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**AGENDA ITEM: Compliance Matters – Failure to Submit Annual Financial Audit Package**

**Background**

In accordance with [Board policy](#), staff is to bring charters having state equalization assistance withheld for failure to timely submit their annual financial and compliance audits back to the Board after two months of withholding for consideration of an issuance of a notice of intent to revoke the charter.

In November 2008, the Board voted to withhold 10% of the monthly state equalization assistance from 14 charters for failure to timely submit their fiscal year 2008 audits.

Four charters have not yet submitted their fiscal year 2008 audits and have been placed on the agenda for the Board's consideration. Staff conducted compliance reviews that included site visits to three of the four charters' school sites to provide evidence of each charter's efforts to maintain compliance in other areas of fiscal, academic and contractual compliance. During these visits, staff:

- Counted students and compared the count to what was being reported for payment purposes to the Arizona Department of Education;
- Reviewed compliance with statutory fingerprinting requirements;
- Observed classrooms for evidence of a program of instruction aligned to the charter and incorporating the State Academic Standards;
- Obtained a daily schedule to determine whether the school was providing the required number of instructional hours to its students; and
- Reviewed the availability of resume information for parents and guardians as required by A.R.S. § 15-183.F.

In addition, staff completed a full compliance check, which included determining whether the charter is:

- In compliance with special education, No Child Left Behind, federal grants, child nutrition, and Arizona State Retirement System requirements, as applicable; and
- In good standing with the Arizona Corporation Commission as required by the contract.

Further, staff reviewed the charters' public files for any complaints received during fiscal year 2009 that related to the charter's financial condition or other issues that the fiscal year 2008 audit could have provided insight into, had it been available.

For each of the four charters, a staff summary report has been provided including an overview of the charter and its audit submission history and summarizing any issues identified through the visit, compliance check and complaints.