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

Issue
The charter holders listed on the agenda failed to submit their fiscal year 2012 annual financial statement and compliance audits, which were due to the Board on November 15, 2012.

General Background – Annual Financial Statement & Compliance Audit
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.

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, 2012 are due March 31, 2013. 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 2012 audit cycle, the Board expects to receive 380 audits – 297 financial statement audits and 83 single audits. As of the writing of this report, the Board has received 277 of the 297 financial statement audits[1], which were due by November 15, 2012 and 27 of the 83 single audits, which are due by March 31, 2013.

The charter holders listed on the agenda have been grouped by the number of consecutive years they have failed to timely submit their annual financial statement and compliance audits.

Second Consecutive Year Late
The two charter holders listed under "Second Consecutive Year Late" failed to timely submit their audits for fiscal years 2011 and 2012. Please see the table below.

Charter Holder	Fiscal Year 2011 Audit
Kin Dah Lichii Olta	Board approved withholding. Funds withheld for 4 months.
New Destiny Leadership Charter School	Board approved withholding. Funds withheld for 1 month.

Third Consecutive Year Late
Camelback Education, Inc. is listed under "Third Consecutive Year Late" and failed to timely submit its audits for fiscal years 2010, 2011 and 2012. Please see the table below.

Fiscal Year 2011 Audit	Board approved withholding. Funds withheld for 2 months.
Fiscal Year 2010 Audit	Board approved withholding. Funds withheld for 2 months.

Board Options
Option 1: The Board may decide to take no action at this time.

Option 2: 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

[1] Of the 20 remaining audits, three are for charter holders sponsored by the State Board of Education.

each charter holder's monthly State aid apportionment until the fiscal year 2012 annual financial statement and compliance audit is submitted.

Option 3: The Board may vote to issue a Notice of Intent to Revoke the charter contract. The following language is provided for consideration: I move to issue a Notice of Intent to Revoke the charter contract of *{INSERT CHARTER HOLDER NAMES}* for failure to submit the fiscal year 2012 annual financial statement and compliance audit as required by A.R.S. §15-183.E.6, A.R.S. §15-914, and the charter contract.

- Within 48 hours of receipt of the Notice the charter operator shall notify staff and parents/guardians of registered students of the Notice of Hearing on Intent to Revoke Charter 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.