
AGENDA ITEM: Compliance Matters – Bradley Academy of Excellence, Inc.

Issue

Bradley Academy of Excellence, Inc. (“Bradley”) abruptly ceased operating its charter school last month, leaving families unnecessarily scrambling to find new schools for their students and charter school staff to find new jobs. Bradley operated one school, Discovery Creemos Academy (“DCA”), serving grades K-8 in Goodyear.¹

Actions and Recent Communications

The following is a timeline of activities that have occurred:

January 26, 2018: In late afternoon, Arizona Department of Education (“ADE”) staff informed Board staff of a call received from a concerned parent whose student attends DCA. The parent’s child was sent home with a note on January 25 stating that DCA would be closed on Friday, January 26 and Monday, January 29 due to safety concerns. The parent went to DCA on Friday morning and “said it looked abandoned and the signs outdoors were removed”. The parent was unable to get ahold of someone at DCA.

January 27, 2018: On Saturday afternoon, Board staff visited the DCA campus. Staff noticed that the name “Bradley” had been removed from all parts of the building and from the school buses in the parking lot. On the door, staff saw an “Urgent Notice”, which stated, in part, “School will be closed Friday, January 26th and Monday, January 29th for all students and staff. We deeply apologize for the late notice. The school is assessing and addressing a situation related to safety and security. We expect this matter to be resolved by Tuesday but will keep you informed along the way.”

January 29, 2018: On Monday morning, Board staff sent an email to Daniel Hughes, Bradley’s charter representative, stating, “Our office has received information that parents and staff were notified on Thursday, January 25th that Discovery Creemos Academy would be closed on Friday, January 26th and today, January 29th due to security and safety concerns. As soon as possible, please provide our office with a response as to the reasoning of the school’s unexpected closure regarding the student’s security and safety at the school and when the school will be back in operation. Further, due to Discovery Creemos Academy’s unexpected closure, the school may not meet their 180 instructional days as listed with our office. In your response, please address whether the school will be making up the missed days.” Mr. Hughes never responded to staff’s email.

In addition, based on the Saturday site visit, a decision was made that staff would conduct a second visit to DCA on Tuesday, January 30.

January 30, 2018 (7:45 a.m.): On Tuesday morning at 7:45 a.m., Board staff received a call from a parent who said that after calling a teacher he had learned today that DCA was “closed indefinitely”. He said he had not received notice from DCA.² During the conversation, he indicated he was the parent who had called ADE on January 26. Following this phone call, staff accessed the DCA website and found the school’s regular website, which was up on January 29, had been replaced by a letter to parents with the

¹ On September 21, 2017, Bradley’s request to change its school name from Bradley Academy of Excellence to Discovery Creemos Academy was approved.

² Subsequently, Board staff learned that an email may have been sent to parents.

heading “Discovery Creemos Academy Closure”. A copy of this letter has been included in the meeting materials as Appendix A.

January 30, 2018 (7:50 a.m.): On Tuesday morning at 7:50 a.m., Board staff arrived at DCA and was approached by DCA teachers. The teachers informed Board staff that on January 29 the teachers received an email from DCA school leadership informing teachers of the school’s closure. One teacher showed Board staff the email, which was sent at 9:36 p.m. on January 29 with a subject line of “Urgent”. The teachers had employment-related questions. Staff informed them that the Labor Department would be the agency to call or they could seek their own legal counsel. Board staff handed out business cards to the teachers.

January 30, 2018 (7:58 a.m.): On Tuesday morning at 7:58 a.m., Board staff notified ADE School Finance of the closure. ADE School Finance was able to hold Bradley’s February 1 state equalization assistance payment, as well as Bradley’s next Classroom Site Fund payment.³ ADE Grants Management also implemented a hold on Bradley’s federal grant funding.

