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**AGENDA ITEM: Compliance Matters – Annual Financial Single Audits**

**Issue**

The charter holders listed on the agenda have failed to submit their fiscal year 2011 annual financial single audits and compliance questionnaires, which were due to the Board on or before March 31<sup>st</sup>.

**Annual Financial Single Audit Background**

[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, 2011 were due on or before March 31, 2012. Since March 31, 2012 fell on a Saturday, complete fiscal year 2011 single audit reporting packages received by the Board on or before April 2<sup>nd</sup> were considered timely submitted.

**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.

El Centro for the Study of Primary and Secondary Education is listed under “Second Consecutive Year Late” for failure to timely submit its audit in fiscal years 2010 and 2011. Please see the table below.

<b>Charter Holder</b>	<b>Fiscal Year 2010 Audit</b>
El Centro for the Study of Primary and Secondary Education	Board approved withholding. Funds withheld for 2 months.

Luz Academy of Tucson, Inc. is listed under “Third Consecutive Year Late” for failure to timely submit its audit in fiscal years 2009, 2010 and 2011. Please see the table below.

<b>Charter Holder</b>	<b>Fiscal Year 2009 Audit</b>	<b>Fiscal Year 2010 Audit</b>
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 <sup>th</sup> 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.	Board approved withholding. Funds withheld for 2 months.

**Board Options**

Option 1: The Board may decide to take no action at this time.

Option 2: The Board may approve withholding 10% of the charter holder’s monthly state aid apportionment. Staff recommends the following language for consideration: I move to find {INSERT

*CHARTER HOLDER NAMES}* are in noncompliance with state law and their charter contracts for their failure to timely submit their annual single audit reporting packages and approve withholding 10% of each charter holder's monthly State aid apportionment until the fiscal year 2011 single audit reporting package is submitted.

Option 3: The Board may vote to issue a Notice of Intent to Revoke the charter holder's charter contract. The following language is provided for consideration: I move to issue a Notice of Intent to Revoke the charter contract of *{INSERT CHARTER HOLDER NAMES}* for failing to timely submit their fiscal year 2011 single audit reporting packages as required by state law and their charter contracts.

- Within 48 hours of receipt of the Notice each 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 each 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 each charter operator shall provide the Board with the names and mailing addresses of parents/guardians of all students registered with the school.

Option 4: The Board may choose to withhold 10% of the charter holder's monthly state aid apportionment and to issue a Notice of Intent to Revoke the charter holder's charter contract. The following language is provided for consideration: I move to find *{INSERT CHARTER HOLDER NAMES}* are in noncompliance with state law and their charter contracts for their failure to timely submit their annual single audit reporting packages and approve withholding 10% of each charter holder's monthly State aid apportionment until the fiscal year 2011 single audit reporting package is submitted.

Further, I move to issue a Notice of Intent to Revoke the charter contract of *{INSERT CHARTER HOLDER NAMES}* for failing to timely submit their fiscal year 2011 single audit reporting packages as required by state law and their charter contracts.

- Within 48 hours of receipt of the Notice each 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 each 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 each charter operator shall provide the Board with the names and mailing addresses of parents/guardians of all students registered with the school.