
AGENDA ITEM: Compliance Matters – Annual Financial Audits (Agenda Item K2)

Issue

Life Skills Center of Arizona, Inc. has failed to timely submit its fiscal year 2016 annual financial audit and compliance questionnaire (“audit”) as required by A.R.S. §15-183(E)(6) and its January 2015 consent agreement with the Board.

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. The audit is due 4-1/2 months after the end of the fiscal year – November 15th.

Life Skills Center of Arizona, Inc.

As a result of the charter holder’s past failures to timely submit its annual audits, in January 2015, the Board approved a consent agreement with Life Skills Center of Arizona, Inc. (“Life Skills”). Under the Consent Agreement’s terms, Life Skills agreed to submit a complete fiscal year 2015 audit reporting package and all subsequent fiscal year audit reporting packages by the audit deadline. Pursuant to the consent agreement, if Life Skills fails to comply with the terms and conditions of the agreement, the Board may, on no less than 30 calendar days notice, hold a hearing at which time the Board will receive information to determine whether evidence exists that Life Skills failed to comply with the terms and conditions of the agreement. If the Board determines a breach of the agreement has occurred, the Board may revoke Life Skills charter and terminate its charter contract.

The information below reflects Life Skills’ audit history since the consent agreement has been in place:

Fiscal Year 2015 – On time

Fiscal Year 2016 – Late (Not Yet Received)

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 Life Skills Center of Arizona, Inc. is in noncompliance with state law and its charter contract for its failure to submit the annual financial statement and compliance audit and approve withholding 10% of the charter holder’s monthly state aid apportionment until the fiscal year 2016 audit is submitted to the Board. Further, if a complete fiscal year 2016 audit has not been received by December 1, 2016, I direct staff to place Life Skills Center of Arizona, Inc. on the Board’s December 2016 agenda for the Board to consider whether to proceed to a hearing as allowed under the January 2015 consent agreement.

Option 2: The Board may vote to hold a hearing to determine if a breach of the settlement agreement has occurred. The following language is provided for consideration: I move, under the terms of the January 2015 consent agreement, that a hearing be held to determine whether evidence exists that Life Skills Center of Arizona, Inc. failed to comply with the terms and conditions of its January 2015 settlement agreement. Pursuant to the consent agreement, the hearing date shall be scheduled at least 30 days after the charter operator receive notice of today’s action.

- Within 48 hours of receipt of the Notice the charter operator shall notify staff and parents/guardians of registered students of the Notice 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.

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