
AGENDA ITEM: Compliance Matters – Late Fiscal Year 2010 Single Audit Reporting Packages**Issue**

In accordance with the Board's [Policy Statement on Board Notification of Six Months of Non-compliance](#), staff is to bring a charter holder having state equalization assistance withheld for failure to timely submit its annual audit reporting package to the Board for consideration of an issuance of a Notice of Intent to Revoke the charter after two months of withholding. Pursuant to this policy, the following two charter holders have been placed on the agenda for the Board's consideration of each charter holder's failure to submit its fiscal year 2010 single audit reporting package:

- Camelback Education, Inc.
- Harvest Power Community Development Group, Inc.

General Background

On April 11, 2011, the Board approved withholding 10 percent of the monthly state aid apportionment from the two charter holders listed above for failure to submit their fiscal year 2010 single audit reporting packages. On April 11th, a letter describing the Board's action was emailed to each charter holder. The April 11th letter also included the following: "Please note that per Board policy staff will bring charter holders having state aid withheld for failure to timely submit their audits to the Board after two months of withholding for consideration of a Notice of Intent to Revoke the Charter."

On May 17, 2011, Board staff sent an email to the applicable charter representatives indicating that in accordance with Board policy, charter holders that have still not yet submitted their fiscal year 2010 single audit reporting packages will be placed on the Board's June 13th agenda for further consideration. The email also asked the charter representatives to provide an update on the audit's status. Follow-up emails were sent on May 26th.

Camelback Education, Inc.

Having reviewed the charter holder's prior compliance with submitting its annual audit reporting package for the previous five years, Board staff found that Camelback Education timely submitted its audit reporting package in fiscal year 2009. The Board voted to withhold 10% of Camelback Education's monthly state aid for failure to timely submit its annual audit reporting packages in fiscal years 2005 through 2008. The fiscal years 2006 through 2008 audit reporting packages were submitted prior to the withholdings taking effect. For the fiscal year 2005 audit reporting package, the 10% withholding was in place for three months. For fiscal years 2005 through 2009, the audits did not identify any issues requiring a corrective action plan or any repeat audit issues.

The audit firm contracted to complete the audit for Camelback Education, Inc. anticipates that the audit reporting package will be completed prior to the Board's June meeting.

Harvest Power Community Development Group, Inc.

Having reviewed the charter holder's prior compliance with submitting its annual audit reporting package, Board staff found that Harvest Power Community Development Group timely submitted its audit for two of the previous five fiscal years – fiscal years 2008 and 2009. The Board voted to withhold 10% of Harvest Power's monthly state aid for failure to timely submit its fiscal year 2006 audit reporting package. The fiscal year 2006 audit reporting package was submitted prior to the withholding taking effect. The fiscal years 2005 and 2007 audit reporting packages were submitted prior to the meetings where the Board would have considered whether to withhold funds. For fiscal years 2005 through 2009, the audits did not identify any issues requiring a corrective action plan or any repeat audit issues.

Harvest Power Community Development Group, Inc. anticipates that the audit reporting package will be completed prior to the Board's June meeting. The email sent by the charter holder to Board staff on June 3rd may be found at the end of this document.

Board Options

1. The Board may decide to take no further action at this time and direct staff to bring the matter back to the Board at its July 2011 meeting for further consideration should any of the charter holders still not have submitted their fiscal year 2010 single audit reporting packages. (Under this option, the current 10 percent withholding would continue until the fiscal year 2010 audit reporting package is submitted.)
2. The Board may vote to issue a Notice of Intent to Revoke the charter of each charter holder for failing to submit its fiscal year 2010 single audit reporting package as required by A.R.S. §15-183(E)(6), A.R.S. §15-914 and the charter contract. The motion should also require that:
 - Within 48 hours of receipt of the Notice the 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 the 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 the charter operator shall provide the Board with the names and mailing addresses of parents/guardians of all students registered with the school.

Staff's Recommendation

Staff's recommendation is Option 1.

Andrea Leder

From: Debi Ybarra <dybarra@harvestprep.com>
Sent: Friday, June 03, 2011 3:16 PM
To: Andrea Leder
Subject: RE: FY10 Audit Follow-up

Dear Ms. Leder,

I apologize for the delayed response. On behalf of Harvest Power Community Development Group, Inc. d/b/a Harvest Preparatory Academy I am writing this email to update you with the progress of the school's annual audit. We are very frustrated by the fact that our audit has not yet been turned in and have been working very diligently to provide the information being requested to the auditor.

The key stumbling block has revolved around the tax-exempt financing obtained through the Industrial Development Authority of Pima County dated August 1, 2006. Even though this bond has been in effect since 2006, the Auditor has chosen this year to seek more information about the bond transaction and the numerous covenants contained therein. HPA's bond deal is different from the other charter school bonds because it has a bank Letter of Credit which gives it a AAA rating and a lower interest rate. The auditor has not provided the school with any reason as to why they are more inquisitive on this audit than in the past five years especially since the bank has earlier informed the auditor that HPA was in compliance with all of the covenants and conditions.

Yesterday, the HPA officers, the HPA attorney, the bank representative along with the auditors had a conference call to attempt to answer all questions. Fortunately, it appears that it was a successful call and the bank has certified compliance. The auditor has said that this will satisfy them and are finalizing the draft audit for HPA's review.

HPA, upon receipt will review the draft and will prepare any adjustments or comments. Consequently, while it is hoped that the audit will be in your hands today, the realistic date will probably be Monday or Tuesday. We hope that this information and receipt of the audit early next week will cause your consideration to not place HPA on the agenda as an action item.

Sincerely,

Deborah Ybarra
Executive Director

From: Andrea Leder [mailto:Andrea.Leder@asbcs.az.gov]
Sent: Thursday, May 26, 2011 7:24 AM
To: Debi Ybarra
Subject: FW: FY10 Audit Follow-up
Importance: High

Deborah Ybarra,
Since I hadn't yet received a response from you, I wanted to follow-up.

Thanks,
Andrea

Andrea Leder
Arizona State Board for Charter Schools
1700 W. Washington Street, Room 164
Phoenix, AZ 85007
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<http://asbcs.az.gov>

From: Andrea Leder
Sent: Tuesday, May 17, 2011 8:48 AM
To: Debi Ybarra (dybarra@harvestprep.com)
Subject: FY10 Audit Follow-up
Importance: High

Deborah Ybarra,
As you may recall, on April 11th, the Board voted to withhold 10% of Harvest Power Community Development Group's monthly state aid apportionment for failure to timely submit the fiscal year 2010 single audit reporting package. In accordance with Board policy, charter holders that have still not yet submitted their fiscal year 2010 single audits will be placed on the Board's June 13th agenda for consideration of issuance of a notice of intent to revoke the charter. Please provide me with an update on the status of the fiscal year 2010 single audit, including when you anticipate it will be received by the Board.

If you have any questions, please let me know.

Thanks,
Andrea

Andrea Leder
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