

# BUS5.4 - Accounting: Audits and Reporting

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## B - Business

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### School District Annual Report

#### Objective:

To ensure the timely and accurate submission of all required reports to the County School Superintendent and the Arizona State Board of Education in compliance with applicable Arizona statutes.

#### Annual Reporting Requirements:

The Governing Board shall submit an annual report to the County School Superintendent on or before October 1 each year. This report will be completed in the manner and form using the templates prescribed by the Superintendent of Public Instruction or County School Superintendent. The report shall detail the operational, financial, and academic performance of the District in accordance with the guidelines provided by the Arizona Department of Education.

The Board is also required to provide any additional reports requested by either the County School Superintendent or the Superintendent of Public Instruction at any point throughout the year.

#### Exemption from Certain Statutes and Rules:

If the District has been assigned a letter grade of **A** pursuant to **A.R.S. § 15-241** during at least two (2) of the last three (3) consecutive years and has not been assigned a letter grade of **C**, **D**, or **F** during the same period, the District may qualify for exemptions from certain statutes and rules as outlined by state law.

- **Request for Exemption:** Should the District believe it qualifies for such exemptions, it may submit a formal request to the Arizona State Board of Education.
- **Review and Approval Process:** The State Board of Education will review the submission and may approve the requested exemptions, provided they do not pertain to areas explicitly excluded under **A.R.S. § 15-215**.

Exemptions will not be granted for rules and statutes related to specific educational standards, accountability measures, or operational areas that are considered critical for maintaining educational integrity and safety.

#### Guaranteed Energy Cost Savings Contract Reports:

In compliance with **A.R.S. § 15-213.01**, the District shall submit an annual report to the School Facilities Board by **October 15** each year, detailing the actual energy and cost savings resulting from any guaranteed energy cost savings contract. The report must include:

- **Project Name:** The official name of the energy cost savings project.
- **Qualified Provider:** The name of the provider or contractor responsible for implementing the energy-saving measures.
- **Total Project Cost:** The overall cost incurred by the District to complete the energy cost savings project.
- **Expected Energy and Cost Savings:** The anticipated savings in both energy consumption and monetary terms, as originally projected in the contract.

Additionally, the District shall submit these reports to the Department of Commerce Energy Office as required by law.

#### Retention of Savings:

The District shall retain all energy savings achieved under a guaranteed energy cost savings contract. These savings may be used to cover the costs associated with the contract and the implementation of energy-saving projects. Any surplus savings may be redirected into other District projects, as allowed by

Arizona law, to further improve the District's energy efficiency and operational sustainability.

### **Legal Compliance:**

This policy is established in accordance with the following Arizona Revised Statutes:

- **A.R.S. § 15-213.01** (Energy cost savings contracts)
- **A.R.S. § 15-215** (Exemptions and restrictions)
- **A.R.S. § 15-241** (School letter grading system)
- **A.R.S. § 15-341** (Powers and duties of the governing board)
- **A.R.S. § 15-904** (Financial reporting requirements for school districts)

## **Accounting System**

### **Objective:**

To maintain accurate and legally compliant accounting records that reflect the financial and business operations of the District, in strict adherence to the **Uniform System of Financial Records (USFR)**, state laws, and District policies.

### **Record-Keeping Requirements:**

The District shall ensure that records of all business operations are maintained in full compliance with the **USFR**, relevant Arizona Revised Statutes, and policies of the Governing Board. This includes:

- **Comprehensive Financial Documentation:** Maintaining records of receipts, expenditures, contracts, payroll, and any other financial transactions.
- **Internal Controls:** Implementing appropriate internal controls to ensure accuracy, prevent fraud, and safeguard District assets.
- **Audit Compliance:** Complying with all auditing procedures and maintaining readiness for internal and external audits as required by law.

### **Assumption of Accounting Responsibility:**

In accordance with **A.R.S. § 15-914.01**, the District may apply to the **State Board of Education (SBE)** for permission to assume full accounting responsibility. If approved, the District will develop and submit an **Accounting Responsibility Plan** to the SBE, which outlines the processes and internal controls the District will implement to manage its own accounting operations.

The **Accounting Responsibility Plan** must include:

- **Detailed Procedures:** Clearly defined procedures for processing financial transactions, preparing financial statements, and maintaining compliance with state and federal reporting requirements.
- **Internal Controls:** Measures to ensure the integrity of financial data, prevent mismanagement of funds, and detect potential discrepancies.
- **Audit and Review Procedures:** A commitment to contract annually with an independent certified public accountant to conduct a **Financial and Compliance Audit**, in accordance with Arizona law.

