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## **AGENDA ITEM: Fiscal Year 2018 Audit Documents**

### **Background**

Arizona Administrative Code R7-5-504(A) requires that by July 1<sup>st</sup> of each year, the Board make available on its website written requirements regarding the audit each charter school is required to submit annually under A.R.S. §§ 15-183(E)(6) and 15-914. Pursuant to Board rule, the written requirements (also referred to as the audit documents) for fiscal year 2018 must be released by July 1, 2018. 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 revisions to the audit guidelines may be found in Appendix A and include making clarifying and technical changes (e.g., updating years and dates).

#### 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. On May 8, 2018, the OAG met with the Arizona Department of Education (ADE). ADE is still discussing and finalizing changes to the questionnaires' Student Attendance Reporting section. While the changes have not yet been finalized, they will include revisions based on Laws 2017, Ch. 333 ("average daily membership; high schools") and Ch. 155 ("schools; concurrent enrollment").

Further, the State budget approved during the 2017 legislative session included an appropriation for a 1.06% teacher pay increase in fiscal year 2018. The budget provisions required school districts and charter schools to compute the increase for each eligible teacher and stipulated that the calculation is subject to the independent annual audits. According to Laws 2017, Ch. 305, any audit findings regarding a miscalculation must be reported to ADE and are subject to a budget correction. The new question developed by the OAG related to the 1.06% teacher salary increase has been included below and will be reflected in the two compliance questionnaires.

*"Were amounts received for the 1.06% teacher salary increase used to provide appropriate increases to eligible teachers? Include the total amount of monies, if any, received for this purpose that were identified as not used or used inappropriately in the comments."*

The Board has historically incorporated OAG changes into its Legal Compliance Questionnaire and USFRCS 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 proposed change to Question 9 may be found in Appendix B.

### **Requested Board Action**

Since the Board does not plan to meet in June, Board staff is asking the Board today:

- To approve the fiscal year 2018 audit guidelines and Procurement Compliance Questionnaire.
- To direct Board staff to incorporate the OAG and ADE changes available by June 25, 2018 into the Board's Legal Compliance Questionnaire and USFRCS Compliance Questionnaire.
- To date all audit documents based on the date the documents will be released, which must be no later than July 1, 2018.

**APPENDIX A**

**PROPOSED FY18 AUDIT GUIDELINES**

# Arizona State Board for Charter Schools

**Physical Address**

1616 W. Adams St., Suite 170  
Phoenix, AZ 85007

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P.O. Box 18328  
Phoenix, AZ 85009

**TO :** Administrators of charter schools sponsored by the State Board for Charter Schools

**FROM :** Andrea Leder, Assistant Director of Operations & Finance

**DATE :** ~~June 12, 2017~~XXXX

**SUBJECT :** Audit Guidelines

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Arizona Revised Statutes (A.R.S.) §§ 15-183(E)(6) and 15-914 require all charter schools to have an annual audit. Pursuant to A.R.S. § 15-914, charter school audits must be conducted in accordance with *Government Auditing Standards*. This memorandum is designed to provide general guidance to you and your audit firm on charter school audit requirements and applies only to audits of charter schools sponsored by the Arizona State Board for Charter Schools (Board).

**Mandatory Audit Firm Qualifications**

The following qualifications are mandatory for audit firms that wish to conduct charter school audits:

1. The auditors must be properly licensed certified public accountants or persons working for a licensed certified public accounting firm according to *Government Auditing Standards* (GAS).
2. The audit firm must meet the independence requirements of GAS.
3. The audit firm must have an external peer review performed at least every 3 years in accordance with GAS. The most recent external peer review report must be provided to the charter holder and the Board.
4. The audit firm must meet the continuing education requirements of GAS. Therefore, each auditor responsible for planning, directing, conducting, or reporting on GAS audits should complete at least 80 hours of continuing education every 2 years. At least 20 hours should be completed in any 1 year of the 2-year period. At least 24 of the 80 hours of continuing education should be completed in subjects directly related to the government environment, government auditing, or the specific or unique environment in which the charter school operates. The audit firm does not need to provide the Board with evidence that continuing education requirements have been met. However, the audit firm will be required to include a statement in the engagement letter affirming that the audit firm meets all of the mandatory qualifications set forth in this section. (For more information, please see the "Engagement Letter Approval" section.)

