

AGENDA ITEM: Compliance Matters – Vechij Himdag Alternative School, 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, Vechij Himdag Alternative School, Inc. has been placed on the agenda for the Board’s consideration for the charter holder’s failure to submit its fiscal year 2011 audit. In preparation for the January meeting, Board staff completed a full compliance check for Vechij Himdag Alternative School, Inc. The charter school is not performing at the Board’s level of adequate academic performance. No issues of operational noncompliance were identified.

Annual Financial Statement and Compliance Audit Submission

On November 21, 2011, the Board approved withholding 10 percent of Vechij Himdag Alternative School’s monthly state aid apportionment for failure to submit its fiscal year 2011 annual financial statement and compliance audit. On November 22nd, a letter describing the Board’s action was emailed to Vechij Himdag Alternative School, Inc. 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.”

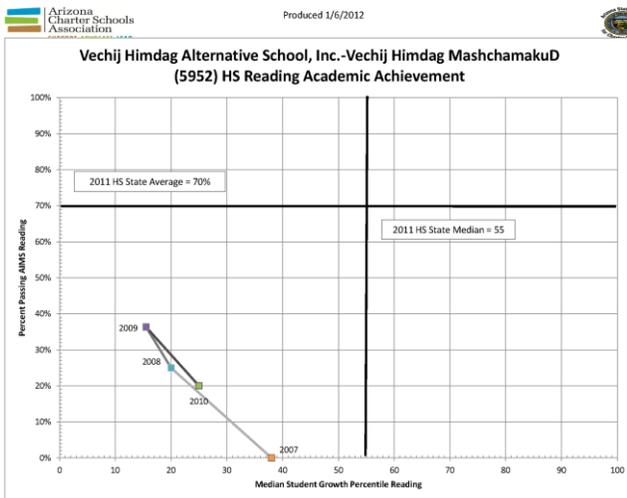
Having reviewed the charter holder’s prior compliance with submitting its annual financial statement and compliance audit, Board staff found the following:

- Fiscal Year 2010 Audit timely submitted.
- Fiscal Year 2009 Board approved withholding. Funds withheld for 1 month.
- Fiscal Year 2008 Board approved withholding. Funds withheld for 3 months. No further action taken at February 2009 meeting.
- Fiscal Year 2007 Audit timely submitted.
- Fiscal Year 2006 Audit timely submitted.

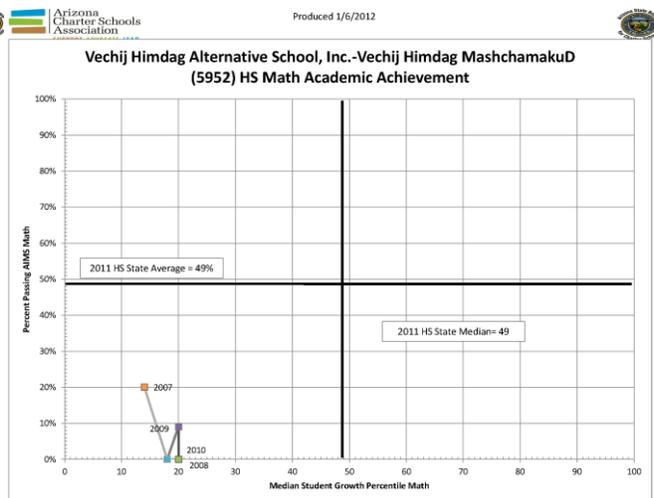
Based on information provided by the audit firm and charter holder, the audit for Vechij Himdag Alternative School is expected to be released the week of January 16th.

Compliance Check Results

In preparation for the January meeting, Board staff completed a full compliance check for Vechij Himdag Alternative School, Inc. The graphs below are representations of the academic performance for Vechij Himdag MashchamakuD. The data for the one full academic year student in 2011 is not included on the graphs below.



Note: This chart is based on data obtained from the ADE in Oct. 2011. Proficiency and growth percentiles are only reported for FAY students.



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Vechij Himdag Alternative School, Inc. was required to submit a performance management plan for the five-year interval review conducted in fiscal year 2011. Implementation of the plan was scheduled to begin in August, 2011. As of the writing of this report, Board staff has confirmed implementation of the plan.

In addition to reviewing the academic performance, the compliance check included determining whether the charter holder is:

- In compliance with special education, No Child Left Behind, 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.

Board Options

1. The Board may decide to take no further action at this time and direct staff to bring the matter back to the Board at its February 2011 meeting for further consideration should Vechij Himdag Alternative School, Inc. still not have submitted its fiscal year 2011 annual financial statement and compliance audit. (Under this option, the current 10 percent withholding would continue until the fiscal year 2011 audit is submitted.)
2. The information contained in the audit package is one of the primary means the Board has to meet its statutory oversight and administrative responsibilities for the schools it sponsors. The audit submission is a statutory and contractual requirement. Although this is a single compliance matter that could be quickly corrected, it is recurring and therefore represents a material breach of the charter contract. In addition, because charter schools were created to improve pupil achievement, based on the academic performance of the school, Vechij Himdag Alternative School, Inc. is in noncompliance with state law and its charter contract for its failure to provide a learning environment that will improve pupil achievement in accordance with A.R.S. §15-181(A). Therefore, I move to issue a Notice of Intent to Revoke the charter of Vechij Himdag Alternative School, Inc. for failing to submit the fiscal year 2011 annual financial statement and compliance audit as required by A.R.S. §15-183(E)(6), A.R.S. §15-914 and the charter contract and for failing to provide a learning environment that will improve pupil achievement in accordance with A.R.S. §15-181(A).
 - 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.

Staff's Recommendation

Staff's recommendation is Option 2.