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

Issue

The charter holders listed on the agenda failed to submit their fiscal year 2011 annual financial statement and compliance audits, which were due to the Board on November 15, 2011. Prior to the Board meeting, one charter holder submitted a written response to the Board regarding its late audit. A copy of the response has been posted with the meeting materials.

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 many of the Board’s charters, the audit is due 4-1/2 months after the end of the fiscal year – November 15th.

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, 2010 are due March 31, 2011. Charters 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

For the fiscal year 2011 audit cycle, the Board expects to receive 365 audits – 275 financial statement audits and 90 single audits. As of the writing of this report, the Board has received 259 of the 275 financial statement audits, which were due by November 15, 2011 and 11 of the 90 single audits, which are due by March 31, 2012.

The charter holders listed on the agenda have been grouped 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 for fiscal years 2010 and 2011. Please see the table below.

Charter Holder	Fiscal Year 2010 Audit
Academy Del Sol, Inc.	Audit submitted prior to November meeting.
Cambridge Academy East, Inc.	Board approved withholding. Funds withheld for 3 months.
Camelback Education, Inc.	Board approved withholding. Funds withheld for 2 months.
Westwind Children’s Services	Audit submitted prior to April meeting.

Board Options

1. The Board may direct staff to monitor each charter holder’s progress in submitting its fiscal year 2011 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 2011 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 2011 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.

Staff’s Recommendation

Staff’s recommendation is Option #2.