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**AGENDA ITEM: Compliance Matters – Failure to Submit Annual Financial Single Audit Package: Shonto Preparatory School**

**General Background Information**

In accordance with [Board policy](#), staff is to bring charters having state equalization assistance withheld for failure to timely submit their annual audits back to the Board after two months of withholding for consideration of an issuance of a notice of intent to revoke the charter.

In April 2009, the Board voted to withhold 10% of the monthly state equalization assistance from Shonto Governing Board of Education, Inc. dba Shonto Preparatory School for failure to timely submit their fiscal year ending June 30, 2008 annual financial single audit.

Since it has not yet submitted its fiscal year 2008 audit, this charter has been placed on the agenda for the Board’s consideration. Staff conducted a compliance review of the charter that included:

- A review of the charter’s academic profile;
- A full compliance check to determine the charter’s compliance with special education, No Child Left Behind, federal grants, child nutrition, and Arizona State Retirement System requirements, as applicable; and
- A review of the charter’s public file for any complaints received during fiscal year 2009 that related to the charter’s financial condition or other issues that the fiscal year 2008 audit could have provided insight into had it been available.

**Background Information**

The Board entered into a contract with Shonto Governing Board of Education, Inc. to operate Shonto Preparatory School in May of 1999. The school submits an enrollment count of approximately 400 students in grades K-8 each year. Shonto Preparatory School is an Underperforming school and did not meet AYP because it did not meet the required percentage of students tested.

Audit History

Shonto Preparatory School’s audit submission history for fiscal years 2005 through 2007 follows:

Fiscal Year 2005	Submitted timely
Fiscal Year 2006	Not submitted timely (No withholding occurred)
Fiscal Year 2007	Submitted timely

On July 2<sup>nd</sup>, the audit firm indicated that it is trying to complete the fiscal year 2008 audit by July 9<sup>th</sup>.

**Identified Issues/Concerns**

For fiscal years 2007 and 2008, Shonto Preparatory School failed to submit any AIMS student test data for its charter school students. It has been determined that this is because the charter school students are also considered as students enrolled in the Western Navajo Education Line Office (WNELO) school, also named Shonto Preparatory School. All student data has erroneously been packaged and sent to the testing company under the WNELO. Therefore, no data for the charter school is available for Achievement Profile or evaluation purposes.

To further clarify, all AIMS test reporting is based on school and district/LEA entity numbers. Shonto Prep returned all AIMS answer documents for students in Grades 3-8 under cover sheets with the WNELO entity numbers. For ADE to receive test data for the charter school students attending Shonto Prep, the AIMS answer documents for those students needed to be returned to the test company under cover sheets with the charter school entity numbers.

For the last several years, Shonto Prep has returned all of their AIMS answer documents for students in Grades 3-8 under cover sheets with the BIE entity numbers and returned those materials to the test company via the Western Navajo line office.

A.R.S. §15-183.E.4 requires that the charter contract ensure that the charter school design a method to measure pupil progress toward the pupil outcomes adopted by the State Board of Education, including participation in the AIMS test. Further, A.R.S. 15-241.B requires each public school to submit to the ADE any data that is required and requested and that is necessary to compile the school's achievement profile. Shonto Preparatory School did receive achievement profiles of Underperforming for fiscal years 2007 and 2008. In a conversation with Robert Franciosi, Director of Research and Evaluation for ADE, the school received these profiles due to a lack of data submitted to ADE rather than an analysis of data presented. It will be necessary for Board staff to further investigate this issue with ADE's School Finance, Assessment, and Research and Evaluation sections.

### **Board Options**

1. The Board may direct staff to monitor Shonto Governing Board of Education, Inc. dba Shonto Preparatory School's progress related to the above issues and provide additional updates as they become available.
2. The Board may continue with the current 10% withholding of Shonto Governing Board of Education, Inc. dba Shonto Preparatory School's monthly State aid apportionment for failure to timely submit the fiscal year 2008 audit and not add to the basis.
3. The Board may add to the basis for the withholding and require submission of a corrective action plan for failure to submit AIMS student test data. In order to have the 10% withholding returned, Shonto Governing Board of Education, Inc. dba Shonto Preparatory School needs to submit a corrective action plan that includes action to ensure that all FY09 test data for students enrolled in the charter school is released to ADE and that the testing procedures/protocols are established and training is provided to staff to ensure that future testing data and documents are appropriately packaged and shipped so that results for all students enrolled in the charter school are appropriately documented for performance profile purposes.
4. The Board may vote to issue a Notice of Intent to Revoke the charter contract of Shonto Governing Board of Education, Inc. dba Shonto Preparatory School for any or all of the following issues: a) failure to timely submit the fiscal year 2008 financial single audit; and b) failure to submit AIMS student test data in fiscal years 2007 and 2008.
  - 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.
5. The Board may choose to add to the basis of the current 10% withholding (Option #3) and to issue a Notice of Intent to Revoke the charter contract of Shonto Governing Board of Education, Inc. dba Shonto Preparatory School (Option #4).

Staff's Recommendation: Option 3

Add to the basis for the 10% withholding for failure to submit AIMS student test data. In order to have the 10% withholding returned, Shonto Governing Board of Education, Inc. dba Shonto Preparatory School needs to submit a corrective action plan that includes action to ensure that all FY09 test data for students enrolled in the charter

school is released to ADE and that testing procedures/protocols are established and training is provided to staff to ensure that future testing data and documents are appropriately packaged and shipped so that results for all students enrolled in the charter school are appropriately documented for performance profile purposes.