5. In accordance with Arizona Administrative Code (A.A.C.) R7-5-504(B), the audit firm and supervising certified public accountant must not be subject to a current or pending disciplinary action or a regulatory action requiring the audit firm or supervising certified public accountant to complete conditions specified by an accounting industry regulatory body. An audit firm's or supervising certified public accountant's status with the Arizona Board of Accountancy may be ascertained at <http://www.azaccountancy.gov/CPADirectory/CPASearch.aspx>.

### **Audit Type**

*Single Audit* – Charter holders organized as governmental and not-for-profit entities that expend \$750,000 or more in federal awards are subject to the requirements of the *Single Audit Act Amendments of 1996* and Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and are required to obtain an annual single audit. The audit requirements imposed by the *Single Audit Act Amendments of 1996* referenced in this memorandum apply specifically to organizations that are the primary reporting entity. In cases where the school is not the primary reporting entity – i.e., the school is part of a larger organization or considered a subsidiary of another organization that holds the charter – these requirements apply only to the primary reporting entity and not the school. However, sufficient test work must be conducted at the school level to complete the applicable compliance questionnaire(s) in accordance with both the agreed upon procedures (instructions contained therein) and the attestation standards established by the American Institute of Certified Public Accountants (see below for more information on the compliance questionnaires). If the school is the only part of the primary reporting entity that received federal financial assistance, the entity may choose to apply these requirements just to charter school operations.

*Financial Statement Audit* – Charter holders not subject to the *Single Audit Act Amendments of 1996* must contract for at least an annual financial statement audit pursuant to A.R.S. § 15-914. In cases where the school is not the primary reporting entity – i.e., the school is part of a larger organization or considered a subsidiary of another organization that holds the charter – the audit may be of the larger organization. However, sufficient test work must be conducted at the school level to complete the applicable compliance questionnaire(s) in accordance with both the agreed upon procedures (instructions contained therein) and the attestation standards established by the American Institute of Certified Public Accountants (see below for more information on the compliance questionnaires). The reporting entity may also choose to apply these requirements just to the charter school operations.

All audits, regardless of type, must be based on the state's fiscal year of July 1 through June 30.

### **Compliance Questionnaires**

In addition to the financial statement or single audit, the audit firm must complete the appropriate compliance questionnaire(s) in accordance with both the agreed upon procedures (instructions contained therein) and the attestation standards established by the American Institute of Certified Public Accountants. All Board sponsored charter holders should obtain the applicable compliance questionnaire(s) from the Board's website (<https://asbcs.az.gov/school-resources/additional-resources/annual-audits>) and not the Auditor General's website. Each charter holder is responsible for providing a copy of the appropriate compliance questionnaire(s) to the audit firm contracted to perform the audit. To determine which compliance questionnaire(s) must be completed, please see below:

- USFRCS Compliance Questionnaire – **This questionnaire is applicable only to charter holders that are subject to the Uniform System of Financial Records for Charter Schools (USFRCS).** The current USFRCS Compliance Questionnaire is dated ~~6/17X/XX~~ and must be used for all fiscal year 2017-2018 audits.
- Legal Compliance Questionnaire – **This questionnaire is applicable to charter holders that have received an exception to the USFRCS.** It is used by Board staff to determine if a charter holder is complying with certain legal requirements. The current Legal Compliance Questionnaire is dated ~~6/17X/XX~~ and must be used for all fiscal year 2017-2018 audits.
- Procurement Compliance Questionnaire – **This questionnaire is applicable to charter holders that have NOT received an exception from procurement rules** and should be completed in conjunction with either the USFRCS Compliance Questionnaire or the Legal Compliance Questionnaire. The current Procurement Compliance Questionnaire is dated ~~6/17X/XX~~ and must be used for all fiscal year 2017-2018 audits.

The applicable compliance questionnaire(s) must be completed in accordance with both the agreed upon procedures (instructions contained therein) and the attestation standards established by the American Institute of Certified Public Accountants for each charter contract the charter holder has with the Board. For example, if the charter holder has three separate charter contracts with the Board and has received exceptions to the USFRCS and procurement rules for all three, then a Legal Compliance Questionnaire must be completed and submitted for each charter contract. Please note that multiple compliance questionnaires would not be required if the charter holder operated three sites under one charter contract. Under this scenario, assuming the charter holder has received USFRCS and procurement exceptions, one Legal Compliance Questionnaire must be completed and submitted. In completing the one Legal Compliance Questionnaire, the audit testing and question responses would incorporate all three sites.

