



## Policy Statement for Conducting Compliance Checks

*The purpose of this policy is to outline the process for conducting compliance checks as it relates to the charter holder's compliance with its charter, other contractual agreements with the Board, federal and state law, and administrative rule and to detail the steps for when a compliance check results in non-compliance.*

### Background

Arizona Revised Statute § 15-182(E)(1) requires the Arizona State Board for Charter Schools ("Board") to exercise general supervision over the charter schools it sponsors.

### Policy

#### Definition

Pursuant to Arizona Administrative Code ("A.A.C.") R7-5-101:

"Principals" means the officers, directors, members, partners, or board of an applicant or charter holder.

#### Conducting Compliance Checks

In accordance with A.A.C. R7-5-505, Board staff will conduct a compliance check of a charter holder's operational performance when:

1. The charter holder submits a request to amend its charter or makes another request of the Board (e.g. Replication and Transfer applications). (R7-5-505(C)(1))
  - Staff will check compliance upon receipt of request and again prior to its placement on the Board agenda.
2. A lending institution, bond rating agency, or similar entity that has a loan or bond arrangement with the charter holder makes the request to Board staff to discuss the charter holder's current standing with the Board. (R7-5-505(C)(2))

Pursuant to A.A.C. R7-5-505(C), Board staff may conduct a compliance check of a charter holder's operational performance at any time. Board staff will conduct a compliance check of a charter holder's operational performance when:

1. The charter holder appears before the Board for non-compliance or consideration of revocation or a consent agreement, and
2. The charter holder is undergoing a five-year interval review.

When conducting compliance checks, the operational performance of the charter holder as described in the *Operational Performance Framework and Guidance* is reviewed and its current status with the Arizona Corporation Commission ("ACC") and alignment between the Principals identified in the charter contract and with the ACC is assessed.

Board staff may review additional evidentiary documentation if the Board is presented with information that warrants evaluation to ensure the charter holder meets compliance requirements as specified by the Board.

For the purpose of a compliance check, a charter holder is in compliance if:

1. Any measure on its operational dashboard rated 'Does Not Meet Standard' or 'Falls Far Below Standard' in the current year and/or the prior fiscal year has been addressed by either submitting the necessary amendment requests or has come into compliance,
2. The charter holder is in "good standing" with ACC, and
3. The charter holder is maintaining alignment between the Principals identified in the charter contract and with the ACC.

#### Requirements for Non-Compliance

Pursuant to A.A.C. R7-5-505(E), within 10 days after completing a compliance check, Board staff shall provide the charter holder with written notice of any compliance issues identified and specify a deadline for addressing the issues.

After receiving this notice, the charter holder shall provide the Board with written notice demonstrating that all identified compliance issues have been addressed by the specified deadline (R7-5-505(F)).

Pursuant to A.A.C. R7-5-505(G), the Board shall require a charter holder that fails to provide the notice required or fails to demonstrate that all identified compliance issues have been addressed to appear before the Board and:

- May subject the charter holder's requests to heightened review,
- Shall not place the charter holder's requests on a Board agenda, and
- May subject the charter holder to charter oversight as described in A.A.C. R7-5-601.

Historical Note:

Effective: June 8, 2009/August 1, 2017

Board Approval Date: June 8, 2009

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