

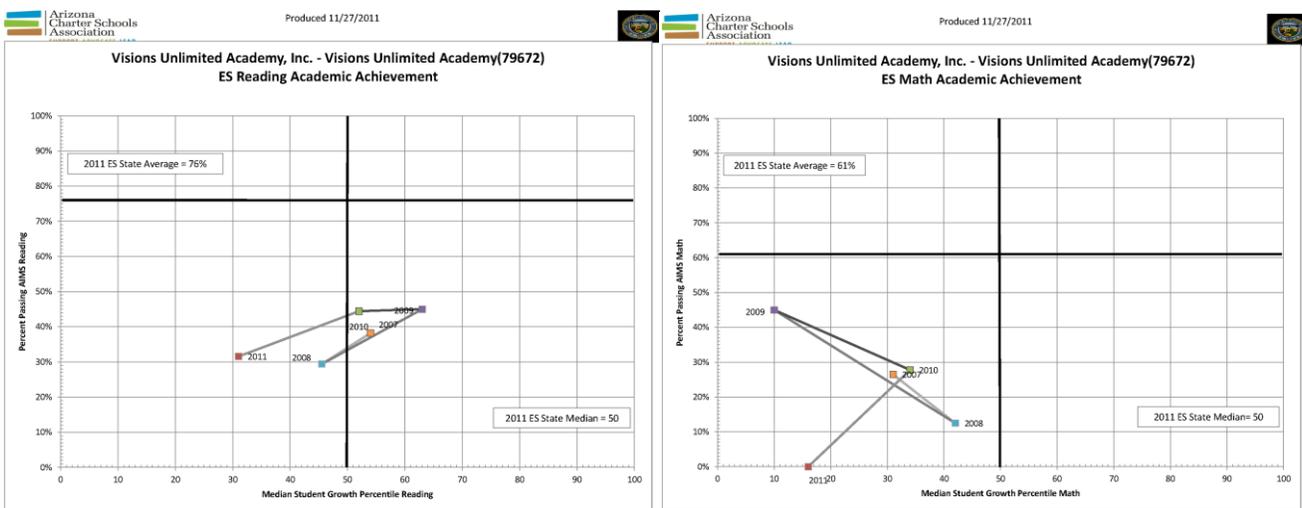
AGENDA ITEM: Compliance Matters – Visions Unlimited Academy, Inc.

Issue

Based on its submitted fiscal year 2011 audit, Visions Unlimited Academy, Inc. has violated federal payroll tax requirements for three consecutive years by not depositing taxes required to be deducted and withheld from wages of its employees and related taxes into the Treasury of the United States. Pursuant to the Board’s [Audit & Compliance Questionnaire Follow-up Matrix](#), the charter holder has been placed on the agenda for the Board’s consideration.

Background

Visions Unlimited Academy, Inc. operates one school site serving grades K-8 in Benson. As of February 9, 2012, the school’s 100th day ADM for fiscal year 2012 is 35.666. The graphs below are representations of the academic performance of Visions Unlimited Academy.



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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Visions Unlimited Academy, Inc. is required to submit a performance management plan for the five-year interval review being conducted in fiscal year 2012. On March 19th, Board staff will be visiting the school to conduct the leadership team discussion. During the visit, the deadline for submitting the plan to the Board will be established.

Federal Payroll Taxes

Based on its fiscal years 2009 through 2011 audits, Visions Unlimited Academy, Inc. has failed to comply with federal payroll tax requirements for three consecutive years.¹ According to the fiscal year 2011 audit, as of June 30, 2011, the charter holder owed \$44,928 in federal back taxes. Of that total, \$16,156 was applicable to fiscal year 2011 and \$28,772 was applicable to prior fiscal years. The \$44,928 owed in federal back taxes as of June 30, 2011 represents approximately 10% of the charter holder’s projected state equalization payment for fiscal year 2012.

¹ In all three fiscal years, Board staff notified the charter holder of the noncompliance through the annual audit letter. However, it should be noted that due to staffing constraints, the fiscal year 2010 audit letter was not sent to the charter holder until July 2011, which was after the close of fiscal year 2011.

