
AGENDA ITEM: Compliance Matters – StrengthBuilding Partners**Issue**

StrengthBuilding Partners has failed to submit its fiscal year 2015 audit reporting package (“audit”). Based on discussions that occurred during the Board’s January 12, 2016 meeting, StrengthBuilding Partners has been placed on the agenda for Board consideration.

StrengthBuilding Partners

On November 20, 2015, the Board approved withholding 10 percent of StrengthBuilding Partners’ monthly state aid apportionment for failure to submit its fiscal year 2015 audit. Following the 10 percent being withheld from the December 2015 and January 2016 payments, StrengthBuilding Partners was placed on the Board’s January 12, 2016 agenda in accordance with Board policy.¹ Prior to the January meeting, the audit firm notified Board staff that it was in the final stages of review and editing of the financial statements. Once the firm’s quality control review is completed, which can take up to two to three days, the charter holder would have the opportunity to review the financial statements. Barring unforeseen delays, the audit firm anticipated the audit would be completed and ready to issue by January 22nd. Based on this information and information shared by the charter representative during the meeting, the Board decided to take no action in January.

On January 28, 2016, Board staff spoke with the charter representative, who indicated that certain matters were identified by the charter holder during its review of the audit. The charter representative stated it is her understanding that the audit is once again going through the firm’s quality control review. She believes the audit should be submitted to the Board prior to the February meeting and indicated she would be dropping off a check to the audit firm later that day.

Fiscal year 2015 marked the charter holder’s first year of operation, making the fiscal year 2015 audit StrengthBuilding Partners’ first.

Board Options

Option 1: The Board may vote to issue a Notice of Intent to Revoke the charter holder’s charter contract.² 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 represents a material breach of the charter contract. Therefore, I move to issue a Notice of Intent to Revoke the charter contract of StrengthBuilding Partners for failing to timely submit the fiscal year 2015 audit reporting package 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 to the Board 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 2: The Board may decide to take no further action at this time and direct staff to bring this matter back to the Board at its March 2016 meeting for further consideration should the charter holder still not have submitted its fiscal year 2015 audit.³

¹ The Board’s [Policy Statement on Board Notification of Six Months of Non-compliance](#) requires staff to bring charter holders having state equalization assistance withheld for failure to timely submit their annual financial statement and compliance audits to the Board for consideration of an issuance of a Notice of Intent to Revoke the charter after two months of withholding.

² Under this option, if the audit is received prior to the revocation hearing, the parties may enter into a settlement agreement to resolve the matter and then vacate the hearing.

³ Under this option, the current 10 percent withholding would continue until the fiscal year 2015 audit is submitted.