
AGENDA ITEM: Caliber College Prep High School (Central), Inc. and Caliber College Prep High School (South), Inc.

Issue

On January 10, 2011, the Board approved applications for and granted charters to Caliber College Prep High School (Central), Inc. [“Caliber-Central”] and Caliber College Prep High School (South), Inc. [“Caliber-South”]. In a letter dated January 31, 2012, the authorized representative 1) submitted a good cause extension request for signing the Caliber-Central contract and 2) stated that the organization is prepared to sign the Caliber-South contract. The officer and all three of the directors identified in the approved applications for Caliber-Central and Caliber-South are also officers and directors of Arizona Academy of Leadership, Inc. Since the time of the Board’s approval of the charter applications of Caliber-Central and Caliber-South, Board staff has identified areas of noncompliance in the operations of Arizona Academy of Leadership, Inc., which if they’d been present at the time the Board considered the two applications, would have been included in the Board’s materials as information related to the qualifications of the applicant.

Background

In a letter dated January 31st, the authorized representative requested:

1. An extension of the date by which Caliber-Central must execute its charter contract, which was granted by the Board on January 10, 2011; and
2. To execute the Caliber-South charter contract, which was granted by the Board on January 10, 2011.

In its consideration of a charter application, the Board takes into account, in part, the applicant’s qualifications to operate a charter school. An applicant’s qualifications are determined, in part, by reviewing the applicant’s current and/or prior charter compliance as an indicator of the applicant’s ability to implement a charter or operate a charter school. The officer and directors identified in the approved applications for Caliber-Central and Caliber-South are also officers and directors of Arizona Academy of Leadership, Inc. (“AAL, Inc.”).

In a letter dated February 21st, Board staff notified the charter representative of AAL, Inc. of specific issues involving AAL, Inc. that have come to Board staff’s attention since the time of the Board’s approval of the Caliber-Central and Caliber-South applications. These issues include that AAL, Inc.:

- Has failed to provide a learning environment that has improved pupil achievement at its Arizona Academy of Leadership – Central site (Entity ID 89854);
- Failed to notify and/or obtain the Board’s approval prior to relocating its students from the Arizona Academy of Leadership – Central site (Entity ID 89854) to the Arizona Academy of Leadership site (Entity ID 89483);
- Has failed to provide special education services to its students; and
- Has failed to comply with federal payroll tax requirements.

In the February 21st letter, Board staff also indicated that prior to Board staff moving forward with the execution of the Caliber-South contract or taking further action regarding the extension request for Caliber-Central, the issues will be included as an agenda item on the Board’s March meeting for reconsideration of the Board’s January 10, 2011 decision to grant a charter to Caliber-Central and Caliber-South. The letter also stated that if there was additional information the charter holder wanted the Board to Consider, it should provide such information by close of business on February 29, 2012.

On February 29th, Board staff received letters from the attorney representing [Caliber-Central](#), [Caliber-South](#) and [AAL, Inc.](#) Among the items addressed in the letters, the attorney states that one of the corporate board members for Caliber-Central and Caliber-South had resigned. As of February 29th, the Caliber-Central and Caliber-South corporate boards include two members who are also corporate directors of AAL, Inc. The

attorney states that these two members do not control a majority of the AAL, Inc. corporate board. No additional information was provided.

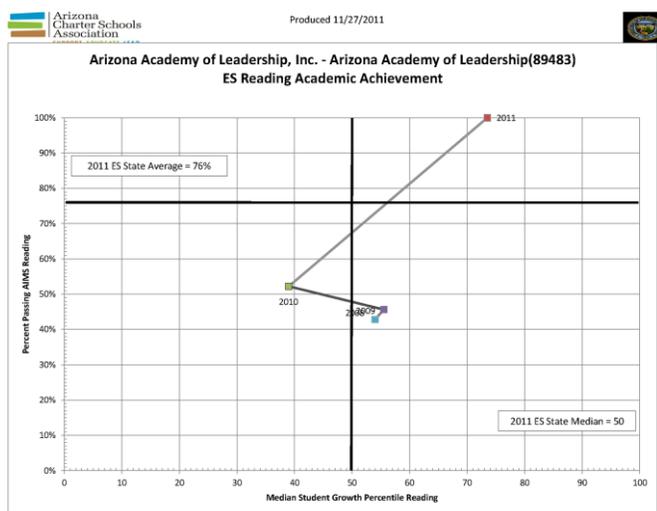
Recent Performance – Arizona Academy of Leadership, Inc.

Since the time of the Board’s approval of the charter applications of Caliber-Central and Caliber-South, AAL, Inc.: 1) has failed to provide a learning environment that has improved pupil achievement at one of its campuses; 2) failed to notify and/or obtain the Board’s approval prior to relocating its students; 3) failed to provide special education services to its students; and 4) failed to comply with federal payroll tax requirements. Information related to these four items as well as financial information from the fiscal years 2010 and 2011 audits for AAL, Inc. are detailed below.