### **Engagement Letter Approval**

Laws 1999, 1<sup>st</sup> S.S., Ch. 4, sec. 15 requires the Board to approve the audit contract prior to audit commencement. The Board uses the engagement letter to meet this requirement. At this time, the Board is only approving one-year engagement terms. A copy of the engagement letter must be submitted to the Board for approval before any audit work begins. The Board prefers that engagement letters be submitted by email to [Audits@asbcs.az.gov](mailto:Audits@asbcs.az.gov). Please note that faxed engagement letters are not accepted. Engagement letters must be on the firm's letterhead. **Engagement letters received by the Board that are not on firm letterhead will be returned and not processed.**

The following items must be included in the engagement letter for the Board to consider its approval:

1. Review of Audit Guidelines – The engagement letter must reference that either the audit firm has reviewed the Board's audit guidelines dated ~~June 12, 2017XXXX~~ or that the audit services to be provided meet the Board's audit guidelines dated ~~June 12, 2017XXXX~~.
2. "Mandatory Audit Firm Qualifications" Affirmation – The engagement letter must include a statement affirming that the audit firm meets all of the mandatory qualifications set forth in the "Mandatory Audit Firm Qualifications" section (see Page 1).
3. Government Auditing Standards (GAS) – Since A.R.S. § 15-914 requires all charter school audits be conducted in accordance with GAS, all engagement letter must state that the audit

will be conducted in accordance with these standards and that the audit will include the report required by GAS.

4. Compliance Questionnaire(s) – The engagement letter must include a statement indicating that the audit firm will complete the appropriate compliance questionnaire(s) as required by the Board in accordance with both the agreed upon procedures (instructions contained therein) and the attestation standards established by the American Institute of Certified Public Accountants.
5. Specific Fee Information – The engagement letter must include specific fee information. If the engagement letter is for a single audit, includes fees for other services, or both, the engagement letter should specify the fee by service [e.g., \$X for the financial statement audit and completion of the appropriate compliance questionnaires(s), \$Y for the single audit, \$Z for the preparation of the information return].
6. Retention and Availability of Audit Documentation – Minimally, the engagement letter must include the following or similar language related to the retention and availability of the audit documentation:

“The audit documentation for this engagement is the property of [name of audit firm] and constitutes confidential information. However, pursuant to the authority given by law or regulation, we may be requested to make certain audit documentation available to your sponsor or its designee for purposes of reviewing the audit’s quality, resolving audit findings, or carrying out oversight responsibilities. If requested, access to such audit documentation will be provided under the supervision of [name of audit firm]. Furthermore, upon request, we may provide photocopies of selected audit documentation to your sponsor or produce the audit documentation at your sponsor’s office. Your sponsor may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies. All audit documentation will be retained in its entirety for a period of 5 years after the report release date unless your sponsor requests a longer retention period.”

The Board will disapprove any engagement letter that fails to address the requirements specified in this section or in A.A.C. R7-5-504(B).

Please note that by approving the engagement letter, the Board is not giving any assurance that the audit fee requested is reasonable, the projected completion date will be attained, or the audit reporting package will comply with applicable auditing standards and the minimum audit and reporting standards prescribed by the Board.

#### **Complete Audit Reporting Packages**

The audit firm shall provide at least one copy of the complete audit reporting package to the charter holder, one copy to the Board by email to [Audits@asbcs.az.gov](mailto:Audits@asbcs.az.gov) (see “Audit Deadline/Timeframe” section), and one copy to the Arizona Department of Education Grants Management by email to [singleaudits@azed.gov](mailto:singleaudits@azed.gov) [grants@azed.gov](mailto:grants@azed.gov).

For single audits, the audit firm shall also provide one copy of the audit reporting package and data collection form to the Federal Audit Clearinghouse’s Internet Data Entry System at the following address: <https://harvester.census.gov/facweb/>.