January 30, 2018 (Morning): Since Mr. Hughes had not responded to Board staff’s email and no other Bradley or DCA official had contacted the Board regarding the closure, on Tuesday morning, Board staff reached out to the attorney who had been assisting Bradley at the time the Board voted to withhold 10% of Bradley’s state equalization assistance for failure to request approval from the Board to amend its charter to make changes to its school governing body. The attorney expressed his willingness to assist and serve as the Board’s point of contact. During that initial conversation, Board staff indicated that the student records must be secured and made readily available to parents and schools and asked that DCA also offer to provide withdrawal forms by email and not just by mail.

January 30, 2018 (Afternoon): Board staff received a call from a parent, whose child’s medication was locked inside DCA. Following that call, Board staff reached out to the attorney. On February 1, the attorney notified staff that the medication had been returned to the parent.

January 30, 2018: On Tuesday, Board staff also:

- Sent an email to area charter schools and district superintendents alerting them to the closure, providing the email address that DCA included on its website for records requests and indicating that if they encounter any difficulties obtaining records for DCA students to email the Board.
- Provided information to parents who called looking for their students’ records.
- Spoke to a teacher and a concerned citizen about the DCA closure.
- Spoke to the landlord of the building used by DCA.

January 31, 2018: Board staff and the attorney discussed several matters, including providing families and staff with access to the building to obtain their personal items and the Board becoming the custodian of DCA’s student records. The attorney indicated that control of the building would be transferring to the building’s owner soon.

February 1, 2018: Board staff expressed their support for ADE’s efforts to see if funds may be available to assist the schools the DCA students transferred to.

³ In the future, ADE will reconcile the amount of state equalization and Classroom Site Fund monies received by Bradley to the amount earned and determine whether any overpayment has occurred (see “Other Matters – ADE ADM Audit” section).

February 1, 2018: The attorney informed Board staff that the building's owner was amenable to providing families and DCA staff with access to the building to obtain their personal items.

Board staff will share the information from today's meeting with the National Association of Charter School Authorizers, whose members include charter school authorizers throughout the country.

Other Matters – Fiscal Year 2016 Audit Corrective Action Plan

Bradley's fiscal year 2016 audit ("FY 2016 audit") identified three material weaknesses, which are included below. When the FY 2016 audit refers to "School" it means the corporation, which is Bradley.

- Control Environment – "The corporate board of directors is structured in a way that the governing body or those charged with governance are insufficiently independent (sic) as defined by the Internal Revenue Service and that necessary questions are not being raised. Also, the makeup and general construction of the governing board is inappropriate and inadequate given the nature of the School. Finally, the tone at the top, which is set primarily by the director and charter representative, is such that management adopts accounting policies that are inappropriate for the School and inconsistent with GAAP for related party transactions. Further, a process was in place, but did not adequately support the identification, authorization, approval, accounting for, and disclosure of related party relationships and transactions."
- Revolving Credit Agreement with a Related Party – "On March 18, 2016, the School entered into a revolving credit agreement with the director and charter representative retroactively setting the terms of the agreement effective as of July 1, 2016. In addition, the transactions in the account were not recorded in the accounting records timely and were not supported with adequate supporting documentation as the transactions were recorded in summary by journal entries. Consequently, subsequent to June 30, 2016, the School recorded each transaction in the account individually, obtained adequate supporting documentation, and reversed the original journal entries."
- Related Party Expenses – "In the spring of 2016, the School engaged several companies owned by the Director and Charter Representative to provide various services for the School. The initial setup of those agreements, while done, were (sic) not done properly to ensure an arms length agreement. Once the various related party entities began invoicing the School, those invoices were not recorded in the School's accounting records in accordance with GAAP nor did they include adequate supporting documentation. Consequently, subsequent to June 30, 2016, the invoices were re-done to follow GAAP and adequate supporting documentation was provided. However, upon investigation of the supporting documentation, there was no way to support individual related party entities invoices. The only way to support the related party expenses was to consider the various entities and (sic) one entity. Once so considered, the transactions were supported, but not with 100% accuracy, however the invoices were materially accurate."

