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

The charter holders listed below have failed to submit their fiscal year 2013 single audit reporting packages, which were due to the Board on or before March 31st.

- Friendly House, Inc.
- Shonto Governing Board of Education, Inc.

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 reporting packages for the fiscal year ending June 30, 2013 were due on or before March 31, 2014.

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.¹ Prior to the March 31st deadline, the audit firms for the two charter holders informed Board staff that the audits would be submitted late. Copies of the emails may be found following the staff report.

Board Options

Option 1: The Board may approve withholding 10% of the charter holders' 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 a complete fiscal year 2013 single audit reporting package is submitted.

Option 2: The Board may decide to take no action at this time.

¹ Shonto Governing Board of Education, Inc. was previously placed on the Board's November 21, 2013 agenda due to the charter holder not submitting a fiscal year 2013 engagement letter or audit reporting package by November 15th. On December 13, 2013, the charter holder submitted a single audit engagement letter and was granted a single audit extension to March 31, 2014.

Andrea Leder

From: Andrea Leder
Sent: Wednesday, March 26, 2014 7:44 AM
To: 'Lisa Lumbard'
Cc: Mark Mazon; Joseph Losada; Jake Litwiller at Lumbard; Jeffrey Cosper at Lumbard; Carlos Valdivia CPA at Lumbard; Stephanie Canez
Subject: RE: Friendly House, Inc - Academia del Pueblo Charter School

Hi Lisa,
I appreciate the update on the audit's status.

Please note that the agenda for the Board's April 14th meeting will be posted by Friday, April 4th. At its April 14th meeting, the Board will consider whether to take action against those charter holders that have not submitted their fiscal year 2013 single audit reporting packages. Those charter holders will have the opportunity to address the Board prior to any action being taken. Historically, the Board has voted to withhold 10% of a charter holder's monthly state equalization assistance for failure to timely submit an audit. If this action is taken, the withholding continues until a complete audit reporting package is received at which point, the withheld funds are returned to the charter holder with the next payment.

If you have any questions, please let me know.

Thanks,
Andrea

Andrea Leder
Arizona State Board for Charter Schools
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From: Lisa Lumbard [mailto:lisa@lumbard.com]
Sent: Tuesday, March 25, 2014 4:59 PM
To: Andrea Leder
Cc: Mark Mazon; Joseph Losada; Jake Litwiller at Lumbard; Jeffrey Cosper at Lumbard; Carlos Valdivia CPA at Lumbard; Stephanie Canez
Subject: Friendly House, Inc - Academia del Pueblo Charter School
Importance: High

Good Afternoon, Andrea

As you recall, the Firm of Lumbard & Associates was engaged to perform the Single Audit of Friendly House, Inc., and the agreed upon procedures for their charter School, Academia del Pueblo. We are in the process of completing the engagements for Friendly House, Inc.

Friendly House, Inc. recently experienced some significant transition in its officers and has a newly appointed CEO and newly appointed CFO and consequently we have only recently received certain financial information

that is necessary for us to complete our audit. In addition, we are awaiting some additional pertinent financial information that we feel will be important to completion of the audit, which we expect to receive shortly.

We understand that the Administrative Code makes no provision for an extension of the filing deadline. However, management requested that the State Board for Charter Schools be informed of the circumstances and corrective actions that have been implemented prior to the March 31, 2014 filing deadline. The current management of Friendly House, Inc. is making all efforts and working diligently to bring the reporting up to date and expects to be able to submit the required Single audit reporting package and the USFRCS questionnaire along with the Independent Accountant's Agreed-Upon Procedures Report thereon by April 30, 2014.

Please advise if this email communication is sufficient or if you need something more formal such as a letter from Friendly House, Inc.'s legal counsel regarding the circumstances and the corrective actions in place.

Thank you.

Lisa B. Lumbard, CPA, CGFM
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From: ASBCS System Administrator [mailto:charterschoolboard@asbcs.az.gov]
Sent: Thursday, November 07, 2013 3:28 PM
To: lisa@llumbard.com
Cc: raule@friendlyhouse.org
Subject: FY 13 Engagement Letter Approved

Arizona State Board for Charter Schools

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November 7, 2013

Lisa Lumbard
Lumbard & Associates, P.L.L.C.
4143 N. 12th Street
Suite 100
Phoenix, AZ 85014

Dear Lisa Lumbard:

We have reviewed the audit engagement letter between Lumbard & Associates, P.L.L.C. and Friendly House, Inc. for the fiscal year ended June 30, 2013.

In connection with your Single Audit, we have approved your engagement letter and issued an extension of the audit deadline to March 31, 2014. Please be advised that this extension applies only if the school is subject to a Single Audit. If it is subsequently determined that the school is not subject to a Single Audit, the extension will not apply and the school will be required to submit a financial statement audit by November 15, 2013.

Please feel free to call me if you have any questions.

Sincerely,
Andrea Leder
Government & Financial Services Manager

cc. Raul Espericueta, Friendly House, Inc.

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Thank you.

Andrea Leder

From: Andrea Leder
Sent: Wednesday, March 26, 2014 6:17 AM
To: 'William Dobridge'
Subject: RE: Shonto Governing Board of Education

Hi William,
I appreciate the update on the audit.

Thanks,
Andrea

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From: bdobridge@gmail.com [<mailto:bdobridge@gmail.com>] **On Behalf Of** William Dobridge
Sent: Tuesday, March 25, 2014 2:07 PM
To: Andrea Leder
Subject: Shonto Governing Board of Education

Hi Andrea:

We have just started the audit for Shonto Governing Board of Education.

The report will not be released by March 31.

We anticipate that the audit report will be released April 30th.

We have discussed this with them and they are in agreement that we should be able to release the report by April 30.

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