For an audit reporting package to be considered complete, it must include at least the following:

For Financial Statement Audits:

1. Financial statements, including the audit firm's opinion thereon
2. *Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*
3. The applicable compliance questionnaire(s) as described above with an agreed upon procedures report thereon in accordance with the attestation standards established by the American Institute of Certified Public Accountants
4. Management letter issued, if applicable

For Single Audits:

In addition to the items listed above for financial statement audits:

1. Schedule of Expenditures of Federal Awards, including the audit firm's report thereon
2. Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance
3. Summary Schedule of Prior Audit Findings
4. Schedule of Findings and Questioned Costs
5. Corrective Action Plan

In accordance with A.A.C. R7-5-504(E), a charter holder that fails to submit timely a complete audit reporting package may be subject to charter oversight as specified in A.A.C. R7-5-601 and following.

**Audit Deadline/Timeframe**

The deadline to submit the complete audit reporting package to the Board is November 15<sup>th</sup>, except that an extension is possible only for a charter holder that is subject to the *Single Audit Act Amendments of 1996*. The Board has not authorized staff to grant extensions for other reasons. In order to consider granting a single audit extension, the Board must receive an engagement letter for a single audit from the charter holder or its audit firm by November 15<sup>th</sup> and prior to the commencement of the audit. Single audit extensions are only granted through the engagement letter process.

The complete financial statement audit reporting package may either be sent electronically to [Audits@asbcs.az.gov](mailto:Audits@asbcs.az.gov) **or** mailed to the Board at P.O. Box 18328, Phoenix, AZ 85009 **or** delivered to the Board's office at 1616 W. Adams Street, Suite 170 in Phoenix. The Board prefers that financial statement audit reporting packages be submitted by email. Complete financial statement audit reporting packages received by the Board on or before November 15<sup>th</sup> by 11:59 p.m. for emailed copies or by 5 p.m. for paper copies will be considered timely submitted. Please note that faxed financial statement audit reporting packages are not accepted. Financial statement audit reporting packages must be on the firm's letterhead and include the appropriate signatures. Financial statement audit reporting packages received by the Board that are not on firm letterhead and/or do not contain

the appropriate signatures will be returned and not processed. For those choosing to submit a paper copy of the financial statement audit reporting package, the Board will accept an unbound and double-sided copy.

For charter holders that receive a single audit extension, a complete single audit reporting package must be submitted by March 31<sup>st</sup>. The Board prefers that single audit reporting packages be submitted by email to [Audits@asbcs.az.gov](mailto:Audits@asbcs.az.gov). Since March 31, ~~2018-2019~~ falls on a ~~Saturday~~Sunday, complete single audit reporting packages received by the Board on or before Monday, April ~~21~~, 2018 by 11:59 p.m. for emailed copies or by 5 p.m. for paper copies will be considered timely submitted. Please note that faxed single audit reporting packages are not accepted. Single audit reporting packages must be on the firm's letterhead and include the appropriate signatures. Single audit reporting packages received by the Board that are not on firm letterhead and/or do not contain the appropriate signatures will be returned and not processed. For those choosing to submit a paper copy of the single audit reporting package, the Board will accept an unbound and double-sided copy.

**Failure to submit a complete financial statement or single audit reporting package by the specified deadline will be noted on the charter holder's operational performance dashboard and may result in the charter holder being placed on the next Board meeting agenda for possible disciplinary action.**

#### **Review of Complete Audit Reporting Packages**

The annual audit reporting package serves as one of the primary tools used by the Board to carry out its statutorily mandated oversight responsibilities for the charter schools it sponsors. As such, each audit reporting package is reviewed in accordance with A.A.C. R7-5-504(F)-(H) and the Board's [Audit & Compliance Questionnaire Follow-up Matrix](#).

Additionally, Laws 1999, 1<sup>st</sup> S.S., Ch. 4, sec. 15 requires the Board to approve the completed audit reporting packages. In accordance with this statutory requirement, if, as part of Board staff's review conducted pursuant to A.A.C. R7-5-504(F)-(I), possible issues are identified (e.g., issues related to the accuracy of information in the audit reporting package), Board staff will follow-up with the charter holder, audit firm, or both as described in the "Review of Audit Firm Performance/Adherence to Standards" section below. Please note that the review of the audit reporting package conducted pursuant to A.A.C. R7-5-504(F)-(I) is not the same as the completeness determination made in accordance with A.A.C. R7-5-504(C)-(D) and addressed in the "Complete Audit Reporting Packages" section beginning on Page 4.

