

DAVID Y. IGE  
GOVERNOR



CATHERINE PAYNE  
CHAIRPERSON

STATE OF HAWAII  
**STATE PUBLIC CHARTER SCHOOL COMMISSION**  
**(‘AHA KULA HO‘ĀMANA)**

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**INFORMATIONAL SUBMITTAL**

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SUBMITTAL DATE: August 8, 2016

MEETING DATE: August 11, 2016

TO: Catherine Payne, Chairperson

FROM: Yvonne W.M. Lau, Interim Executive Director

AGENDA ITEM: XVI. Update on Kanu o ka 'Aina New Century Public Charter School's June 2016 Monthly Financial Report

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I. DESCRIPTION

Review of the financial reports of Kanu o ka 'Aina New Century Public Charter School (Kanu) for the month ended June 30, 2016.

II. AUTHORITY

Hawaii Revised Statutes §302D-17 provides that “ (a) An authorizer shall continually monitor the performance and legal compliance of the public charter schools it oversees, including collecting and analyzing data to support ongoing evaluation according to the charter contract.”

III. BACKGROUND

After receiving the school's audit report for June 30, 2015, staff noticed a discrepancy in the cash balance reported by the school and the school's cash balance as reported in the audit report. The school had self-reported its cash balance as \$439,000 while the audit report showed the school's cash balance as \$145,590. It appears the school included its “component unit” (affiliated non-profit) cash in the school's self-reported cash balance. This was confirmed by the school. Based on this discrepancy, staff asked the school if its self-reported cash amounts for the quarters ending September 30, 2015 and December 31, 2015 included component unit's cash and if it did, how much cash was actually held by the school. The financial framework's measures are intended to evaluate a school's financial position. By combining information from the component unit with the school's, the school's stand-alone financial position is not readily discernable. This information was requested of

the school via email on December 2, 2015 and December 4, 2015 after receiving the first quarter financial report. No response was received from the school.

The question of whether the school's self-reported cash balance included cash held by its component unit was again raised after the school's second quarter financial report was received. Email inquiries to the school were sent on February 16, 2016 and February 19, 2016. No response was received from the school. Due to the lack of response, a Notice of Concern was issued to the school on February 24, 2016. Still, there was no response so a Notice of Deficiency was issued to the school on March 4, 2016. These questions remain unanswered to this date.

Based on the information available, the lack of responsiveness from KANU, and the importance for financial transparency of a state entity, it was recommended that KANU be required to provide monthly financial reports comprised of balance sheet, income statement and cash flow statement, to the Commission starting with the report for the month and year-to-date February 29, 2016. Monthly reports shall disclose if component unit information is included with the school's information, the amount included, and be provided to staff no later than the 15th of the following month. However, February's report should be provided by March 30, 2016.

At the April 14, 2016 General Business Meeting, staff recommended that KANU be required to provide monthly financial reports. Unfortunately, the motion passed by the Commission was not clear, so at its July 14, 2016 general meeting the Commission passed a motion requiring Kanu to submit monthly financial reports starting with May, 2016 through at December, 2016.

#### IV. PRESENTATION

As of this writing, Commission staff has not received any reports from the school. When staff followed up with the school and provided the verbatim motion passed, response from the school's business manager was a request for the minutes of the meeting.

The response received from the school's governing board chair is as follows:

*"And you are writing today, August 3, 2016 requesting reports which "should have been filed July 22nd" per a motion submitted by the Commission Staff and approved by the Commission on July 14th?*

*Why do you continue to perform in such inefficient manner???????  
Your untimely and intimidating emails only reflect your incompetence.*

*Ms. Shar: Provide the suggested motion.*

*Ms. Tanaka: Please provide the Motion for Action and the approved action.*

*Please send this email to Ms Payne - she should be apprised of this!*

*Since it has not been important enough for the Commission and Commission staff to quickly provide the school with the information, so they can remain in compliance, So shat then????*

*Looking forward to accountability!! What is your process, anyway?????*

*M Kapuniai Governing Board Chairperson”*

RECOMMENDATION

None; for informational purposes only.