

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, DCS Partners, Inc. has been placed on the agenda for the Board’s consideration for the charter holder’s failure to submit its fiscal year 2012 audit. In preparation for the February meeting, Board staff completed a compliance check for DCS Partners. The compliance check found that the charter holder has not demonstrated compliance with federal Elementary and Secondary Education Act requirements. Additionally, the charter holder has failed to submit to the Board the required documentation to change its charter representative.

Annual Financial Statement and Compliance Audit Submission

On November 26, 2012, the Board approved withholding 10 percent of DCS Partners’ monthly state aid apportionment for failure to submit its fiscal year 2012 annual financial statement and compliance audit. On November 27th, a letter describing the Board’s action was emailed to DCS Partners. The November 27th 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 2011	Audit timely submitted.
Fiscal Year 2010	Board approved withholding. Funds withheld for 2 months.
Fiscal Year 2009	Audit timely submitted.
Fiscal Year 2008	Audit timely submitted.
Fiscal Year 2007	Board approved withholding. Funds withheld for 3 months. No further action taken regarding late audit at February 2008 meeting.

On December 11, 2012, the charter holder submitted to the Board an engagement letter for its fiscal year 2012 audit. Staff disapproved the engagement letter on December 12th, in part, due to the engagement letter referencing two audit firms since one of the audit firms was not in good standing with the Arizona State Board of Accountancy. On January 15th, the charter holder submitted an engagement letter with a different audit firm. Staff approved this engagement letter on January 15th. According to the engagement letter, the audit firm expects to complete the audit no later than March 31, 2013.

Compliance Check Results

In preparation for the February meeting, Board staff completed a compliance check for DCS Partners. The compliance check included determining whether the charter holder is:

- In compliance with special education, Elementary and Secondary Education Act, 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.

As of the writing of this report, DCS Partners has not demonstrated compliance with federal Elementary and Secondary Education Act requirement and has failed to amend its charter contract to change its charter representative.

Elementary and Secondary Education Act

As a recipient of federal funds under the Elementary and Secondary Education Act (“ESEA”), the charter holder is obligated to verify its compliance with ESEA requirements. The charter holder has not submitted its 2012-2013 Cycle 5 Monitoring Instrument. The Arizona Department of Education notified the charter holder on August 1, 2012 that it needed to complete the monitoring instrument. The submission deadline was December 1, 2012.

Charter Representative

The charter representative is the person appointed by the charter holder to act on the charter holder’s behalf with the Board and to be the primary contact for all communications. Although DCS Partners has changed its charter representative, it has failed to submit to the Board the required documentation to amend its charter contract to reflect the change.

- On October 17, 2012, the charter holder submitted a Charter Representative Notification Request to replace the charter representative. The submission was deemed administratively incomplete.
- On November 6, 2012, the charter holder submitted a revised Charter Representative Notification Request. This submission was deemed administratively complete.
- During the substantive review process, the individual notified the Board that he would be moving and would not serve as charter representative. He also provided the name of the person that would be serving as the charter representative. On December 6, 2012, staff notified him that a Charter Representative Notification Request would need to be submitted for the “new” person.

The academic dashboard for the charter school operated by the charter holder has been included.

Board Options

Option 1: The Board may decide to take no further action at this time. The following language is provided for consideration: I move to direct staff to bring this matter back to the Board at its March 2013 meeting for further consideration should DCS Partners, Inc. still not have submitted its fiscal year 2012 audit.¹

Option 2: The Board may decide to add to the basis of the current 10% withholding. The following language is provided for consideration: I move to find DCS Partners, Inc. in noncompliance with state law, federal law and its charter contract for failing to request an amendment of its charter to reflect its change in charter representative as required by A.R.S. §15-183(G) and its charter contract and for failing to comply with accountability and reporting requirements for receipt of Elementary and Secondary Education Act grant funding as required by federal law and the charter contract. The withholding shall continue until compliance is demonstrated through:

- The submission of an administratively complete and substantively complete Charter Representative Notification Request; and
- The completion of the charter holder’s ESEA Cycle 5 compliance and monitoring requirements.

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: The information contained in the audit is one of the primary means the Board has to meet its statutory oversight and administrative responsibilities for the schools it sponsors. Although this is a matter that could be quickly corrected, it is recurring and therefore represents a material breach of the charter contract. Therefore, I move to issue a Notice of Intent to Revoke the charter contract of DCS Partners, Inc. for failing to timely submit the fiscal year 2012 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.

- Within 48 hours of receipt of the Notice the charter operator shall notify staff and parents/guardians of registered students of the Notice of Hearing on Intent to Revoke Charter and

¹ Under this option, the current 10 percent withholding would continue until the fiscal year 2012 audit is submitted.

- 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 issue a Notice of Intent to Revoke the charter holder's charter contract and add to the basis of the 10% withholding. Staff recommends the following language: The information contained in the audit is one of the primary means the Board has to meet its statutory oversight and administrative responsibilities for the schools it sponsors. Although this is a matter that could be quickly corrected, it is recurring and therefore represents a material breach of the charter contract. Therefore, I move to issue a Notice of Intent to Revoke the charter contract of DCS Partners, Inc. for failing to timely submit the fiscal year 2012 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.

- Within 48 hours of receipt of the Notice the charter operator shall notify staff and parents/guardians of registered students of the Notice of Hearing on Intent to Revoke Charter 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.

Further, I find DCS Partners, Inc. in noncompliance with state law, federal law and its charter contract for failing to request an amendment of its charter to reflect its change in charter representative as required by A.R.S. §15-183(G) and its charter contract and for failing to comply with accountability and reporting requirements for receipt of Elementary and Secondary Education Act grant funding as required by federal law and the charter contract. The withholding shall continue until compliance is demonstrated through:

- The submission of an administratively complete and substantively complete Charter Representative Notification Request; and
- The completion of the charter holder's ESEA Cycle 5 compliance and monitoring requirements.

Academic Performance Rating FY 2012

Charter Holder: DCS Partners, Inc.
Entity ID 4328

Charter School: Destiny Community School
Entity ID 5499, Grades K-8

1. Growth

Traditional Elementary		1a. SGP		1b. SGP Bottom 25%	
School	School Year	Math	Read	Math	Read
Destiny Community School	2011-2012	53.5	47.5	58.5	47.5
Points Assigned		75	50	75	50
Weight		12.5	12.5	12.5	12.5

2. Proficiency

Traditional Elementary		2a. Percent Passing		2b. Composite School Comparison		2c. Subgroup ELL		2c. Subgroup FRL		2c. Subgroup SPED	
School	School Year	Math	Read	Math	Read	Math	Read	Math	Read	Math	Read
Destiny Community School	2011-2012	60	72	-3.3	-4.3	NR	NR	65	69	46	62
Points Assigned		50	50	50	50	0	0	75	75	75	75
Weight		7.5	7.5	7.5	7.5	0	0	3.75	3.75	3.75	3.75

3. State Accountability & Overall Rating

Traditional Elementary		3a. State Accountability	Overall Rating
School	School Year	Grade	
Destiny Community School	2011-2012	75	61.25
Points Assigned		75	
Weight		5	100

Overall Rating	Point Range
Exceeds Standard	> or = to 89
Meets Standard	< 89, but > or = to 63
Does Not Meet Standard	< 63, but > or = to 39
Falls Far Below Standard	< 39