#### **Review of Audit Firm Performance/Adherence to Standards**

In accordance with Laws 1999, 1<sup>st</sup> S.S., Ch. 4, sec. 15, the Board reviews the audit reporting packages and may review audit documentation of audit firms performing charter school audits to determine the quality of technical performance and adherence to the cited standards and to determine whether the audit firms met the minimum standards prescribed by the Board for completing the compliance questionnaires.

To that end, if as part of Board's staff review conducted pursuant to A.A.C. R7-5-504(F)-(I), possible issues are identified, Board staff will follow-up with the audit firm, charter holder, or both as follows:

- For possible issues related to the financial statements and related disclosures (e.g., the accuracy of this information), Board staff will first contact the audit firm to discuss the possible issue and, if an issue indeed exists, determine if it involves an oversight or mistake by the audit firm. If an oversight or mistake occurred, the audit firm will be asked to correct

the issue and submit revised financial statements or related disclosures, as applicable, to the Board and the charter holder. If an issue does exist, but does not involve an oversight or mistake by the audit firm, Board staff will contact the charter holder as the entity responsible for the financial statements to discuss the identified issue. If the issue or combination of issues is determined to be significant enough, the charter holder may be asked to reissue the financial statements.

- For possible issues related to the GAS report or the compliance questionnaires (e.g., the completeness or accuracy of this information), Board staff will contact the audit firm to discuss the possible issue and, if an issue indeed exists, will ask the audit firm to correct the issue and submit the revised document(s) to the Board and to the charter holder. If the audit firm fails to correct the issue, Board staff will send a letter to the audit firm's client, asking for the charter holder's assistance. If Board staff's review identifies that the audit firm did not complete the compliance questionnaire(s) in accordance with the prescribed minimum audit standards (e.g., all "No" and "N/A" answers are not adequately explained), Board staff will notify both the audit firm and charter holder and will provide a deadline by which the audit firm must submit the revised questionnaire(s) to the Board and the charter holder.

Based on issues identified through the review of complete audit reporting packages or to help ensure that the minimum standards prescribed by the Board in its compliance questionnaires are being adhered to, Board staff may ask to review certain documentation or require the audit firm to produce the documentation at the Board's office in a format that is accessible by the Board. The documentation shall be subject, at all reasonable times, to review upon request by the Board. Board staff will coordinate any such requests with the audit firm.

### **Adjustment for Audit Costs**

Schools that are only required to have an annual financial statement audit may be reimbursed for audit costs paid from state and local monies by increasing their budgets, as outlined in A.R.S. §15-914(F). Specific instructions for calculating this increase have been included in the charter school annual budget forms and budget work sheets. These worksheets are available at <http://www.azauditor.gov/reports-publications/charter-schools/manuals-memorandums>. The Arizona Department of Education receives copies of the engagement letters approved by the Board and uses them when determining the audit cost adjustment.

Schools that are required to have a single audit may charge audit costs applicable to each federal program to the appropriate federal project. This action requires filing a project amendment with the Arizona Department of Education and budgeting an appropriate amount under Support Services—Business, function code 2500, and Purchased Professional and Technical Services, object code 6300. Any remaining audit costs, however, should be paid for from state and local monies.

### **Questions**

If you have any questions or need assistance, please contact Andrea Leder at (602) 364-3106 or [Andrea.Leder@asbcs.az.gov](mailto:Andrea.Leder@asbcs.az.gov).

**APPENDIX B**

**PROPOSED FY18 PROCUREMENT  
COMPLIANCE QUESTIONNAIRE**



**ARIZONA STATE BOARD FOR CHARTER SCHOOLS**  
**PROCUREMENT COMPLIANCE QUESTIONNAIRE**

**Charter/CTDS** \_\_\_\_\_

**Fiscal Year Ended** \_\_\_\_\_

## INSTRUCTIONS

**NOTE: This questionnaire should only be used for charters that are subject to procurement laws (charters that do NOT have an exception). If a charter is subject to procurement requirements, this questionnaire should be completed in conjunction with the Legal Compliance Questionnaire or the Uniform System of Financial Records for Charter Schools Compliance Questionnaire (see audit guidelines) which are available on the Arizona State Board for Charter Schools' website <https://asbcs.az.gov>.**

A.R.S. §15-213(F) requires schools to have a systematic review of their purchasing practices performed in conjunction with their audits. The purpose of this review is to determine whether the charter is in compliance with procurement laws. In order to determine whether a charter is complying with applicable procurement requirements, the auditors must complete the following Procurement Compliance Questionnaire in accordance with both the agreed upon procedures (instructions contained herein) and the attestation standards established by the American Institute of Certified Public Accountants.

