

AGENDA ITEM: Compliance Matters – Hillcrest Academy, 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 failure to timely submit their annual financial statement and compliance audit to the Board for consideration of an issuance of a Notice of Intent to Revoke the charter after two months of withholding. Pursuant to this policy, Hillcrest Academy, Inc. has been placed on the agenda for the Board’s consideration for the charter holder’s failure to submit its fiscal year 2013 audit reporting package. In preparation for the January meeting, Board staff completed a compliance check for Hillcrest Academy. No issues of operational noncompliance were identified.

Annual Financial Statement and Compliance Audit Submission

On November 21, 2013, the Board approved withholding 10 percent of Hillcrest Academy’s monthly state aid apportionment for failure to submit its fiscal year 2013 audit reporting package. On November 22nd, a letter describing the Board’s action was emailed to Hillcrest Academy. The November 22nd letter also included the following: “Please note that per Board policy staff will bring charter holders having state aid withheld for failure to timely submit their audits to the Board after two months of withholding for consideration of a Notice of Intent to Revoke the Charter.”

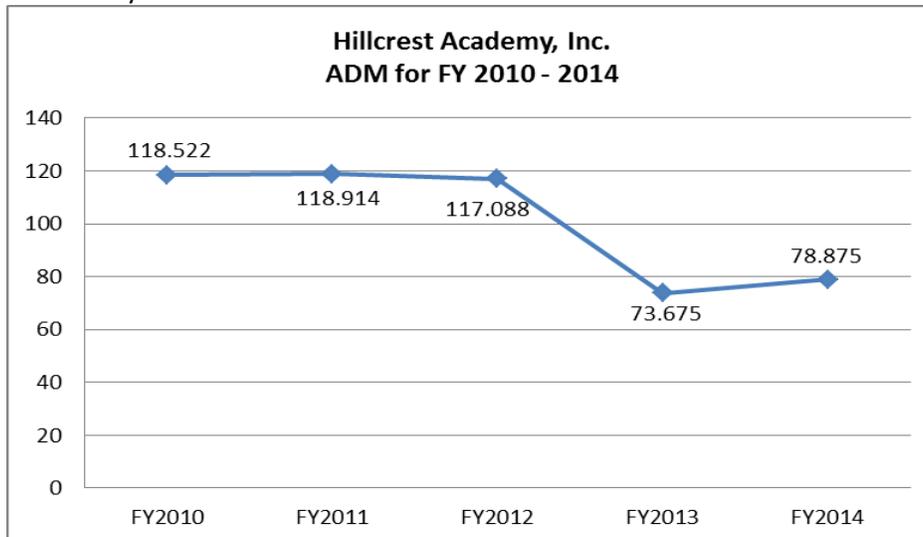
Having reviewed the charter holder’s prior compliance with submitting its annual financial statement and compliance audit, Board staff found the following:

Fiscal Year 2012	Board approved withholding. Funds withheld for 3 months.
Fiscal Year 2011	Audit timely submitted.
Fiscal Year 2010	Board approved withholding. Funds withheld for 2 months.
Fiscal Year 2009	Audit timely submitted.
Fiscal Year 2008	Audit timely submitted.

On November 25, 2013, the charter holder forwarded to Board staff an email from the audit firm stating, “Sorry for the delay. My hope is by the end of the month.” On December 16, 2013, Board staff sent an email to the charter representative and audit firm requesting an update on the audit’s status. The email also stated, “Charter holders that have not submitted complete fiscal year 2013 audit reporting packages by end of day on January 2nd will be placed on the January agenda for further consideration by the Board.”

Additional Information

Hillcrest Academy, Inc. operates one school, Hillcrest Academy, serving grades K-8 in Mesa. The graph below shows the charter holder’s 100th day average daily membership (ADM) for fiscal years 2010 through 2013 and its 40th day ADM for fiscal year 2014.



Compliance Check Results

In preparation for the January meeting, Board staff completed a compliance check for Hillcrest Academy. The compliance check included determining whether the charter holder is:

- In compliance with special education, Elementary and Secondary Education Act, federal grants, and Arizona State Retirement System requirements, as applicable; and
- In good standing with the Arizona Corporation Commission as required by the charter contract.

No issues of operational noncompliance were identified through the compliance check.

The academic dashboard for the charter school operated by the charter holder has been included below.

Academic Performance							
Hillcrest Academy							
		2012 Traditional Elementary School (K-8)			2013 Traditional Elementary School (K-8)		
1. Growth		Measure	Points Assigned	Weight	Measure	Points Assigned	Weight
1a. SGP	Math	53.5	75	12.5	63	75	25
	Reading	47.5	50	12.5	70	100	25
1b. SGP Bottom 25%	Math	58.5	75	12.5	NR	0	0
	Reading	47.5	50	12.5	NR	0	0
2. Proficiency		Measure	Points Assigned	Weight	Measure	Points Assigned	Weight
2a. Percent Passing	Math	60 / 64.2	50	7.5	71 / 63.3	75	7.5
	Reading	72 / 77.3	50	7.5	82 / 78.2	75	7.5
2b. Composite School Comparison	Math	-3.3	50	7.5	6.3	75	7.5
	Reading	-4.3	50	7.5	2.3	75	7.5
2c. Subgroup ELL	Math	NR	0	0	NR	0	0
	Reading	NR	0	0	NR	0	0
2c. Subgroup FRL	Math	65 / 54.6	75	3.75	88 / 54.2	100	7.5
	Reading	69 / 68.8	75	3.75	82 / 71.2	75	7.5
2c. Subgroup SPED	Math	46 / 26.6	75	3.75	NR	0	0
	Reading	62 / 37	75	3.75	NR	0	0
3. State Accountability		Measure	Points Assigned	Weight	Measure	Points Assigned	Weight
3a. State Accountability		B	75	5	B	75	5
Overall Rating		Overall Rating			Overall Rating		
Scoring for Overall Rating 89 or higher: Exceeds Standard <89, but > or = to 63: Meets Standard <63, but > or = to 39: Does Not Meet Standard Less than 39: Falls Far Below Standard		61.25			83.12		
		100			100		

Board Options

Option 1: The Board may decide to take no further action at this time and direct staff to bring this matter back to the Board at its February 2014 meeting for further consideration should Hillcrest Academy, Inc. still not have submitted its fiscal year 2013 audit.¹

Option 2: The Board may vote to issue a Notice of Intent to Revoke the charter holder's charter contract. Staff recommends the following language: The information contained in the audit is one of the primary means the Board has to meet its statutory oversight and administrative responsibilities for the schools it sponsors. Although this is a matter that could be quickly corrected, it is recurring and represents a material breach of the charter contract. Therefore, I move to issue a Notice of Intent to Revoke the charter contract of Hillcrest Academy, Inc. for failing to timely submit the fiscal year 2013 audit reporting package as required by A.R.S. §15-183(E)(6), A.R.S. §15-914 and the charter contract.

- Within 48 hours of receipt of the Notice the charter operator shall notify staff and parents/guardians of registered students of the Notice of Hearing on Intent to Revoke Charter 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.

¹ Under this option, the current 10 percent withholding would continue until the fiscal year 2013 audit is submitted.