On December 23rd, Board staff emailed a letter asking Visions Unlimited Academy, Inc. to provide certain information by February 10th. By the deadline, Board staff received the charter holder's response. After submitting its initial response, the charter holder also provided updates to Board staff. In the information submitted, the charter holder:

- Stated that its request to the Internal Revenue Service (IRS) for revenue officer assignment has been processed and authorized. As of February 6th, the officer has not been assigned. In its conversations with the IRS, the charter holder indicates that it has been advised to keep current with its federal payroll tax deposits and to continue making voluntary contributions to pay down the back taxes owed. The charter holder has agreed to make voluntary contributions to the IRS of \$1,000 per month. On March 7th, the charter holder indicated that it had initiated a call to the IRS on March 5th regarding the assignment of a revenue officer. The IRS assigned a revenue officer, but the contact information was not available. The IRS asked the charter holder to call the week of March 19th to obtain that information.
- Provided evidence that between October 2011 and March 1, 2012, it has made voluntary contributions totaling \$6,000 toward the back taxes owed to the IRS as follows:
 - \$500 on October 4, 2011
 - \$500 on October 20, 2011
 - \$500 on December 8, 2011
 - \$1,000 on February 2, 2012
 - \$1,500 on February 17, 2012
 - \$1,000 on February 28, 2012
 - \$1,000 on March 1, 2012
- Provided evidence that it has deposited the required federal payroll tax amounts for payrolls that occurred between October 1, 2011 and February 17, 2012. Information provided for the period of July 1, 2011 through September 30, 2011 showed a shortfall in deposits totaling approximately \$4,300. In follow-up communications, the charter holder indicated that it was aware of this shortfall. Charter holder personnel stated that when they are able to speak with the IRS revenue officer, they will know whether the voluntary contributions made, so far, will be applied to the first quarter of fiscal year 2012 and/or payroll taxes owed for prior years.

No other issues were identified in the fiscal year 2011 audit that required the charter holder to submit a corrective action plan to the Board.

Board Options

Option 1: The Board may decide to take no action at this time.

Option 2: The Board may approve withholding 10% of the charter holder's monthly state aid apportionment. The following language is provided for consideration: I move to find Visions Unlimited Academy, Inc. is in noncompliance with federal law for its failure to comply with federal payroll tax requirements and approve withholding 10% of the charter holder's monthly State aid apportionment until compliance is demonstrated. Compliance will be demonstrated by the charter holder providing:

- Evidence that all required federal payroll taxes for payrolls during the period of February 18, 2012 through June 30, 2012 have been timely deposited by the charter holder into the Treasury of the United States; and
- Evidence that the charter holder has continued to make voluntary contributions of \$1,000 a month to the IRS during the period of April 2012 through June 2012 for back federal payroll taxes owed.

Option 3: The Board may vote to issue a Notice of Intent to Revoke the charter holder's charter contract. The following language is provided for consideration: I move to issue a Notice of Intent to Revoke the charter contract of Visions Unlimited Academy, Inc. for failing to comply with federal payroll tax requirements and its

charter contract and failing to provide a learning environment that will improve pupil achievement in accordance with A.R.S. §15-181(A) and the charter contract.

- 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.

Option 4: The Board may choose to withhold 10% of the charter holder's monthly State aid apportionment and to issue a Notice of Intent to Revoke the charter holder's charter contract. Staff recommends the following language for consideration: I move to find Visions Unlimited Academy, Inc. is in noncompliance with state law for its failure to comply with federal payroll tax requirements and approve withholding 10% of the charter holder's monthly State aid apportionment until compliance is demonstrated. Compliance will be demonstrated as follows:

- Evidence that all required federal payroll taxes for payrolls during the period of February 18, 2012 through June 30, 2012 have been timely deposited by the charter holder into the Treasury of the United States; and
- Evidence that the charter holder has continued to make voluntary contributions of \$1,000 a month to the IRS during the period of April 2012 through June 2012 for back federal payroll taxes owed.

Further, I move to issue a Notice of Intent to Revoke the charter contract of Visions Unlimited Academy, Inc. for failing to comply with federal payroll tax requirements and its charter contract and failing to provide a learning environment that will improve pupil achievement in accordance with A.R.S. §15-181(A) and the charter contract.

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- 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.