
AGENDA ITEM: Compliance Matters – Global Education Foundation, Inc.

Issue

In accordance with the Board’s [Policy Statement on Board Notification of Six Months of Non-compliance](#), staff is to bring charter holders having state equalization assistance withheld for non-compliance for six months to the Board for consideration of an issuance of a Notice of Intent to Revoke the charter. Pursuant to this policy, Global Education Foundation, Inc. has been placed on the agenda for the Board’s consideration for the charter holder’s non-compliance with Classroom Site Fund requirements.

Classroom Site Fund 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 from the current fiscal year and any unspent portion from prior fiscal years (“CSF carryover”). If the school does not have enough cash in the bank at the end of the year to cover the CSF carryover, then that means the school has spent a portion of these monies inappropriately and/or has improperly coded certain CSF expenses in its accounting records. The compliance questionnaire, which is completed as part of the annual audit, includes a series of questions relating to CSF monies.

Global Education Foundation, Inc.

On June 14, 2010, in response to the fiscal year 2009 audit identifying non-compliance with CSF requirements for the third time in four years, the Board approved withholding 10 percent of Global Education Foundation’s monthly state aid apportionment until compliance is demonstrated either through the fiscal year 2010 audit or agreed-upon procedures. On June 15, 2010, a letter describing the Board’s action was emailed to Global Education Foundation.¹

The fiscal year 2010 audit submitted on October 20, 2010 disclosed continued noncompliance with CSF requirements.² Specifically, the audit indicates that Global Education Foundation did not have sufficient cash to cover the CSF carryover of \$51,565 as of June 30, 2010. The school’s cash balance at June 30, 2010 was \$0. The “Subsequent Events” disclosure in the financial statements states that effective July 26, 2010, Global Education Foundation received a \$53,000 donation in an effort to cover the CSF cash carryover balance as of June 30, 2010.

On October 25, 2010, Board staff emailed a letter to Global Education Foundation stating that since the fiscal year 2010 indicated non-compliance, the charter holder must now use agreed-upon procedures to demonstrate CSF compliance. Staff received a read receipt email on October 25th from the charter representative. Since receiving the read receipt, staff has had no communication with Global Education Foundation regarding this matter.

¹ In addition to failure to comply with CSF requirements, the Board withheld 10% of Global Education Foundation’s funding for failure to retain student attendance records and failure to comply with federal and state payroll tax requirements.

² Global Education Foundation’s fiscal year 2010 audit demonstrated compliance with student attendance record retention and federal and state payroll tax requirements.

Board Options

1. The Board may decide to take no further action at this time and direct staff to bring the matter back to the Board at a specified future meeting. (Under this option, the current 10 percent withholding would continue until compliance is demonstrated.)
2. The Board may vote to issue a Notice of Intent to Revoke the charter of Global Education Foundation, Inc. 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.

Staff's Recommendation

Staff's recommendation is Option #2.