
AGENDA ITEM: E.Q. Scholars, Inc.

Issue

Upon consideration of [information provided by the charter holder' auditor](#) and without sufficient resources and time to further explore whether or how an audit that identified weaknesses in internal controls relating to segregation of duties directly or indirectly impacts on a charter holder's ability to comply with Generally Accepted Accounting Principles (GAAP), Board staff believes the inclusion of failing to comply with GAAP may be untenable at this time as a reason for non-renewal of this charter.

Background

On January 23, 2012, the Board denied E.Q. Scholars, Inc.'s request for charter renewal and voted not to grant a renewal contract based on E. Q. Scholars, Inc.'s failure to meet the obligations of its charter contract and/or failure to comply with Article 8 of A.R.S. Title 15, Chapter 1 when it failed to provide a learning environment to improve pupil achievement in accordance with A.R.S. § 15-181 (A) and failed to comply with Generally Accepted Accounting Principles.

In its motion, the Board cited a review of the information provided by the representatives of the charter holder and the contents of the application package which includes the academic performance, the fiscal compliance, and legal and contractual compliance of the charter holder over the charter term. A [recording of the Board's discussion](#) of the matter and the [materials provided for consideration](#) are available on the Board's website.

Following the timely request for an appeal received on February 24, 2012, and during an Informal Settlement Conference held on March 15, 2012, Board staff met with the charter representative and respective legal counsel to discuss potential terms for settlement. While no terms could be reached with regard to failure to provide a learning environment to improve pupil achievement, Board staff did state that the Board would not pursue failure to comply with GAAP as a reason for non-renewal at the appeal hearing before the Administrative Law Judge at the Office of Administrative Hearings.

Upon the advice of the Arizona Solicitor General's Office, it was determined that such a decision by Board staff should be brought to the Board for consideration.

Board Options

1. The Board may decide to take no further action at this time. (Under this option, both reasons cited for non-renewal would remain for consideration in the appeal process.)
2. The Board may vote to remove failure to comply with Generally Accepted Accounting Principles as a reason for denying E.Q. Scholars, Inc.'s request for charter renewal.
3. The Board may determine that the removal of failure to comply with Generally Accepted Accounting Principles as a reason for denying E.Q. Scholars, Inc.'s request for charter renewal warrants further consideration of whether sufficient cause remains to deny the request for renewal and direct staff to place the matter on a future Board agenda for further consideration.

Staff's Recommendation

Staff's recommendation is Option 2.