Friendly House, Inc. - Entity ID 4303
School: Friendly House Academia Del Pueblo Elementary

Renewal Executive Summary

Sources of Evidence for this Document

Pursuant to A.R.S. 15-183.V, the Arizona State Board for Charter Schools (Board) has established a process for the transfer of a charter that is based on affirmative evidence in three areas:

I. Success of the academic program, including academic achievement
II. Viability of the organization, including fiscal management and compliance
III. Adherence to the terms of the charter, including contract and legal compliance

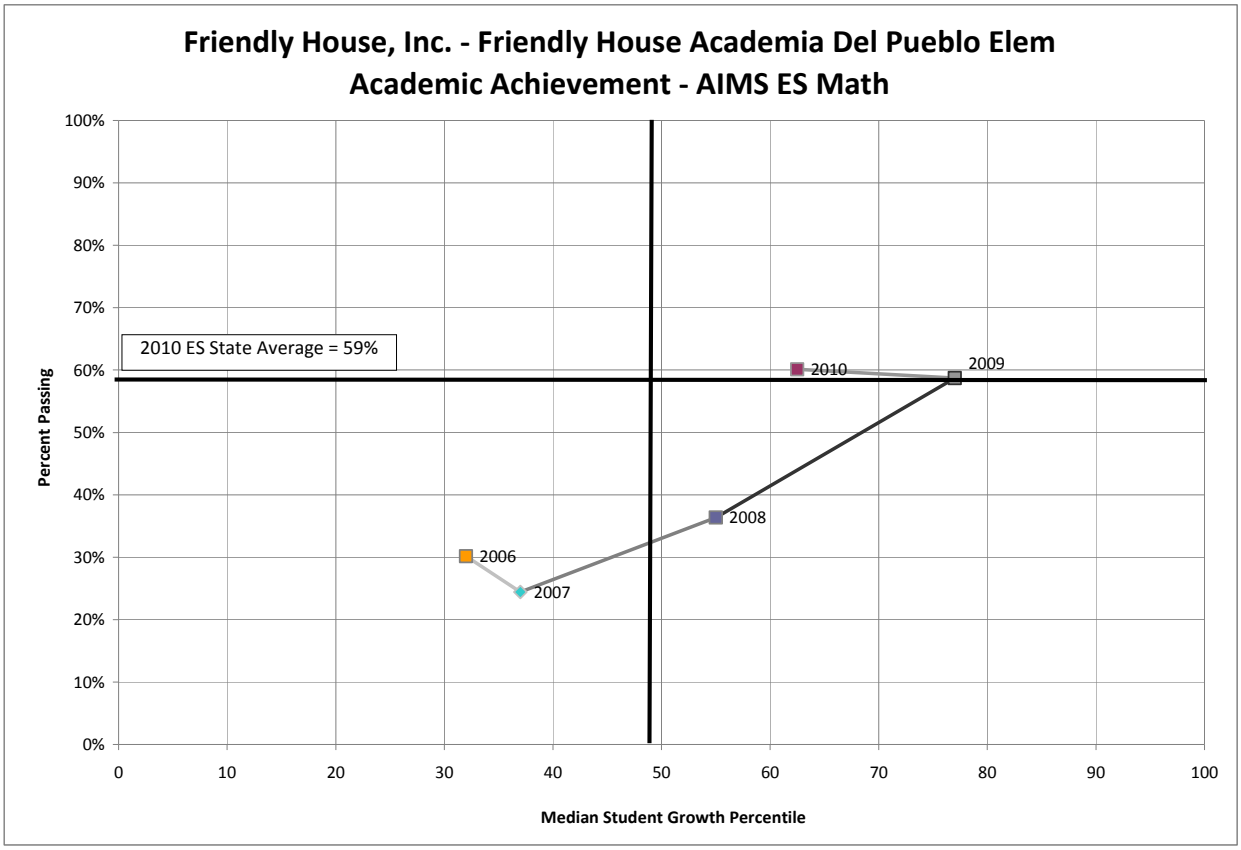
Evaluation of the Charter Holder's success in these three areas is based on a variety of information that will serve as sources of evidence in determining transfer of a charter. These sources include, but are not limited to:

