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

Bradley Academy of Excellence, Inc. and StarShine Academy have still not submitted their fiscal year 2015 single audit reporting packages, which were due to the Board on or before March 31st. At its April meeting, the Board directed staff to bring these charter holders back to the Board in May if the fiscal year 2015 single audit reporting packages have not been received by the time the agenda is posted.

General Background

For the fiscal year 2015 audit cycle, the Board expected to receive 406 audits. Approximately 96% of the Board's portfolio timely submitted the fiscal year 2015 audit reporting package. At its November meeting, the Board voted to withhold 10% from the charter holders that still had not submitted their financial statement audits or, in the case of two charter holders that had filed for bankruptcy, voted to find the charter holders in noncompliance.

Bradley Academy of Excellence, Inc. ("Bradley")

At its April meeting, the Board directed staff to bring Bradley back to the Board in May if the fiscal year 2015 single audit reporting package has not been received by the time the agenda is posted. On April 11th, an email describing the Board's decision was sent to Bradley. The April 11th email also included the following, "To avoid being placed on the Board's May 9, 2016 agenda, a complete fiscal year 2015 single audit reporting package must be received by our office no later than noon on Thursday, April 28, 2016." Instead of April 29th, the materials for this meeting were posted on April 26th.

Having reviewed Bradley's prior compliance with submitting its audits, Board staff found Bradley timely submitted its audits for fiscal years 2010 through 2014.

StarShine Academy ("StarShine")

At its April meeting, the Board directed staff to bring StarShine back to the Board in May if the fiscal year 2015 single audit reporting package has not been received by the time the agenda is posted. On April 11th, an email describing the Board's decision was sent to StarShine. The April 11th email also included the following, "To avoid being placed on the Board's May 9, 2016 agenda, a complete fiscal year 2015 single audit reporting package must be received by our office no later than noon on Thursday, April 28, 2016." Instead of April 29th, the materials for this meeting were posted on April 26th.

Having reviewed StarShine's prior compliance with submitting its audits, Board staff found StarShine timely submitted its audits for fiscal years 2010 through 2014.

In February 2016, StarShine filed for bankruptcy protection. The bankruptcy proceedings limit the actions the Board may take.

Board Options

Option 1 (Bradley): The Board may approve withholding 10% of Bradley's monthly state aid apportionment. Staff recommends the following language for consideration: I move to find Bradley Academy of Excellence, Inc. is in noncompliance with state law and its charter contract for its failure to timely submit the annual single audit reporting package and approve withholding 10% of Bradley's monthly State aid apportionment until a complete fiscal year 2015 single audit reporting package is

submitted.

Option 2 (StarShine): The Board may acknowledge that StarShine is not in compliance with state law and its charter contract. Staff recommends the following language for consideration: I move to find StarShine Academy is in noncompliance with state law and its charter contract for its failure to submit the fiscal year 2015 annual single audit reporting package and acknowledge that had the bankruptcy filing not prevented it, the Board would withhold 10% of StarShine's monthly state aid apportionment until the fiscal year 2015 audit is submitted to the Board.

Option 3: The Board may decide to take no action at this time.