

16 NCAC 06G .0505 CHARTER SCHOOLS FINANCIAL NONCOMPLIANCE – IMPACT OF FINANCIAL NONCOMPLIANCE

(a) There are three stages of financial noncompliance under which a charter school may be placed: cautionary, probationary, and disciplinary.

(b) The presence of any one of the following financial conditions shall result in a charter school being assigned a noncompliance status:

- (1) if the charter school fails to report financial, personnel or student data within 10 days of the required or agreed-upon reporting date or does not submit accurate data ;
- (2) if the charter school fails to respond to a specific financial, personnel, or student information request for information or data from the Department of Public Instruction by the required reporting date;
- (3) if the charter school fails to submit the required audited financial statements to the North Carolina Department of State Treasurer's Local Government Commission, as prescribed by G.S. 115C-218.30 and G.S. 115C-447.
- (4) if the charter school shows signs of financial insolvency or weakness, including a decline in student membership based on evaluation of financial statements by an accountant;
- (5) if the Office of State Treasurer receives a "non-sufficient funds (NSF)" notification during the course of cash certification processing;
- (6) if the charter school receives a material audit finding in its annual independent financial statement audit which indicates a violation of State law, a violation of any of the conditions or procedures set forth in its Charter, a failure to meet generally accepted accounting practices and principles, including sound fiscal management in accordance with G.S. 115C-218.95 and remains unresolved; or
- (7) if the charter school's staff fails to attend required financial training.

(c) For these warning conditions, the school's access to the cash management system may be revoked if necessary to prevent the expenditure of funds in violation of the standards in Subparagraph (b)(6) of this Rule until the exception is corrected. Decisions to place a school in Cautionary, Probationary, or Disciplinary status will be based on the evidence of how likely the financial problems of the school are to force the school into an unplanned and unorganized closure if corrective actions are not implemented. Any combination of the above violations may result in a decision to move the charter school to Financial Disciplinary Status without first being held in either the Cautionary or Probationary status. Should a charter school have repeated violations of the same or similar non-compliance condition, the charter school may be moved to Financial Disciplinary Status.

(d) This policy does not preclude the State Board of Education from taking any action with regards to a charter school if so warranted, regardless of the charter school's financial noncompliance status.

(e) The stages of financial noncompliance are as follows:

- (1) **Level 1: Financial Cautionary Status:** A charter school may receive a notification of Financial Cautionary Status for any of the above conditions. The school shall remain in cautionary status for a minimum of 30 calendar days from the date of notification, and during that time must correct the exception(s) that caused the financial warning(s) if applicable. When the exception(s) is corrected as prescribed in the notification of noncompliance by NCDPI, the school will be notified of removal from cautionary status.
- (2) **Level 2: Financial Probationary Status:** A charter school may receive a notification of Financial Probationary Status for any of the above conditions. The school will be placed in Financial Probationary Status, if the school fails to correct the exception(s) during the 30 calendar days cautionary period, unless otherwise stated in the initial notification of noncompliance. The school remains in probationary status for a minimum of 30 calendar days from the date of notification, and during that time must correct the exceptions that caused the financial warnings if applicable. When all of the exceptions have been corrected, the school will be notified of removal from probationary status. While in probationary status, state funds for the school may be allotted on a monthly basis until the exceptions that caused the financial warnings are corrected. Failure to resolve the exceptions may result in the school being placed on Financial Disciplinary Status, referred to the Charter School Advisory Board and/or to the State Board of Education for further action.
- (3) **Level 3: Financial Disciplinary Status:** The school will be placed in Financial Disciplinary Status, if the school fails to correct all of the exceptions during the established timeframe. Any of the financial conditions noted in this policy, or combination thereof, may result in the charter school

being placed on Financial Noncompliance Disciplinary status without the benefit of being first held in either the Cautionary or Probationary status. Also, should a charter school have repeat violations of the same or similar non-compliance condition, the charter school may be moved to Financial Disciplinary Status without the benefit of completing either the Cautionary or Probationary status periods.

(f) When in Disciplinary status, the school shall address all of the exceptions that caused the financial noncompliance within 10 business days from the date of notification or otherwise stated. State funds for the school may be allotted on a monthly basis until the exceptions causing the noncompliance are corrected. When all of the exceptions have been corrected, the school will be notified of removal from disciplinary status. Failure to resolve the exceptions will result in the school being referred to the Charter School Advisory Board or to the State Board of Education for further action.

History Note: Authority G.S. 115C-12(5); 115C-218, 115C-218.15, 115C-218.30, 115C-218.95; 115C-408; Emergency Adoption Eff. August 20, 2019; Eff. March 17, 2021.