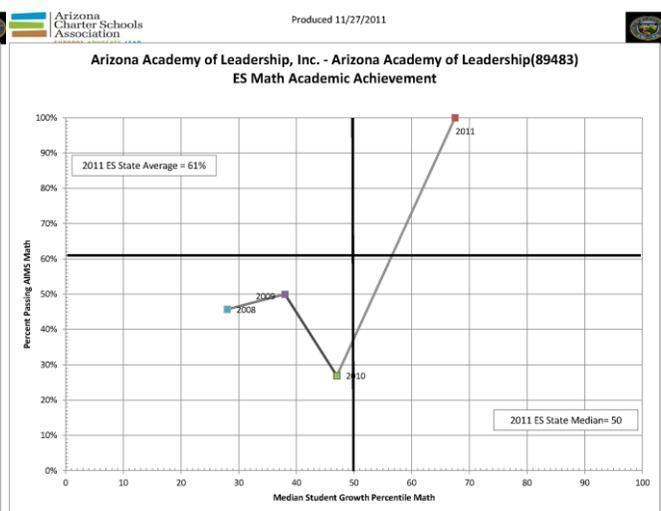
Academic Performance

Arizona Academy of Leadership, Inc. was required to submit a performance management plan for the charter’s five-year interval review process occurring in fiscal year 2012. In accordance with Board policy, a site visit is conducted for a charter school whose student achievement results do not meet the Board’s level of adequate academic performance. Board staff scheduled a site visit to meet with the school leadership team on February 16, 2012. In preparation for the visit, Board staff reviewed graphs depicting academic performance for each school as well as charter- and contract-related information contained in the charter’s summary review document. At that time, Board staff identified an issue with the number of students reported as enrolled and as tested at each school site for fiscal year 2011. Board staff was aware, through the fiscal year 2011 audit, that the 915 data correction form had been submitted to the ADE. During the visit, the charter representative was asked about the reporting issue and responded that AAL, Inc. had changed the attendance reporting system the previous school year and encountered problems with the reporting software not reporting attendance correctly. AAL, Inc. put in a 915 data correction form in January, 2011, and the correction was done on August 24, 2011. According to the charter representative, the ADE will not rerun the academic data because the school missed the deadline for running the data. The charter representative stated during the meeting that the 2011 data points on the academic performance graphs did not represent the number of students actually tested.

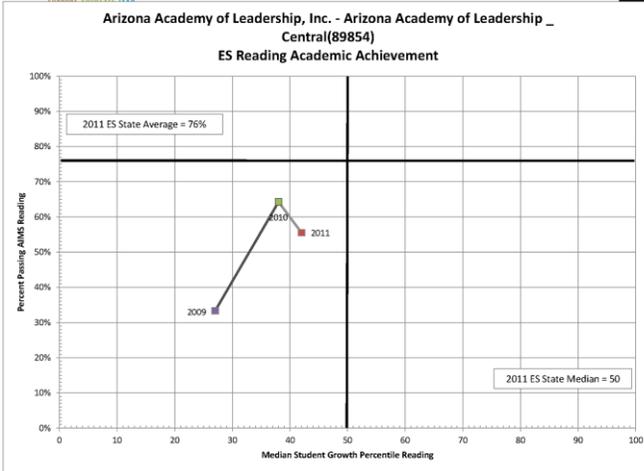
The graphs below and on the next page are representations of the academic performance for Arizona Academy of Leadership (Entity ID 89483) and Arizona Academy of Leadership – Central (Entity ID 89854) performance data as they were calculated with the data available.



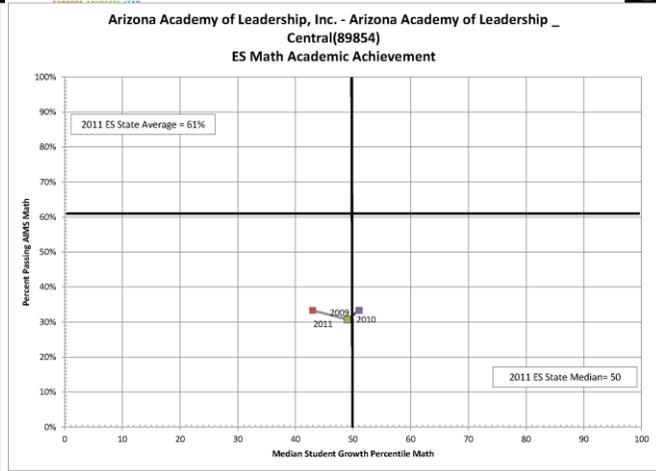
Note: This chart is based on data obtained from the ADE in Oct. 2011. Proficiency and growth percentiles are only reported for FAY students.



