

---

**AGENDA ITEM: Compliance Matters – Scottsdale Horizons Charter School****Issue**

On May 10, 2010, the Board voted to withhold 10% of Scottsdale Horizons Charter School's monthly State aid apportionment for failure to report student attendance data in accordance with A.R.S. §§ 15-185(B)(2), 15-901 and 15-902. Additionally, the Board found that there was a basis on which to revoke the charter contract for Scottsdale Horizons Charter School, but given the fact that the charter holder's renewal application would be considered in July, the Board decided it should proceed with the withholding in May, but not issue a Notice of Intent to Revoke the Charter until after a determination to renew the charter has been made. In order to demonstrate compliance and have the 10% returned, the corrective action plan for Scottsdale Horizons includes:

1. Demonstration that the charter holder has corrected the student attendance data for fiscal year 2010 reported to the Arizona Department of Education (ADE) and used for funding purposes. This would include providing all information to and completing all steps required by ADE. Board staff will review the revised student attendance data for the charter holder after the data have been aggregated by ADE to ensure the data accurately reflect, within 2%, the information found on the teacher-marked attendance rosters;
2. Detailed policies and procedures related to student attendance recording and reporting that address the charter holder's overall processes as well as specific steps included to ensure the issues identified by the Board during its site visits to the school do not recur;
3. Evidence that the policies and procedures have been adopted by the charter holder's corporate or governing body, as appropriate (e.g., meeting minutes); and
4. Implementation of the policies and procedures developed and adopted by the charter holder that result in the submission of accurate data through the first 40 days of fiscal year 2011.

On July 12, 2010, the Board voted to deny the request for charter renewal and to not grant a renewal contract for Scottsdale Horizons Charter School. The Board also asked staff to place Scottsdale Horizons Charter School on the next Board meeting agenda for consideration of a Notice of Intent to Revoke the charter contract.

The information found in the General Background, Background – Fiscal Year 2009 Site Visits, and Fiscal Year 2010 Site Visits & Documentation Review sections below is from the May 10, 2010 staff report.

**General Background**

Scottsdale Horizons Charter School, a non-profit, tax-exempt entity, was granted a charter by the Board in July 1995. The renewal application for this charter is set for consideration by the Board at its July 2010 meeting. The organization currently operates two charter schools. Peoria Horizons Charter School in Peoria is approved to serve grades kindergarten through eighth. Montage Academy in Scottsdale is approved to serve grades kindergarten through fourth. The charter representative is Marcia Lee. Per the most recently submitted Arizona Corporation Commission annual report, Marcia Lee is the only officer and director of the corporation.

The number of students attending a charter school during the first 100 days of the school year drives the amount of State funding received by the school. The amount of funding received from the State is affected by the point at which students enroll during that 100-day period, how long they stay enrolled, as well as the attendance patterns of the students while enrolled. For Peoria Horizons Charter School and Montage Academy, the first day of school was August 12, 2009. The 100<sup>th</sup> day was January 20, 2010.

**Background – Fiscal Year 2009 Site Visits**

Because of the discrepancies found at the August 2008 Horizons Back-to-Basics site, on September 3, 2008 and September 4, 2008, staff conducted site visits of Peoria Horizons Charter School and Montage Academy, respectively, to count students. Prior to the visits, staff had requested rosters for the week of August 25<sup>th</sup> for these two schools. A comparison of the student names on the documents provided by the schools to the student names reported to the ADE for the September payment identified more students being reported than were supported by the documents.

- 58 students were observed on the Peoria Horizons campus and an additional 13 students were confirmed absent. Additional rosters were obtained during the visit. For the September 2008 payment, Peoria

- 50 students were observed on the Montage Academy campus. Additional rosters were obtained during the visit. For the September 2008 payment, Montage Academy was reporting a total of 80 students. The documents obtained from the school supported 57 students. The ADE estimated count list included 25 student names that did not appear on the rosters and the name of 1 student, who appeared on the rosters, but for whom no attendance was indicated. Additionally, the rosters supported the attendance of 3 students who had not been included on the estimated count list. The net difference was 23 students being over-reported.
- Pursuant to A.R.S. §15-185(B)(2), ADE was requested to revise its computation for Peoria Horizons' and Montage Academy's September payment by reducing the schools' student counts by 31 students and 23 students, respectively.
- Subsequently, Peoria Horizons and Montage Academy revised their estimated student count lists to 74 students and 57 students, respectively, for the October 2008 payment.

