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

The charter holders listed on the agenda failed to submit their fiscal year 2015 annual financial statement and compliance audits (“audit”), which were due to the Board on November 15, 2015. Since November 15, 2015 fell on a Sunday, complete audits received by November 16, 2015 were considered timely submitted.

General Background – Audits

[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. In accordance with Arizona Administrative Code R7-5-503(F), a charter holder that fails to submit a complete audit reporting package by the audit deadline shall appear before the Board for possible disciplinary action.

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, 2015 are due March 31, 2016. 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 2015 audit cycle, the Board expects to receive 406 audits – 304 financial statement audits and 102 single audits. As of the writing of this report, the Board has received 290 of the 304 financial statement audits, which were due by November 15, 2015, and 13 of the 102 single audits, which are due by March 31, 2016.

The charter holders that failed to timely submit their fiscal year 2015 audits are identified with agenda items C1 and C2. For agenda item C1, the charter holders have been grouped by the number of consecutive years they have failed to timely submit their audits. Three charter holders submitted incomplete audit reporting packages. Thinking they had received USFRCS and procurement exceptions, these charter holders submitted the wrong compliance questionnaires.

Board Options

Option 1: 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 contract 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 a complete fiscal year 2015 annual financial statement and compliance audit is submitted.

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