
AGENDA ITEM: Compliance Matters – Annual Financial Single Audits

Issue

The charter holders listed on the agenda have failed to submit their fiscal year 2010 annual financial single audits and compliance questionnaires, which were due to the Board on or before March 31, 2011. Prior to the Board meeting, one response was submitted that pertained to two charter holders' late audits. A copy of the response has been included with this report.

General Background – Annual Financial Single Audit

[A.R.S. §15-183.E.6](#) and [A.R.S. §15-914](#) require charter schools to annually submit a financial statement audit and compliance questionnaire. Schools that expend over \$500,000 in federal funds are required to submit a single audit to meet this requirement. The single audit and questionnaire for the fiscal year ending June 30, 2010 were due on or before March 31st.

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 audits.

Luz Academy of Tucson, Inc. is listed under “Second Consecutive Year Late” for failure to timely submit its audit in fiscal years 2009 and 2010. Please see the table below.

Charter Holder	Fiscal Year 2009 Audit
Luz Academy of Tucson, Inc.	The charter holder's audit was submitted prior to the Board's April meeting. However, although the charter holder received an extension to the November 15 th deadline based on information provided showing that it was subject to a single audit, the audit submitted on April 10, 2010 was not a single audit. Therefore, the audit should have been submitted by November 15, 2009 and was therefore nearly 5 months late instead of 10 days late. A corrective action plan was required, which the charter holder timely submitted.

Legacy Education Group is listed under “Third Consecutive Year Late” for failure to timely submit its audit in fiscal years 2008, 2009 and 2010. Please see the table below.

Charter Holder	Fiscal Year 2008 Audit	Fiscal Year 2009 Audit
Legacy Education Group	Board approved withholding. Funds withheld for 1 month.	Audit submitted prior to November meeting.

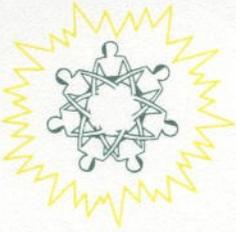
Board Options

1. The Board may direct staff to monitor the charter holders' progress in submitting their fiscal year 2010 annual financial single audits and provide additional updates as they become available.
2. The Board may find the charter holders are in noncompliance for their failure to timely submit the annual financial single audit and compliance questionnaire and approve withholding 10% of each charter holder's monthly State aid apportionment until the fiscal year 2010 annual financial single audit and compliance questionnaire are 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 breach of one or more provisions of their charter contracts when they failed to timely submit the fiscal year 2010 annual financial single audit and compliance questionnaire as required by A.R.S. §15-183.E.6, A.R.S. §15-914. 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 #2.



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March 30, 2011

Pepe Barrón
Chief Executive Officer

Adelante Juntos Coalition

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Luz Academy of Tucson

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RE: Luz Social Services, Inc.
Luz Academy of Tucson, CTD No. 108702
El Centro for the Study of Primary & Secondary Education, CTD No. 108792

Dear Andrea,

This letter is to explain the situation regarding the audits for Luz Academy of Tucson and El Centro for fiscal year 2009-2010. We understand the importance of getting the audit in on time. We are combining all three entities as one audit for GAAP purposes. The consolidation of the agencies was a bit more than we expected and we will do everything in our power to get the audit submitted as soon as possible.

If you have any questions please feel free to contact me at 520-882-6216 ext. 7381, or Barbara W. Cisneros at ext. 7388.

Atentamente,



Dr. Pepe Barrón,
CEO/Superintendent



Barbara W. Cisneros
Business Manager

CC: Board of Directors (LSSI, LAOT, EC)
Brett V. Backlund, CPA