
AGENDA ITEM: Compliance Matters – Discovery Plus Academy

Issue

In accordance with the Board's [Policy Statement on Board Notification of Six Months of Non-compliance](#), Discovery Plus Academy was placed on the March 2010 agenda for the Board's consideration of an issuance of a Notice of Intent to Revoke the charter for the charter holder's non-compliance with Classroom Site Fund requirements. During the March meeting, [the Board was informed](#) that Discovery Plus Academy had engaged an audit firm to conduct the agreed-upon procedures and that the agreed-upon procedures report was expected to be issued later that month. Based on this information, the Board took no action pending receipt and staff's review of the agreed-upon procedures report. On April 9th, staff received the agreed-upon procedures report, which showed non-compliance with Classroom Site Fund requirements.

Agreed-Upon Procedures Report for Discovery Plus Academy

On February 17, 2010, staff received and approved the engagement letter for agreed-upon procedures covering the period of July 1, 2010 through February 28, 2010. The agreed-upon procedures report dated March 22, 2010 was submitted to the Board's office on April 9th. Under the agreed-upon procedures process, an independent certified public accountant performs the specified procedures agreed to by the Board and the school and reports the results. The Classroom Site Fund (CSF) agreed-upon procedures require the firm, based on its testing, to complete a table and answer three questions:

1. Did the school spend the CSF monies received in accordance with A.R.S. §15-977 and USFRCS Memorandum No. 44?
2. Did the school use its CSF monies to supplement rather than supplant existing funding?
3. Did the school have sufficient cash on hand at time of review to cover all current and previous years' CSF carryover monies?

The agreed-upon procedures report found that curriculum purchases made by the school using CSF monies were not allowable. A similar issue was identified in the school's fiscal year 2009 audit. Based on this information, the 10% withholding continues. Additionally, staff is working with the audit firm to clarify certain data included in the document, which may affect other information in the report. Staff hopes to have this resolved prior to the May meeting and will provide an update, if applicable.

Board Options

1. The Board may decide to take no further action at this time. (Under this option, the current 10% withholding would continue until compliance is demonstrated through another agreed-upon procedures.)
2. The Board may vote to allow Discovery Plus Academy to demonstrate compliance with Classroom Site Fund requirements through the fiscal year 2010 audit. (Under this option, the current 10% withholding would continue until compliance is demonstrated through either another agreed upon procedures or the fiscal year 2010 audit.)
3. The Board may vote to issue a Notice of Intent to Revoke the charter of Discovery Plus Academy for failure to comply with its charter and Classroom Site Fund requirements as found in A.R.S. §15-977. The motion should also require that:
 - 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.
4. The Board may vote to allow Discovery Plus Academy to demonstrate compliance with Classroom Site Fund requirements through the fiscal year 2010 audit (Option #2) and to issue a Notice of Intent to Revoke the charter contract of Discovery Plus Academy (Option #4).

Staff's Recommendation

Staff's recommendation is Option #2.