Upon approval by the **SBE**, the District will take over full accounting responsibility, which includes:

- **Financial Reporting:** Timely preparation and submission of all required financial reports, as outlined by the **Arizona Department of Education** and the **SBE**.
- **Audit Accountability:** The annual financial audit shall include a review of compliance with applicable laws and policies, ensuring that the District remains in good standing with state requirements.

### **Audit Requirements:**

In compliance with **A.R.S. § 15-914.01**, the District shall contract with an independent certified public accountant for an annual financial and compliance audit. This audit will:

- Assess the District's adherence to state and federal regulations.
- Verify the accuracy of financial statements and reports.
- Evaluate the District's internal controls and compliance with its Accounting Responsibility Plan.

The results of the audit will be submitted to the **Arizona State Board of Education** and made available to the public, in accordance with state law.

### **Legal Compliance:**

This policy is established in accordance with the following Arizona Revised Statutes:

- **A.R.S. § 15-239** (General provisions for school financial records)
- **A.R.S. § 15-914.01** (Accounting responsibility plan)
- **A.R.S. § 15-271** (Financial and compliance audits)
- **A.R.S. § 15-272** (Audit requirements for school districts)

## **Fiscal Accounting and Reporting**

### **Objective:**

To establish comprehensive procedures for the receipt, accounting, and reporting of all District funds, ensuring fiscal responsibility and transparency in compliance with state laws and the **Uniform System of Financial Records (USFR)**.

### **Responsibilities of the Superintendent:**

The **Superintendent** is charged with the ultimate responsibility for:

- **Receiving District Funds:** Ensuring that all funds are received and properly accounted for in accordance with legal requirements and District policies.
- **Proper Accounting Practices:** Implementing and maintaining an accounting system in compliance with the **USFR**, developed by the **State Department of Education** and the **Arizona Auditor General's Office**. This system will provide for the proper separation of accounts and funds, ensuring transparency and accuracy in financial records.

### **Financial Reporting:**

The **Superintendent** shall:

- Provide the **Governing Board** with **periodic financial reports** that reflect the current financial condition of the District. These reports will include details of revenues, expenditures, and balances across all District funds and accounts, as required by the **USFR**.
- Ensure that financial reports are prepared and submitted to the **Arizona Department of Education** and any other relevant state agencies in accordance with statutory deadlines and requirements.

### **Student Accounting:**

In addition to financial accounting, the **Superintendent** shall also:

- Oversee **student accounting** functions, including the accurate and timely reporting of **enrollment** and **attendance** data, as required by state law. This includes maintaining records that align with state funding formulas and ensuring compliance with **A.R.S. § 15-901** regarding school district attendance and enrollment reporting.

### **Legal Compliance:**

This policy is established in accordance with the following Arizona Revised Statutes:

- **A.R.S. § 15-271:** Financial and compliance audits for school districts.
- **A.R.S. § 15-272:** Requirements for school district financial reporting and audits.
- **A.R.S. § 15-901:** Definitions and reporting requirements for enrollment and attendance used in

determining state funding.

The District shall adhere to all legal requirements set forth in these statutes and follow the financial management guidelines prescribed by the **USFR** to ensure sound fiscal practices and transparent reporting.

## **Audits / Financial Monitoring**

### **Objective:**

To establish the procedures and guidelines for conducting audits and financial monitoring of District operations in compliance with state and federal requirements, while ensuring transparency and fiscal accountability.

### **Superintendent's Responsibilities:**

The **Superintendent** is directed to:

- **Implement Audit Procedures:** Ensure compliance with all applicable state and federal financial monitoring and audit requirements, including but not limited to:
  - **Procedural reviews** conducted by the **Office of the Auditor General**.
  - **Federal Single Audit Act Amendments** and the **Office of Management and Budget (OMB) Compliance Supplement** (June 2016).
- **Procurement of Services:** Engage audit services in accordance with the District's policies on bidding and purchasing procedures. All contracts for audit services shall follow the guidelines set forth by the **Uniform System of Financial Records (USFR)** and state procurement laws.
- **Cost Allocation:** Ensure that costs associated with audits or financial reviews conform to the USFR and are appropriately allocated across relevant accounts.

### **Board Review and Public Disclosure:**

- **Final Audit Reports:** Upon completion of an audit or financial review, the **Superintendent** shall present the final report to the **Governing Board** for examination and discussion. The Board shall:
  - Conduct a public roll call vote to formally accept the audit and compliance questionnaires.
  - Ensure that the report is made a **public record** following its presentation, with no limitations on its distribution.
- **Filing and Distribution:** Copies of the final audit report shall be filed with relevant state agencies, including but not limited to the **Arizona Department of Education** and the **Office of the Auditor General**, as required by law.

### **Public Reporting Requirements:**

The **Governing Board** shall ensure that:

- The **District's website homepage** prominently displays a copy of its profile pages, detailing the percentage of every dollar spent in the classroom from the most recent report issued by the **Office of the Auditor General**.
- The profile page shall remain updated with the most recent fiscal status report to ensure transparency in how taxpayer funds are used for classroom instruction.

