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**AGENDA ITEM: Fiscal Year 2012 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 2012 audit documents must be released by July 1, 2012. 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**Board's Financial Subcommittee

At its meeting on May 10, 2012, the Board's Financial Subcommittee: a) voted to recommend to the full Board that the [compliance questionnaires be completed in accordance with attestation standards established by the American Institute of Certified Public Accountants](#); and b) directed staff to make the revisions necessary to incorporate this requirement into the fiscal year 2012 audit documents. The "Instructions" section of the proposed Legal and USFRCS compliance questionnaires have been updated to reflect this change as have the applicable sections of the proposed audit guidelines. For the Procurement Compliance Questionnaire, an "Instructions" section has been added and the signature section has been modified.

Audit Guidelines

In addition to the changes addressed in the "Board Financial Subcommittee" section above, the proposed fiscal year 2012 [audit guidelines](#) have been updated to reflect the passage this past legislative session of Senate Bill 1199 (Laws 2012, Chapter 146), which removes the requirement that charter schools contract with a different auditor at least once every six years for the annual audit. The other changes being proposed are generally technical in nature.

Legal Compliance Questionnaires

Aside from the revisions addressed in the "Board's Financial Subcommittee" section above, the changes proposed by staff to the fiscal year 2012 [Legal Compliance Questionnaire](#) are generally technical in nature. However, one substantive change is proposed to Question 7 in the Classroom Site Fund section of the Legal Compliance questionnaire. The request for the year-end Classroom Site Fund cash carryover balance is related to the Board's financial framework, which is currently under development. At its May 10<sup>th</sup> meeting, the Board's Financial Subcommittee directed staff to make the revisions necessary to the fiscal year 2012 audit documents to obtain this information.

[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 2012, the OAG and the Arizona Department of Education have added to the "Student Attendance Reporting" section two questions related to student residency (see Question 13). The remaining changes in the "Student Attendance Reporting" section are technical in nature and include clarifying changes and revisions to reflect recent statutory changes. The Board has typically incorporated the OAG changes into its questionnaires.

USFRCS Compliance Questionnaire

In addition to the changes addressed in the "Board Financial Subcommittee" section above, the proposed fiscal year 2012 [USFRCS Compliance Questionnaire](#) incorporates the changes to the Legal Compliance Questionnaire.

### 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. The recommended fiscal year 2012 revisions to the [Procurement Compliance Questionnaire](#) are technical in nature and include clarifying changes. The proposed revisions not related to the changes addressed in the "Board Financial Subcommittee" section above will update the Board's questionnaire to match the OAG's current guidelines. The Board typically has incorporated OAG changes into its questionnaire.

### **Board Options**

Option 1: I move to approve the fiscal year 2012 audit guidelines, Legal Compliance Questionnaire, USFRCS Compliance Questionnaire, and Procurement Compliance Questionnaire as presented.

Option 2: I move to approve the fiscal year 2012 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).