The following prescribed minimum agreed upon procedures, as well as those identified throughout the questionnaire, must be used for completing the Procurement Compliance Questionnaire in accordance with the attestation standards established by the American Institute of Certified Public Accountants. The State Board for Charter Schools may reject questionnaires not meeting these standards.

- ◆ Sufficient, appropriate evidence must be obtained annually for each question to satisfactorily determine whether the charter complies with the legal requirements, and the evidence must be included in the documentation.
- ◆ Evidence may be obtained through test work, observation, examination, and client assertion. However, client assertion alone is not adequate evidence to support “Yes” answers to the questionnaire.
- ◆ Population size should be considered in determining the number of items to test, and the items selected should be representative of the population.
- ◆ The number of items tested must be sufficient to determine whether a deficiency was the result of an isolated incident or a recurring problem. Therefore, testing one transaction, record, or item is not sufficient.
- ◆ The sample size should be expanded if the audit firm cannot clearly determine whether the charter complies with the legal requirements of the question.
- ◆ If sufficient evidence has been obtained and documented during the current audit, that evidence may be referenced to answer questions.
- ◆ All “No” and “N/A” answers must be adequately explained in the comments column or in an attachment. Findings must be described in sufficient detail to enable the State Board for Charter Schools to describe the finding in a letter. The description should include the number of items tested and the number of exceptions noted.
- ◆ A “Yes” answer indicates that the audit firm has determined that the charter complies with the legal requirements of the question and a “No” answer indicates the charter does not comply. However, the final determination of compliance on each question, as well as overall compliance with legal requirements, is made by the State Board for Charter Schools based on the evidence presented in the questionnaire, audit reports, resulting documentation, and any other sources.

The resulting documentation supporting the audit firm's answers to the Procurement Compliance Questionnaire must be made available on request for review by the State Board for Charter Schools. To facilitate this review, the audit firm may wish to include in the documentation a copy of the questionnaire containing references to procedures performed for each question.

## Procurement Compliance Questionnaire<sup>1</sup>

DISBURSEMENTS	YES/NO	COMMENTS
1. Were the responsibilities of disbursement processing (check preparation, recordkeeping, and authorization) separated among employees? If this was not possible due to the school’s limited staff size, were adequate review procedures in place?		
2. Were all disbursements approved by the Governing Board?		
3. Did the Governing Board approve all long-term contracts before the contracts were executed?		
4. Did the school ensure that sufficient cash and budget capacity was available before authorizing disbursements?		
5. Were prenumbered and numerically-controlled purchase orders prepared for all school disbursements (except for exempted items such as salaries and related costs, utilities, and in-state travel) and were they approved by personnel authorized by the Governing Board before goods or services were ordered?		
6. If the school used blanket purchase orders, did they cover a definite time period and specify an expenditure limit?		
7. Were receiving reports prepared for all goods and services received, except for exempted items? Was the date of receipt, quantity received, and signature of the recipient noted on each receiving report?		

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<sup>1</sup> For the purposes of this questionnaire, please note that “Governing Body” means the group of persons required by A.R.S. §15-183(E)(8) that is responsible for policy decisions of the charter school. The term “Governing Board” means the group of persons that the charter holder has assigned the responsibility addressed by the question. The applicable group of persons may be the Governing Body or the officers, directors, members or partners of the charter holder. The applicable group of persons may vary depending on the issue addressed by the question.

For Disbursements questions 8, 10, and 11, the audit firm must select and test a specified number of procurements performed during the fiscal year based on the School’s average daily membership (ADM) as shown in the table below. Auditors should consider multiple transactions with vendors, purchases of like items, and multi-year contracts to determine the appropriate level of competitive purchasing required. However, question 8 should be answered only for contracts awarded during the fiscal year.

The listed sample sizes represent the minimum level of required test work. The audit firm should use its judgment in determining whether a larger sample is needed.

