16 NCAC 06G .0505 is proposed for adoption as follows:

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 required Uniform Education Reporting System (UERS) data within 10 days of the required or agreed-upon reporting date or does not submit accurate data due to incorrectly utilizing UERS approved materials or software within the next reporting cycle;

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;

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; and/or

7. If the charter school's staff fails to attend required financial training.

(c) For these warning conditions, funds may be frozen (i.e. the school's access to the cash management system is revoked) until the exception is corrected. Any combination of the above violations may immediately 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) 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) 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

(A) 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 immediately 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 is expected to immediately address all of the exceptions that caused the
financial noncompliance within ten (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 and/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;
Interim Rule status conferred Eff. June 27, 2018, pursuant to S.L. 2018-114, sec. 27.(b);