### **Legal and Compliance References:**

This policy aligns with and adheres to the following Arizona Revised Statutes and Administrative Codes:

- **A.R.S. § 15-213:** Procurement of audit services for school districts.
- **A.R.S. § 15-239:** Requirements for financial reporting and audits.
- **A.R.S. § 15-914:** Annual financial audits for school districts.
- **A.R.S. § 15-2111:** Use of district funds for specific purposes.
- **A.R.S. §§ 41-1279.03 - 41-1279.22:** Governing laws for financial monitoring, reporting, and audits conducted by the **Office of the Auditor General**.
- **A.A.C.:** Arizona Administrative Code regulations related to fiscal and procurement practices in school districts.

## Audits / Financial Monitoring

### Objective:

To establish and maintain accurate financial records for all District programs, instructional units, and departments, ensuring compliance with state, federal, and local audit requirements, and promoting fiscal accountability.

### Financial Recordkeeping:

Each program, instructional unit, and department is responsible for:

- **Maintaining Accurate Financial Records:** Records should be comprehensive and sufficient to meet the needs of both internal and external financial monitoring and audit requirements.
- **Compliance:** Ensuring that all records comply with the **Uniform System of Financial Records (USFR)** and relevant policies established by the **Superintendent**.

### Audit and Monitoring Procedures:

In addition to special reviews conducted as necessary, the District shall adhere to the following **minimum audit requirements** to demonstrate proper management and accountability of fiscal resources:

#### 1. Expenditure of Federal Financial Assistance Below \$500,000:

- When the District's **federal financial assistance** is less than five hundred thousand dollars (\$500,000) during a fiscal year, the District will be subject to a **procedural review** conducted by the **Office of the Auditor General**.
  - **Districts with an M&O Budget of \$2,000,000 or More:**
    - The District shall contract with an **independent certified public accountant (CPA)** to conduct an annual financial statement audit following generally accepted governmental auditing standards.
  - **Districts with an M&O Budget Between \$700,000 and \$2,000,000:**
    - A biennial financial statement audit shall be conducted by an independent CPA in accordance with generally accepted governmental auditing standards.

#### 2. Expenditure of Federal Financial Assistance Equal to or Exceeding \$500,000:

- When the combined **federal financial assistance** exceeds five hundred thousand dollars (\$500,000) during a fiscal year, the District is required to:
  - Contract with an approved independent auditor to conduct an **annual financial audit**.
  - This audit must comply with the **Single Audit Act Amendments of 2003** and applicable **Office of Management and Budget (OMB)** regulations, and adhere to generally accepted auditing standards.

### Biennial Audit Schedules:

The District may adjust its audit schedule based on the following provisions:

- **Conversion to a Biennial Audit:**  
The District may convert to a biennial audit schedule if the previous annual audit report contained no **significant negative findings** (e.g., a letter of noncompliance issued by the Auditor General).
- **Reversion to an Annual Audit:**  
The District must revert to an annual audit schedule if an audit reveals **significant negative findings**.
- **Reconversion to Biennial Audits:**  
The District may convert back to a biennial audit schedule if two consecutive audits have no significant negative findings.

### Reporting of Audit Findings:

- The **Superintendent** shall be promptly informed of any material deficiencies or noncompliance issues discovered during a financial monitoring or audit process.
- **Corrective Actions:** The District shall implement corrective actions promptly and document all remedial efforts to ensure future compliance.

### Audit Oversight and Public Reporting:

- The **Governing Board** shall publicly accept all audit reports and compliance questionnaires by **roll call vote** following their presentation by the **Superintendent**.
- All final audit reports will become matters of public record, and their distribution will not be restricted.
- The District's **financial profile**, including the percentage of funds allocated to classroom spending, shall be posted prominently on the **District's website** following the most recent status report issued by the **Auditor General**.

#### **Procurement of Audit Services:**

The District shall adhere to its **bidding and purchasing procedures** to secure independent audit services. The procurement of such services must follow the guidelines established in the **Uniform System of Financial Records (USFR)**, ensuring cost allocations are appropriate and transparent.

#### **Legal and Compliance References:**

This policy is aligned with and adheres to the following statutes and codes:

- **A.R.S. § 15-213**: Procurement of audit services.
- **A.R.S. § 15-239**: Financial reporting and auditing requirements for school districts.
- **A.R.S. § 15-914**: Requirements for financial audits.
- **A.R.S. § 15-2111**: Guidelines for fiscal management and reporting.
- **A.R.S. §§ 41-1279.03 - 41-1279.22**: Financial monitoring and audit regulations from the **Office of the Auditor General**.