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**AGENDA ITEM:** Compliance Matters – Cambridge Academy East, Inc.

**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, Cambridge Academy East, Inc. has been placed on the agenda for the Board’s consideration for the charter holder’s failure to submit its fiscal year 2010 audit.

**Annual Financial Statement and Compliance Audit Submission**

On November 19, 2010, the Board approved withholding 10 percent of Cambridge Academy East’s monthly state aid apportionment for failure to submit its fiscal year 2010 annual financial statement and compliance audit. On November 24<sup>th</sup>, a letter describing the Board’s action was emailed to Cambridge Academy East. The November 24<sup>th</sup> 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 that Cambridge Academy East timely submitted its audit for the previous five fiscal years – fiscal years 2005 through 2009.

The auditor contracted to complete the audit for Cambridge Academy East, Inc. has stated it is anticipated that the audit will be completed prior to the Board’s January meeting.

**Board Options**

1. The Board may decide to take no further action at this time and direct staff to bring the matter back to the Board at its March 2011 meeting for further consideration should Cambridge Academy East, Inc. still not have submitted its fiscal year 2010 annual financial statement and compliance audit. (Under this option, the current 10 percent withholding would continue until the fiscal year 2010 audit is submitted.)
2. The Board may vote to issue a Notice of Intent to Revoke the charter of Cambridge Academy East, Inc. for failing to submit the fiscal year 2010 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. The motion should also require that:
  - Within 48 hours of receipt of the Notice the charter operator shall notify staff and parents/guardians of registered students of the Notice of Intent to Revoke and the Notice of Hearing 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.

**Staff’s Recommendation**

Staff’s recommendation is Option 1.