### **Fiscal Year 2010 Site Visits & Documentation Review**

Based on the issues identified at Horizons Back-to-Basics, staff reviewed fiscal year 2010 information available through ADE's website for Peoria Horizons Charter School and Montage Academy.<sup>1</sup> This review identified possible "duplicate students"<sup>2</sup> being reported by Peoria Horizons Charter School. To confirm the accuracy of student attendance data being reported by these two schools, staff conducted site visits of Peoria Horizons Charter School on March 22, 2010 and Montage Academy on March 24, 2010. While at the schools, staff obtained copies of teacher-marked attendance rosters and other documentation for August 2009 through January 2010.<sup>3</sup>

Staff compared the information contained on the teacher-marked attendance rosters and other documentation for the first 100 days of the school year to the information submitted by each school to ADE and used by ADE to determine each school's funding for fiscal year 2010.

- For Peoria Horizons Charter School, staff's comparison identified "duplicate students" and instances where student data reported to ADE did not match the information supported by the teacher-marked attendance rosters, including overstatement of student membership days.
- For Montage Academy, staff's comparison identified instances where student data reported to ADE did not match information supported by the teacher-marked attendance rosters, including overstatement of student membership days.

The table that follows summarizes, by school, the issues identified through staff's review of the schools' teacher-marked attendance rosters and the student data submitted by the schools to ADE for funding purposes and the magnitude of the issues identified.

---

<sup>1</sup> Scottsdale Horizons Charter School's fiscal year 2009 financial statements were prepared assuming the organization will continue as a going concern. In the audit's required disclosures regarding management's plans, the organization states, in part, that it "expects enrollments to increase".

<sup>2</sup> "Duplicate students" refers to two separate records being created for a student and uploaded to ADE which were not supported by the teacher-marked attendance rosters. As a result, instead of being funded for the one student supported by the teacher-marked attendance rosters, the school received funding for two students.

<sup>3</sup> Complete rosters were not provided during the site visit. Staff followed up with Montage Academy and the requested rosters were provided on April 30<sup>th</sup>.

**Summary: Specific Findings Identified During Staff's Reviews<sup>a</sup>**

	<b># of "Duplicate Students" Identified</b>	<b>Overstated Membership Days</b>	<b>Understated Membership Days</b>	<b>Overstated Membership Due to "Duplicate Students"</b>
Peoria Horizons Charter School <sup>b</sup>	4	345	n/a	86.4%
Montage Academy	n/a	81	5	n/a
	4	426	5	--

<sup>a</sup> The numbers included in the table should be viewed as minimums (e.g., at a minimum, 345 membership days were overstated at Peoria Horizons Charter School) and not maximums.

<sup>b</sup> The "raw" data submitted for Peoria Horizons to ADE included 3 "duplicate students" until a fourth was added as of April making a total of 8 students (4 "real" and 4 "duplicate").

However, the school's May payment only included 7 of these students (3 "real" and 4 "duplicate").

In the table above, the overstated and understated membership day totals reflect multiple students. The number of overstated membership days per student identified ranged from 1 day to 100 days while the number of understated membership days per student identified ranged from 1 day to 4 days. Since payment is based on the first 100 days of the school year, the net overstatement of 421 membership days equates to approximately 4.2 students. Based on the funding formula for this charter, 4.2 students could equate to an overpayment of approximately \$29,400 for the year.

The effect of the schools' overstatement and understatement of membership days can be demonstrated in another way as shown in the table below. This table could have been created using any day(s) within the first 100 days of the school year. The 40<sup>th</sup> day and 100<sup>th</sup> day were used because the first 40 days of the school year and the first 100 days of the school year are important milestones for school funding. Please note that the information in this table does not reflect the first 40 days or first 100 days of the school year. It reflects the 40<sup>th</sup> day (October 7, 2009) and the 100<sup>th</sup> day (January 20, 2010).

**Comparison: Students Enrolled on 40th & 100th Days Based on Teacher Rosters & ADE Reports**

	<b># of Students Enrolled on 40th Day (10/7/09)</b>		<b># of Students Enrolled on 100th Day (1/20/10)</b>	
	<b>Per Teacher Rosters</b>	<b>Per ADE Reports*</b>	<b>Per Teacher Rosters</b>	<b>Per ADE Reports*</b>
Peoria Horizons Charter School	80	83	74	82
Montage Academy	54	55	45	46
<b>Total</b>	134	138	119	128

\* Information from SdADMS75 reports aggregated April 9, 2010 obtained from ADE's website.

**Board Options**

1. The Board may take no further action at this time. Under this option, the current withholding will remain in effect until Scottsdale Horizons Charter School submits a satisfactory corrective action plan that meets the requirements specified in A.R.S. 15-185(H) and the Board's May 10, 2010 motion.
2. The Board may vote to issue a Notice of Intent to Revoke the charter contract of Scottsdale Horizons Charter School for failing to report student attendance data in accordance with A.R.S. §§ 15-185(B)(2), 15-901 and 15-902.
  - 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.