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## **AGENDA ITEM:** Fiscal Year 2011 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 2011 audit documents must be released by July 1, 2011. 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

For fiscal year 2011, significant changes are being proposed to the [audit guidelines](#) primarily with the intent of providing through this document a more comprehensive resource addressing the audit requirements and the Board's audit-related processes. During the subcommittee meeting, staff will go over the proposed changes in detail.

#### Legal Compliance Questionnaires

Generally, the proposed changes to the fiscal year 2011 [Legal Compliance Questionnaire](#) are being made to update the questions to reflect current statutory requirements and/or citations. For the specific changes, please see the "Personnel", "Open Meeting Law", and "Tuition" sections, as well as Question 3 in the "Required Filings" section. Board staff is also proposing changes to Question 1 in the "Required Filings" section. These changes are intended to clarify the questions to help ensure consistency among audit firms and to provide additional information to help the Board determine the appropriate level of corrective action necessary, if any. Further, technical changes are being proposed for clarification purposes. During the subcommittee meeting, staff will go over the proposed changes in detail.

[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. The OAG is not proposing any changes to the student attendance reporting questions for fiscal year 2011. In addition to technical revisions made by Board staff, the changes proposed in the 2011 Legal Compliance Questionnaire's "Student Attendance Reporting" section reflect the 2010 revisions finalized by the OAG and Arizona Department of Education in October 2010 after the Board's fiscal year 2010 audit documents had been released. The Board has typically incorporated the OAG changes into its questionnaires.

#### USFRCS Compliance Questionnaire

The proposed fiscal year 2011 [USFRCS Compliance Questionnaire](#) incorporates the changes to the Legal Compliance Questionnaire, as well as updates to reflect current requirements and technical corrections. The following sections were revised to reflect current statutory or USFRCS requirements: Budgets (Questions 2 and 3); Capital Assets (Question 1); and Financial Reporting (Questions 2 and 4).

#### Procurement Compliance Questionnaire

The recommended fiscal year 2011 revisions to the [Procurement Compliance Questionnaire](#) are technical in nature and generally include wording and clarification changes. These revisions will update the Board's questionnaire to match the OAG's current guidelines as well as clarify information found on the questionnaire's first page. [A.R.S. §15-213.F](#) gives the OAG the responsibility to establish a method to audit schools' compliance with procurement practices. The Board typically has incorporated OAG changes into its questionnaire.

### **Recommendation**

Direct staff to place on the June 13<sup>th</sup> agenda for full Board consideration and approval the fiscal year 2011 audit guidelines, Legal Compliance Questionnaire, USFRCS Compliance Questionnaire and Procurement Compliance Questionnaire as presented to and/or revised by the Policy, Rule & Contracts Subcommittee.