In addition to the three material weaknesses, financial statement Note 10 of the FY 2016 audit stated, in part, "On July 1, 2015, the School entered into an agreement to become a guarantor of a commercial lease agreement between Fisher Arts Corporation (tenant) and Shops at Serafina, LLC (landlord) of a building located in Goodyear, Arizona...On March 15, 2016, the landlord filed a civil action in Maricopa County Superior Court against the School asserting its claim against the School for liability on a guarantee of a commercial lease...Thus far, the landlord has not brought suit against the tenant. On August 12, 2016, the School filed an answer and also a third party complaint against the tenant and its principle (sic) representative. As a result, the tenant filed claims against the School on September 2, 2016."

In accordance with the Board's Audit & Compliance Questionnaire Follow-up Matrix, Board staff sent a letter to Bradley on March 8, 2017, requiring Bradley to submit a corrective action plan addressing the matters identified above. Since March, Board staff has collected and reviewed information on Bradley's efforts to address the matters identified in the FY 2016 audit. In October 2017, Board staff forwarded certain information obtained through the CAP process to the Attorney General's office.

At the time of DCA's closure, Bradley's CAP had not been completed. By February 9, 2018, Bradley was to provide the Board with confirmation that the Arizona Corporation Commission had processed Bradley's amended articles of incorporation and confirmation that a Charter Holder Governance Amendment Request, which Board staff would be able to deem administratively complete, had been submitted through ASBCS Online to add the two new corporate principals.

The submission deadline for Bradley's fiscal year 2017 audit is March 31, 2018.

Other Matters – ADE ADM Audit

On April 27, 2017, Board staff conducted Bradley's academic systems review visit, which includes classroom observations of the school's program of instruction. After the visit, when considering the fiscal year 2017 ADM reported to ADE, Board staff had concerns about whether the numbers of students observed were comparable to the ADM numbers for each grade level. Board staff communicated with ADE's Audit Unit throughout the month of May and on June 7, 2017, Board staff sent ADE's Audit Unit a formal letter with this concern.

The Audit Unit officially started its ADM audit of Bradley in November 2017 and Audit Unit staff was onsite at the school on Tuesday, January 30.

Appendix A



Discovery Creemos Academy Closure (/)

Dear Families,

We are deeply sorry, and it is with a heavy heart, that we announce classes at our school are suspended indefinitely, effective immediately. We are terribly pained to find ourselves in this unfortunate situation and, most importantly, the potential negative effect this may have on you, your families and our students.

While this was nearly an impossible decision to make, it is the right one. Most of you are aware that school operations and finances have been troubled over the last few years. We have fought so hard for solutions but we seem to run into an endless barrage of adversities. It seems we fix one thing and another thing breaks.

The school has exhausted all of its operational and financial resources in order to survive over the last couple of years and, tragically, we simply cannot keep up.

Recently, several key staff members were subject to hateful online threats and one school leader's family was targeted at their home. These kinds of harassments and threats create a great deal of instability, fear, and uncertainty for the future. While we truly wish we could stand and fight another day, we simply cannot.

Please know that we all have families and many of us have children, and we understand the effect of changing schools in the middle of the school year. But this decision is the right decision and, in the big picture, we know that all will be better served by making this transition now instead of delaying the inevitable. One teacher said in a meeting last week that she believes the school is cursed. While we don't know that to be true, there certainly has been a pattern of extreme challenges that seem beyond the norm. Given this reality, it's best we all free ourselves from the perpetual cycle of try and fail and give new opportunities a chance to enhance our lives.

You are greatly loved and appreciated. Reaching this decision was painstaking and is one that will forever alter the lives of those who made it.

We will be mailing withdraw forms to your home immediately. You may enroll your student at any of the wonderful public schools across Arizona.

We will be responding to all requests for records. Please have your student's new school email us at <mailto:schoolleadership@andwedo.org>. We will be glad to email or fax them back.

Your children are a huge blessing to our community and the world IS better because of them. We are tearful and crushed to lose them at our school.

- School Leadership

Discovery Creemos Academy, 16060 West Lower Buckeye Parkway, Goodyear, AZ 85338 (800) 993-1458