ADM	SAMPLE SIZE
<1,000	5
1,000-5,000	10
>5,000	15

In the parentheses provided in questions 8, 10, and 11, indicate the actual number of procurements tested. If all procurements were tested, indicate such in the “Comments” column. For question 8, at least 40 percent of the number of procurements tested must be for purchases made through competitive sealed bids and at least 40 percent of the number of procurements tested must be for purchases made through competitive sealed proposals. If these 40 percent thresholds cannot be met due to an inadequate population size, the audit firm must test all procurements made through competitive sealed bids or made through competitive sealed proposals. Of the procurements selected above, at least one procurement should be for traditional construction (design-bid-build), and at least one procurement should be for qualified select bidders list (Question 8.d), or construction-manager-at-risk, design-build, job order contracting (Question 8.e), if applicable.

	YES/NO	COMMENTS
8. Based upon review of (____) procurements [__ competitive sealed bids and __ competitive sealed proposals] for the procurement of construction, materials, and services that exceeded \$100,000, did the school follow the School District Procurement Rules (R7-2-1001 et seq):		
a. For purchases made through competitive sealed bidding or competitive sealed proposals, did the school:		
1) Give adequate notice of the invitation for bid (IFB) or request for proposal (RFP)? R7-2-1022 or R7-2-1042(C).		
2) Compile and maintain a list of persons who requested to be added to a list of prospective bidders, if any? R7-2-1023.		
3) Issue the IFB or RFP at least 14 days before the time and date set for bid opening or the closing date and time for receipt of proposals, as applicable, unless a shorter time was determined necessary? R7-2-1024(A) or R7-2-1042(B).		

<p>4) Include all required information in the IFB or RFP? (Note: If the answer is “No”, the “Comments” should specifically indicate which requirements were not complied with.) R7-2-1024(B) or R7-2-1042(A).</p>		
<p>5) Stamp sealed bids or proposals with the time and date upon receipt and store bids or proposals unopened until the time and date set for opening? R7-2-1029 or R7-2-1045.</p>		
<p>6) If a multiple award was made for the IFB or RFP did the school:</p>		
<p>i. Establish and follow procedures for the use of multiple award contracts? R7-2-1031(D) and R7-2-1050(C).</p>		
<p>ii. Include in the solicitation(s) notification that multiple contracts may be awarded, the school’s basis for determining whether to award multiple contracts, and the criteria for selecting vendors for the multiple contracts? R7-2-1031(C) and R7-2-1050(B).</p>		
<p>iii. Determine, with the specific reason(s) in writing, that a single award was not advantageous to the school and retain documentation that supported the basis for the multiple award? R7-2-1031(D) and R7-2-1050(C).</p>		
<p>iv. Limit contract awards to the least number of suppliers necessary to meet the school’s requirements? R7-2-1031(D) and R7-2-1050(C).</p>		
<p>7) For contracts where only one responsive bid or proposal was received, determine that the price submitted was fair and reasonable and that either other prospective offerors had reasonable opportunity to respond or there was not adequate time for resolicitation, and retain documentation that supported the basis for the determination? R7-2-1032 or R7-2-1046(A)(1).</p>		

<p>b. For purchases made through competitive sealed bidding, did the school award contracts to the lowest responsible and responsive bidder whose bid conformed, in all material respects, to the requirements and evaluation criteria set forth in the IFB? (<b>Note:</b> If the answer is “No”, the “Comments” should specifically indicate which requirements were not complied with.) R7-2-1031.</p>		
<p>c. For purchases made through competitive sealed proposals, did the school award the contract to the offeror whose proposal was determined, with specific reason(s) in writing, to be most advantageous to the school based on the factors set forth in the RFP and retain documentation that supported the basis for the determination? (<b>Note:</b> If the answer is “No”, the “Comments should specifically indicate which requirements were not complied with.) R7-2-1050.</p>		
<p>d. If the school used a qualified select bidders list to procure construction services, did the school comply with the requirements of R7-2-1101?</p>		
<p>e. If the school used construction-manager-at-risk, design-build, or job-order-contracting to procure construction services, did the school comply with the requirements of R7-2-1102 through R7-2-1115?</p>		
<p>f. If the school procured goods and information services using reverse auctions or electronic bidding, did the school comply with the requirements of R7-2-1018, R7-2-1021 or R7-2-1041?</p>		
<p>g. For purchases made through the Simplified School Construction Procurement Program, did the school follow the requirements of R7-2-1033? (<b>Note:</b> If the answer is “No”, the “Comments” should specifically indicate which requirements were not complied with.)</p>		
<p>h. If the school used a consultant(s) or advisory group(s) to assist with the specifications or procurement in specific areas, did the school comply with the requirements of R7-2-1008?</p>		
<p>9. <u>For all employee and non-employee procurement evaluation committee members, Did the school have signed statements that the person has no interest in the procurement other than that of a disclosed remote interest, as defined in A.R.S. §38-502</u><del>conflict of interest disclosures filed for any employee or non-employee evaluation committee members?</del> R7-2-1008 and R7-2-1015.</p>		
<p>10. Based upon review of (      ) purchases costing at least</p>		