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Relocation of Students

On October 19th, Board staff conducted a site visit of Arizona Academy of Leadership-Central for the purpose of general monitoring. In a letter dated October 31st, Board staff notified the charter representative of the follow-up actions required based on the findings from the site visit. One of the findings required had an immediate deadline of November 1st. Board staff requested the charter representative to provide a paraprofessional’s FCC by noon on November 1st.

On November 1st, Board staff conducted a second visit to the school around lunch time to issue the “Notification of first time noncompliance with fingerprinting requirements under A.R.S. 15-185.I” letter. Upon arrival to the school campus, Board staff found the school building was locked. Staff contacted the Board’s office and confirmed that the school was supposed to be in session on November 1st. Board staff placed a call to the charter representative to locate the students. The charter representative indicated the students were relocated to the Arizona Academy of Leadership, their south campus, on October 24th. The charter holder had not submitted the appropriate notification for approval of the move. The charter representative explained that the ten students enrolled at the school were placed in their appropriate grade level classrooms at the south campus, but that Ashley Basham, the teacher who had been the teacher of record at the Central campus, continued to be the teacher of record for those students. Ms. Basham was responsible for collaborating with the teachers instructing the students from the central campus. Their school day remained from 8:30 a.m. to 2:30 p.m. The students were arriving at the central campus for a community building activity before being bussed to the south campus for the majority of the school day.

On February 16th, Board staff conducted a third visit to the school and determined the students were back at the central campus.

Special Education

In August 2011, the Arizona Department of Education/Exceptional Services Division (“ADE/ESS”) received a complaint alleging that Arizona Academy of Leadership was in noncompliance with special education requirements at the school. On October 17, 2011, ADE/ESS sent AAL, Inc. a [Letter of Findings](#) which provides for specific corrective action related to each finding detailed in the letter. For corrective actions already due to be completed, the ADE reports the school has met all deadlines thus far. As a result of the ADE/ESS investigation, the Audit Unit at the ADE conducted an audit on the use of the school’s Special Education funding. At this time, a report regarding the findings of the audit has not been issued.

Federal Payroll Taxes

The fiscal year 2011 audit identified an issue that required a corrective action plan (CAP). Specifically, the audit indicated that the charter holder's payroll provider submitted the first and second quarters of fiscal year 2011 with incorrect payroll numbers, which resulted in the charter holder incorrectly receiving an income tax refund of \$38,951 from the Internal Revenue Service (IRS). The audit firm indicated that the charter holder reclassified this amount as income tax payable at year end and subsequently submitted an amended IRS Form 941 in July 2011. In the audit, the charter holder indicates that it has contacted the IRS to discuss repayment of the refund received.

On November 17, 2011, Board staff notified the charter holder of the CAP requirement. Subsequent to the Board's letter being sent, the charter holder has indicated the following:

- On February 2nd, the charter holder made a payment of \$1,208.65.
- Due to IRS adjustments, the current balance owed to the IRS is \$26,243.89, according to the charter holder.
- Monthly payments of \$1,800 are being proposed for the payment plan.
- The charter holder stated that the IRS representative indicated that the payment plan should be in place by the week of February 6th.
- The charter holder is scheduled to begin payments of \$1,800 in March. The charter holder indicated that this payment will occur even if there is a delay in getting the plan in place.

On February 2nd, Board staff requested that by March 31st, the charter holder provide: 1) evidence that the March payment of \$1,800 has been made; and 2) a copy of the payment plan with the IRS.

Financial Performance

Since January 2011 when the applications of Caliber-Central and Caliber-South were approved, the Board has received the fiscal year 2010 and fiscal year 2011 audits for AAL, Inc. Board staff has reviewed the fiscal years 2010 and 2011 audits and determined that:

- In fiscal years 2010 and 2011, the charter holder had negative equity as of June 30th. The charter holder began fiscal year 2010 with equity of negative \$125,358 and ended the fiscal year with equity of negative \$425,561. As of June 30, 2011, the charter holder's ending equity improved slightly to negative \$389,132.
- In both fiscal years 2010 and 2011, the charter holder did not have sufficient cash or other readily available resources to satisfy obligations due within the next year. As of June 30, 2011, the charter holder had current assets of \$177,097 compared to current liabilities of \$354,700.
- After an approximately 62.5 percent drop in fiscal year 2010, the charter holder's year-end unrestricted cash grew approximately \$100,000 in fiscal year 2011 to \$126,588. As of June 30, 2011, the charter holder's restricted cash totaled \$78,643.

Staff Recommendation

Seek legal advice before moving forward with any action.