
AGENDA ITEM: Compliance Matters – Annual Financial Single Audits (Agenda Item N2)**Issue**

El Centro for the Study of Primary and Secondary Education and Luz Academy of Tucson, Inc. have failed to timely submit their fiscal year 2012 annual financial single audits and compliance questionnaires as required by A.R.S. §15-183(E)(6) and their July 2012 settlement agreements with the Board.

Annual Financial Single Audit Background

[A.R.S. §15-183.E.6](#) and [A.R.S. §15-914](#) require charter schools to annually submit a financial statement audit and compliance questionnaire. Schools that expend over \$500,000 in federal funds are required to submit a single audit to meet this requirement. The single audit and questionnaire for the fiscal year ending June 30, 2012 were due on or before March 31, 2013. Since March 31, 2013 fell on a Sunday, complete fiscal year 2012 single audit reporting packages received by the Board on or before April 1st were considered timely submitted.

El Centro for the Study of Primary and Secondary Education

Fiscal year 2012 marks the third consecutive year that El Centro for the Study of Primary and Secondary Education (“El Centro”) has failed to timely submit its audit. In all three fiscal years, the audits were due by March 31st. However, the fiscal years 2010 and 2011 audits were not received by the Board until June 2, 2011 and July 3, 2012, respectively. As a result of the late fiscal year 2011 audit, the Board voted in April 2012 to issue a Notice of Intent to Revoke El Centro’s charter contract.

In July 2012 and following receipt of the fiscal year 2011 audit, the Board approved a Settlement Agreement with El Centro. Under the Settlement Agreement’s terms, El Centro agreed to submit a complete fiscal year 2012 single audit reporting package to the Board by March 31, 2013 and to submit all subsequent fiscal year audit reporting packages by the audit deadline. Pursuant to the Settlement Agreement, if El Centro 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 El Centro 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 El Centro’s charter and terminate its charter contract.

Luz Academy of Tucson, Inc.

Fiscal year 2012 marks the fourth consecutive year that Luz Academy of Tucson, Inc. (“Luz Academy”) has failed to timely submit its audit. In all four fiscal years, the audits were due by March 31st. However, the fiscal years 2009, 2010 and 2011 audits were not received by the Board until April 10, 2010, June 2, 2011 and July 3, 2012, respectively. As a result of the late fiscal year 2011 audit, the Board voted in April 2012 to issue a Notice of Intent to Revoke Luz Academy’s charter contract.

In July 2012 and following receipt of the fiscal year 2011 audit, the Board approved a Settlement Agreement with Luz Academy. Under the Settlement Agreement’s terms, Luz Academy agreed to submit a complete fiscal year 2012 single audit reporting package to the Board by March 31, 2013 and to submit all subsequent fiscal year audit reporting packages by the audit deadline. Pursuant to the Settlement Agreement, if Luz Academy 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 Luz Academy 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 Luz Academy’s charter and terminate its charter contract.

Board Options

Option 1: The Board may choose to withhold 10% of the charter holders' monthly state aid apportionment and to hold a hearing to determine if a breach of the settlement agreement has occurred. Staff recommends the following language for consideration: I move to find *{INSERT CHARTER HOLDER NAMES}* are in noncompliance with state law and their July 2012 settlement agreements for their failure to timely submit their annual single audit reporting packages and approve withholding 10% of each charter holder's monthly State aid apportionment until the fiscal year 2012 single audit reporting package is submitted.

Further, I move, under the terms of the July 2012 settlement agreements, that a hearing be held to determine whether evidence exists that *{INSERT CHARTER HOLDER NAMES}* failed to comply with the terms and conditions of their settlement agreements. Pursuant to the settlement agreements, the hearing dates shall be scheduled at least 30 days after the charter operators receive notice of today's action.

- Within 48 hours of receipt of the Notice each 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 each 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 each charter operator shall provide the Board with the names and mailing addresses of parents/guardians of all students registered with the school.

Option 2: The Board may approve withholding 10% of the charter holders' monthly state aid apportionment. The following language is provided for consideration: I move to find *{INSERT CHARTER HOLDER NAMES}* are in noncompliance with state law and their charter contracts for their failure to timely submit their annual single audit reporting packages and approve withholding 10% of each charter holder's monthly State aid apportionment until the fiscal year 2012 single audit reporting package is submitted.

Option 3: 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 July 2012 settlement agreements, that a hearing be held to determine whether evidence exists that *{INSERT CHARTER HOLDER NAMES}* failed to comply with the terms and conditions of their July 2012 settlement agreements. Pursuant to the settlement agreements, the hearing dates shall be scheduled at least 30 days after the charter operators receive notice of today's action.

- Within 48 hours of receipt of the Notice each 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 each 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 each charter operator shall provide the Board with the names and mailing addresses of parents/guardians of all students registered with the school.

Option 4: The Board may decide to take no action at this time.