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## **AGENDA ITEM: Fiscal Year 2016 Audit Documents**

### **Background**

Arizona Administrative Code R7-5-501 requires that by July 1<sup>st</sup> of each year, the Board make available to the public written audit guidelines that provide general guidance on charter school audit requirements, including the deadline for submitting the completed audit to the Board and information that must be included for the audit to be deemed complete. Pursuant to Board rule, the fiscal year 2016 audit documents must be released by July 1, 2016. The audit documents include the audit guidelines, Legal Compliance Questionnaire, Uniform System of Financial Records for Charter Schools (USFRCS) Compliance Questionnaire, and Procurement Compliance Questionnaire.

### **Proposed Changes to Audit Documents**

#### Audit Guidelines

The proposed changes to the audit guidelines include reflecting the new single audit threshold of \$750,000 and making technical revisions (e.g., updating dates). Had the new single audit threshold been in place for the fiscal year 2015 audit cycle, approximately 20 percent of the 404 audit reporting packages received would have been single audits instead of approximately 25 percent.

#### Legal and USFRCS Compliance Questionnaires

[A.R.S. §15-914\(G\)](#) gives the Office of the Auditor General (OAG) the responsibility to establish a method to audit average daily membership. For fiscal year 2016, the revisions made by the OAG and the Arizona Department of Education (ADE) to the Student Attendance Reporting section of these two questionnaires include adding questions and making technical and clarifying changes. The new questions relate to programs provided by a Joint Technical Education District (JTED) in a facility owned and operated by a charter school and the accuracy of student name information entered in the schools' student management systems. The Board has historically incorporated OAG changes into its Legal Compliance Questionnaire and USFRCS Compliance Questionnaire. As of the writing of this report, the Student Attendance Reporting section is being reviewed by OAG management, which may result in further technical changes to these questions. At the meeting, Board staff will update the Board on any changes that result from OAG management's review.

In addition, the website link for the General Retention Schedules for Education – K-12 published by the Arizona State Library, Archives and Public Records has been updated in the Legal Compliance Questionnaire and USFRCS Compliance Questionnaire. Further, the "Travel" section of the USFRCS Compliance Questionnaire has been updated to reflect recent changes made by the OAG to the USFRCS Manual.

#### Procurement Compliance Questionnaire

[A.R.S. §15-213\(F\)](#) gives the OAG the responsibility to establish a method to audit schools' compliance with procurement practices. No changes are being proposed to the Procurement Compliance Questionnaire, except to update the questionnaire's version date to align with the version date of the other two questionnaires.

### **Board Options**

Option 1: I move to approve the fiscal year 2016 audit guidelines, Legal Compliance Questionnaire, USFRCS Compliance Questionnaire, and Procurement Compliance Questionnaire as presented.

Option 2: I move to approve the fiscal year 2016 audit guidelines, Legal Compliance Questionnaire, USFRCS Compliance Questionnaire, and Procurement Compliance Questionnaire as presented with the inclusion of the modifications discussed (*may require specific reference depending upon whether clarification of discussion is needed*).