
AGENDA ITEM: Compliance Matters – Annual Financial Statement and Compliance Audits

Issue

The charter holders listed on the agenda failed to submit their fiscal year 2009 annual financial statement and compliance audits, which were due to the Board on November 15, 2009.

General Background – Annual Financial Statement & Compliance Audit

[A.R.S. §15-183.E.6](#) and [A.R.S. §15-914](#) require charter schools to annually submit a financial audit and compliance questionnaire. For most of the Board’s charter operators, the audit is due 4-1/2 months after the end of the fiscal year – November 15th. Since November 15, 2009, fell on a Sunday, fiscal year 2009 audits received by the Board on Monday, November 16th, were considered timely submitted.

Charters that expend over \$500,000 in federal funds are required to submit a Single Audit. The Single Audit and questionnaire for fiscal year ending June 30, 2009 are due March 31, 2010. Charter holders that fail to timely submit their Single Audits and questionnaires will be brought before the Board in April.

Background Information Specific to Charter Holders Listed on Agenda

The charter holders have been grouped on the agenda by the number of consecutive years they have failed to timely submit their annual financial statement and compliance audits.

Those charter holders listed under “Second Consecutive Year Late” failed to timely submit their audits in fiscal years 2008 and 2009. Please see the table below.

Charter Holder	Fiscal Year 2008 Audit
Arizona Academy of Leadership, Inc.	Audit submitted prior to November meeting.
Back-to-Basics School	Audit submitted prior to November meeting.
El Pueblo Integral – Teaching and Learning Collaborative	Audit submitted prior to November meeting.
Global Education Foundation, Inc.	Audit submitted prior to November meeting.
Heritage Elementary School	Audit submitted prior to November meeting.
Legacy Education Group	Board approved withholding. Funds withheld for 1 month.
Liberty Traditional Charter School	Audit submitted prior to November meeting.
Santa Cruz Valley Opportunities in Education, Inc.	Board approved withholding. Funds withheld for 2 months.
Scottsdale Horizons Charter School	Audit submitted prior to November meeting.
Vechij Himdag Alternative School, Inc.	Board approved withholding. Funds withheld for 3 months. No further action taken at February 2009 meeting.

Academy of Academy is listed under “Third Consecutive Year Late” for failing to timely submit its audits in fiscal years 2007, 2008 and 2009.

- Fiscal Year 2007 Audit – Board approved withholding, which occurred for two months. Audit submitted following staff’s site visit and prior to the February 2008 meeting where the Board would consider further disciplinary action.
- Fiscal Year 2008 Audit – Board approved withholding, which occurred for two months. Audit submitted following staff’s site visit and prior to the February 2009 meeting where the Board would consider further disciplinary action.

Board Options

1. The Board may direct staff to monitor each charter holder's progress in submitting its fiscal year 2009 annual financial statement and compliance audit and provide additional updates as they become available.
2. The Board may find the charter holders are in noncompliance with state law for their failure to submit the annual financial statement and compliance audits and approve withholding 10% of each charter holder's monthly State aid apportionment until the fiscal year 2009 annual financial statement and compliance audit is submitted as required by A.R.S. §15-183.E.6 and A.R.S. §15-914.
3. The Board may vote to issue a Notice of Intent to Revoke the charter contract of each charter holder for failure to submit the fiscal year 2009 annual financial statement and compliance audit as required by A.R.S. §15-183.E.6, A.R.S. §15-914, and their charter contracts.

Staff's Recommendations

For the charter holders listed under "First Year Late" and "Second Consecutive Year Late", staff's recommendation is Option #2.

For Academy of Arizona (listed under "Third Consecutive Year Late"), staff's recommendation is Option #3 with the following explanation: Although this is a single compliance matter that could be quickly corrected, it is significant, recurring, and requires substantial staff resources each year. If the audit is received following the issuance of a notice of intent to revoke the charter, the charter operator could enter a settlement agreement.