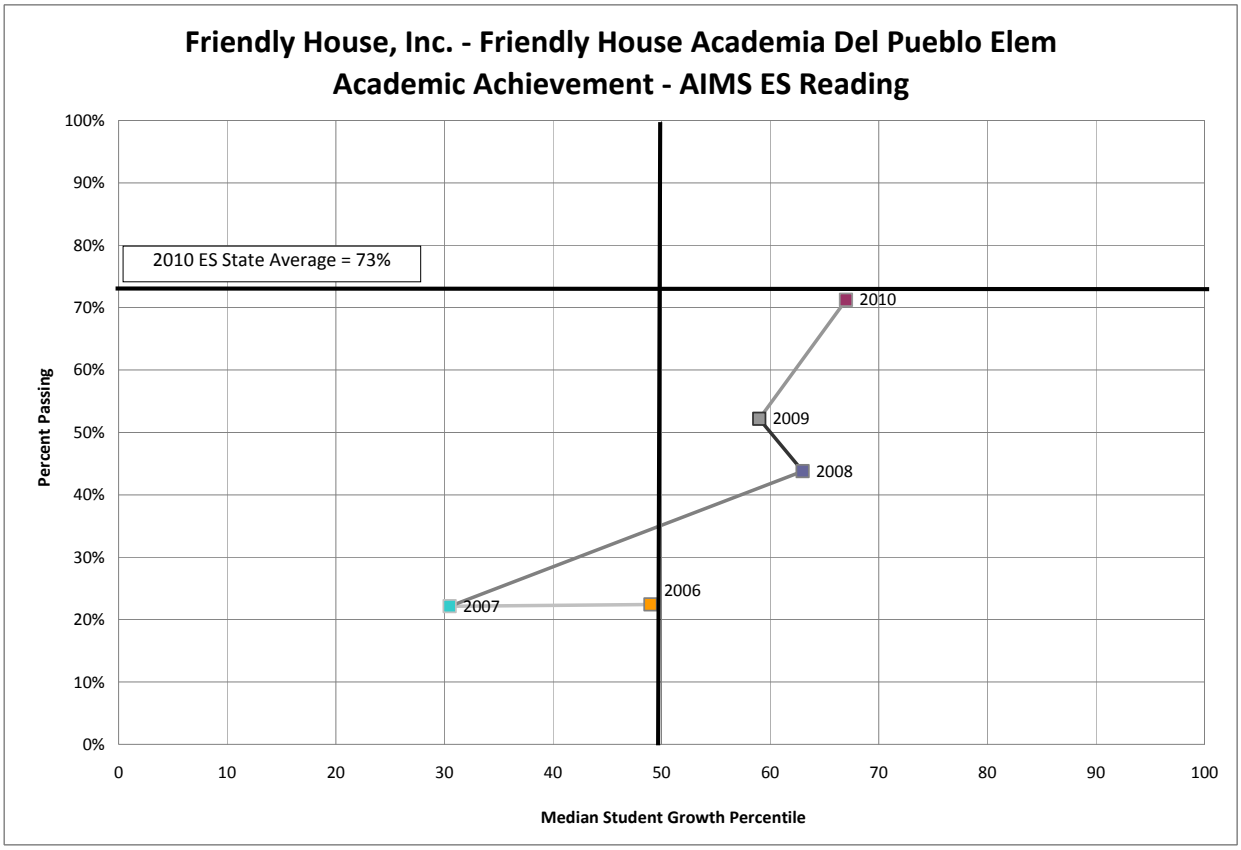
- Pupil achievement data
- Independent financial audits
- Five-year interval summary reviews
- Site visit reports
- Monitoring reports
- Application package for renewal

Profile

Friendly House, Inc. operates one (1) school serving grades K-8 with a total FY11 average daily membership (ADM) of 311.075. Additional information can be found in the Summary Review.

Graphs displaying the academic achievement for the past five years, if available, are provided on the next page.


Friendly House, Inc. - Friendly House Academia Del Pueblo Elem
Academic Achievement - AIMS ES Math
2010 ES State Average = 59%
2010
2009
2008
2006
2007
Percent Passing
Median Student Growth Percentile
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
0
10
20
30
40
50
60
70
80
90
100


Friendly House, Inc. - Friendly House Academia Del Pueblo Elem
Academic Achievement - AIMS ES Reading
2010 ES State Average = 73%
2010
2009
2008
2006
2007
Percent Passing
Median Student Growth Percentile
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
0
10
20
30
40
50
60
70
80
90
100

I. Success of the Academic Program

The academic performance of the school(s) operated by the Charter Holder meets or demonstrates sufficient progress toward the Board's level of adequate academic performance. Therefore, the Charter Holder was not required to submit a Performance Management Plan.

II. Viability of the Organization

The Charter Holder meets the standards specified in the *Renewal Application Instructions*. Therefore, the Charter Holder was not required to submit the Charter Holder's Financial Sustainability portion of the Detailed Business Plan Section.

