identified at Horizons Back-to-Basics, staff reviewed information available through ADE’s website for Peoria Horizons Charter School and Montage Academy.⁴ This review identified possible “duplicate

² For fiscal year 2010, monthly charter school payments were based on the estimated student count through a greater portion of the school year than in the past. The State did not transition to paying charter schools based on their actual student attendance data until the April 2010 payment.

³ Complete rosters were not provided during the site visit. Staff followed up with the schools and the requested missing rosters were provided on April 30th.

⁴ Scottsdale Horizons Charter School’s fiscal year 2009 financial statements were prepared assuming the organization will continue as a going concern. In the audit’s required disclosures regarding management’s plans, the organization states, in part, that it “expects enrollments to increase”.

students” being reported by Peoria Horizons Charter School. To confirm the accuracy of student attendance data being reported by these two schools, staff conducted site visits of Peoria Horizons Charter School on March 22, 2010 and Montage Academy on March 24, 2010. While at the schools, staff obtained copies of teacher-marked attendance rosters and other documentation for August 2009 through January 2010.⁵

As with Horizons Back-to-Basics, staff compared the information contained on the teacher-marked attendance rosters and other documentation for the first 100 days of the school year to the information submitted by each school to ADE and used by ADE to determine each school’s funding for fiscal year 2010.

- For Peoria Horizons Charter School, staff’s comparison identified similar issues as those identified at Horizons Back-to-Basics, including “duplicate students” and instances where student data reported to ADE did not match the information supported by the teacher-marked attendance rosters, including overstatement of student membership days.
- For Montage Academy, staff’s comparison identified instances where student data reported to ADE did not match information supported by the teacher-marked attendance rosters, including overstatement of student membership days.

Specific Findings Identified Through Both Reviews & Their Impact

The table below summarizes, by school, the issues identified through staff’s review of the schools’ teacher-marked attendance rosters and the student data submitted by the schools to ADE for funding purposes and the magnitude of the issues identified.

Summary: Specific Findings Identified During Staff’s Reviews^a

	# of "Duplicate Students" Identified	Overstated Membership Days	Understated Membership Days	Overstated Membership Due to "Duplicate Students"
Horizons Back-to-Basics	2	613	42	23%
Peoria Horizons Charter School ^b	4	345	n/a	86.4%
Montage Academy	n/a	81	5	n/a
	6	1039	47	--

^a The numbers included in the table should be viewed as minimums (e.g., at a minimum, 613 membership days were overstated at Horizons Back-to-Basics) and not maximums.

^b The "raw" data submitted for Peoria Horizons to ADE included 3 "duplicate students" until a fourth was added as of April making a total of 8 students (4 "real" and 4 "duplicate"). However, the school's May payment only included 7 of these students (3 "real" and 4 "duplicate").

In the table above, the overstated and understated membership day totals reflect multiple students. The number of overstated membership days per student identified ranged from 1 day to 100 days while the number of understated membership days per student identified ranged from 1 day to 14 days. Since payment is based on the first 100 days of the school year, the overstatement of 1,039 membership days equates to approximately 10.4 students. The understatement of 47 membership days equates to approximately 0.5 students. The net overstatement would then equal an estimated 10 students. Based on the funding formula for these two charters, 10 students could equate to an overpayment of approximately \$70,000 for the year.

The effect of the schools’ overstatement and understatement of membership days can be demonstrated in another way as shown in the table below. This table could have been created using any day(s) within the first 100 days of the school year. The 40th day and 100th day were used because the first 40 days of the school year and the first 100 days of the school year are important milestones for school funding. Please note that the information in this table does not reflect the first 40 days or first 100 days of the school year. It reflects the 40th day (October 7, 2009) and the 100th day (January 20, 2010).

⁵ Complete rosters were not provided during the site visit. Staff followed up with Montage Academy and the requested rosters were provided on April 30th.

Comparison: Students Enrolled on 40th & 100th Days Based on Teacher Rosters & ADE Reports

	# of Students Enrolled on 40th Day (10/7/09)		# of Students Enrolled on 100th Day (1/20/10)	
	Per Teacher Rosters	Per ADE Reports*	Per Teacher Rosters	Per ADE Reports*
Horizons Back-to-Basics	92	98	102	111
Peoria Horizons Charter School	80	83	74	82
Montage Academy	54	55	45	46
Total	226	236	221	239

* Information from SdADMS75 reports aggregated April 9, 2010 obtained from ADE's website.