<p>\$10,000 but less than \$50,000, did the school obtain and document oral price quotations from at least three vendors and follow the guidelines for oral price quotations prescribed by the USFRCS?</p>		
<p>11. Based upon review of (____) purchases costing at least \$50,000 but less than \$100,000, did the school obtain written price quotations from at least three vendors and follow the guidelines for written price quotations prescribed by the USFRCS?</p>		
<p>12. If the school used multi-term contracts for any of the procurements tested in question 8:</p>		
<p>a. Were the terms and conditions of renewal or extension, if any, included in the solicitation for bids or proposals, and were monies available for the first fiscal year at the time of contracting? A.R.S. §15-213(K) and R7-2-1093.</p>		
<p>b. For materials or services and contracts for job-order-contracting construction services that were entered into for more than 5 years, did the Governing Board determine in writing that a contract of a longer duration would be advantageous to the school before the procurement solicitation was issued? A.R.S. §15-213(K) and R7-2-1093.</p>		
<p>13. Based upon review of <u>all</u> emergency and sole source procurements:</p>		
<p>a. Was the basis for each emergency procurement reasonable and did the school retain a written statement documenting the basis for the emergency, the selection of the particular contractor, and why the price paid was reasonable, and was such statement signed by the individual authorized to initiate emergency procurements? R7-2-1055 and R7-2-1056.</p>		
<p>b. Was the basis for the sole source procurement reasonable and did the school retain the Governing Board’s written determination that there was only one source for required materials, service, or construction items purchased? R7-2-1053.</p>		
<p>14. Were purchases under current General Services Administration (GSA) contracts authorized by the Governing Board and limited to items included in contracts on GSA schedule 70-IT and schedule 84-Law Enforcement?</p>		
<p>15. Did the Governing Board determine in writing that all of the criteria listed in A.R.S. §15-213(J) applied before authorizing purchases under a GSA contract?</p>		
<p>16. Did the school maintain a current cooperative purchasing agreement for each cooperative used? R7-2-1191 through R7-2-</p>		

1195.		
<p>17. Did the school perform adequate due diligence for <b>each</b> cooperative the school made purchases through during the audit period to help ensure that those purchases were in compliance with the School District Procurement Rules? (<b>Note:</b> Indicate below each cooperative the school purchased through and whether due diligence was adequate.)</p> <p>Cooperative:</p> <p>_____</p> <p>_____</p> <p>_____</p>	<p>_____</p> <p>_____</p> <p>_____</p>	<p>_____</p> <p>_____</p> <p>_____</p>
18. Were cash disbursements made by prenumbered and numerically controlled checks?		
19. Were checks properly completed prior to issuance and not written payable to cash or bearer?		
20. Were unused checks physically safeguarded and access to them limited to authorized personnel who did not have access to the signature facsimile plates?		
21. Were the signature facsimile plates physically safeguarded and access to them limited to a minimum number of employees who did not have access to the blank checks?		
22. Did the accounts payable function include maintaining documentation and matching receiving reports, vendor invoices, and purchase orders before payment?		
23. Were checks compared to supporting documentation and the check register before distribution?		
24. Was supporting documentation, including invoices, stamped "paid" or otherwise marked to prevent duplicate payments?		
25. Were expenses prepaid only when prepayment is normally required to procure the item or the item must be prepaid to receive a discounted price?		
26. Did the school prepare a list of goods or services received but not paid for on or before fiscal year-end?		

This Questionnaire was completed in accordance with the minimum standards as set forth in the instructions on page 2.

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Audit Firm

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Date

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Preparer's Signature (Audit Firm Representative)

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Title