III. Adherence to the Terms of the Charter

A. Compliance Matters Requiring Board or Other Agency Action[1]

In December 2009, the State Board of Education voted to withhold 10% of the charter holder's monthly State aid apportionment for failure to timely submit the fiscal year 2010 Superintendent/Charter Administrator Declaration of Curricular and Instructional Alignment. The withholding occurred for one month.

In December 2008, the State Board of Education voted to withhold 10% of the charter holder's monthly State aid apportionment for failure to timely submit the fiscal year 2008 audit. The charter holder had not submitted a completed audit or an engagement letter for fiscal year 2008 by the November 15, 2008 deadline. The engagement letter received on December 10, 2008 indicated that the charter holder was subject to a single audit. Based on this information, the audit deadline would be March 31, 2009. The withholding occurred for one month.

In April 2007, the State Board of Education voted to withhold 10% of the charter holder's monthly State aid apportionment for failure to timely submit the fiscal year 2006 audit. The issue was resolved prior to the May payment, so no withholding occurred.

B. Other Compliance Matters[2]

In April 2006, the results of an On-Site Review of the *No Child Left Behind* (NCLB) programs identified partial- and out-of-compliance in some areas. The compliance issues were reported by ADE as resolved in May 2007.

In February 2006, ADE Exceptional Student Services notified the charter holder of partial compliance in some areas with regard to specific regulations for Part B, Individuals with Disabilities Education Act (IDEA), and the Arizona Revised Statutes. The compliance issues were reported by ADE as resolved in January 2007.

The fiscal year 2009 audit identified a repeat issue that required a corrective action plan (CAP). Specifically, the audit indicated that the organization has a limited number of office personnel

[1] For more information about the areas of compliance reviewed for this section, please see the "Renewal Guide".
[2] For more information about the areas of compliance reviewed for this section, please see the "Renewal Guide".

and, accordingly, does not have sufficient internal control in certain areas because of inadequate segregation of duties. The audit firm recommended that the organization further segregate the accounting duties of physical access to cash, general ledger access, billing and disbursements. This issue was also identified in the fiscal year 2007 audit.[3] The organization submitted satisfactory CAPs in both fiscal years. The fiscal year 2010 audit indicated that this issue had been addressed.

Further, the fiscal year 2006 audit identified two issues that required a CAP. First, the audit indicated that one teacher aide's fingerprint clearance card had expired and also that one teacher's fingerprint clearance card was not provided. Second, the audit indicated that the school fell 16 hours short of providing the required minimum 1,068 instructional hours to its 7th and 8th graders. The charter holder submitted a satisfactory CAP addressing both of these issues.

The past five audits have identified repeat audit issues.[4] Four repeat issues were identified in the fiscal year 2010 audit. First, prior period adjustments were required to correct the 2009 consolidated financial statements in accordance with Generally Accepted Accounting Principles (GAAP). A similar issue was also identified as repeat in the fiscal year 2009 audit. Second, the fiscal year 2010 audit indicated that the school did not follow state procurement laws related to obtaining bids, written quotes and oral quotes. These three procurement-related issues were repeated in prior years' audits as well. Other repeat issues identified through the audits included: a) significant year-end adjustments to the consolidated financial statements being required to present the statements in accordance with GAAP (2009); b) failure to complete and accurately identify the federal programs in the schedule of expenditures of federal awards (2009); c) failure to maintain an invoice (2009 procurement questionnaire); d) failure to properly allocate Classroom Site Fund receipts to the three project codes (2006 and 2007); and e) the amount withheld from payroll checks not agreeing to withholding forms (2006).

For the previous five fiscal years, the charter holder has failed to timely submit its annual audit, Annual Financial Report and Budget for one or more years.

C. Charter Holder's Organizational Membership

Because the organizational membership on file with the Board was consistent with the information on file with the Arizona Corporation Commission, the Charter Holder was not required to submit the Charter Holder's Organizational Membership portion of the Detailed Business Plan Section.

[3] This issue was also identified in the fiscal year 2008 audit. However, a letter following the fiscal year 2008 audit review was inadvertently not sent to the charter holder. Therefore, since this and other issues were not communicated to the charter holder through an audit letter, the Summary Review does not include any "Audit Issues Requiring a Corrective Action Plan (CAP)" or "Repeat Issues Identified through Audits" for fiscal year 2008.
[4] For more information regarding the fiscal year 2008 audit, please see footnote 3.

Staff Recommendation

Based upon the academic performance, fiscal compliance, legal and contractual compliance, and the information in the renewal application package, I move to approve the request for charter renewal and grant a renewal contract to Friendly House, Inc.