Board Options

1. The Board may direct staff to monitor the charter holder's progress on these issues and provide additional updates as they become available.
2. The Board may find the charter holder in noncompliance with state law for failing to report student attendance data in accordance with A.R.S. §§ 15-185(B)(2), 15-901 and 15-902 and approve withholding 10% of the charter holder's monthly State aid apportionment until compliance is demonstrated.
3. The Board may vote to issue a Notice of Intent to Revoke the charter holder's charter contract for failing to report student attendance data in accordance with A.R.S. §§ 15-185(B)(2), 15-901 and 15-902.
4. The Board may choose to withhold 10% of the charter holder's monthly State aid apportionment (Option #2) and to issue a Notice of Intent to Revoke the charter holder's charter contract (Option #3).

Staff's Recommendation

For Back-to-Basics School

The Board finds Back-to-Basics School in noncompliance with state law for failing to report student attendance data in accordance with A.R.S. §§ 15-185(B)(2), 15-901 and 15-902 and approves withholding 10% of its monthly State aid apportionment until compliance is demonstrated. In order to demonstrate compliance, the corrective action plan for the charter holder includes:

- Demonstration that the charter holder has corrected the student attendance data for fiscal year 2010 reported to ADE and used for funding purposes. This would include providing all information to and completing all steps required by ADE. Board staff will review the revised student attendance data for the charter holder after the data have been aggregated by ADE to ensure the data accurately reflect, within 2%, the information found on the teacher-marked attendance rosters.
- Detailed policies and procedures related to student attendance recording and reporting that address the charter holder's overall processes as well as specific steps included to ensure the issues identified by the Board during its site visits to the school do not recur.
- Evidence that the policies and procedures have been adopted by the charter holder's corporate or governing body, as appropriate (e.g., meeting minutes).
- Implementation of the policies and procedures developed and adopted by the charter holder that result in the submission of accurate data through the first 40 days of FY 2011.

Additionally, the Board votes to issue a Notice of Intent to Revoke the charter contract of Back-to-Basics School for failing to report student attendance data in accordance with A.R.S. §§ 15-185(B)(2), 15-901 and 15-902.

- Within 48 hours of receipt of the Notice the charter operator shall notify staff and parents/guardians of registered students of the Notice of Intent to Revoke and the Notice of Hearing and provide a school location where the copy may be reviewed;
- Within 20 days of receipt of the Notice the charter operator shall provide copies of all correspondence and communications used to comply with the preceding provision; and
- Within 20 days of receipt of the Notice the charter operator shall provide the Board with the names and mailing addresses of parents/guardians of all students registered with the school.

For Scottsdale Horizons Charter School -

The Board finds Scottsdale Horizons Charter School is in noncompliance with state law for failing to report student attendance data in accordance with A.R.S. §§ 15-185(B)(2), 15-901 and 15-902 and approves withholding 10% of its monthly State aid apportionment until compliance is demonstrated. In order to demonstrate compliance, the corrective action plan for the charter holder includes:

- Demonstration that Scottsdale Horizons Charter School has corrected the student attendance data for fiscal year 2010 reported to ADE and used for funding purposes. This would include providing all information to and completing all steps required by ADE. Board staff will review the revised student attendance data for Scottsdale Horizons Charter School after the data have been aggregated by ADE to ensure the data accurately reflect, within 2%, the information found on the teacher-marked attendance rosters.
- Detailed policies and procedures related to student attendance recording and reporting that address Scottsdale Horizons Charter School's overall processes as well as specific steps included to ensure the issues identified by the Board during its site visits to the schools do not recur.
- Evidence that the policies and procedures have been adopted by Scottsdale Horizons Charter School's corporate or governing body, as appropriate (e.g., meeting minutes).
- Implementation of the policies and procedures developed and adopted by Scottsdale Horizons Charter School that result in the submission of accurate data through the first 40 days of FY 2011.

Additionally, the Board finds there is a basis on which to revoke the charter contract of Scottsdale Horizons Charter School, but given the fact that the charter holder's renewal application will be considered in July, the Board should proceed with the withholding, but not issue a Notice of Intent to Revoke Charter until after a determination to renew the charter has been made.