

REFERENCE TITLE: auditor general; charter schools.

State of Arizona  
Senate  
Fifty-third Legislature  
Second Regular Session  
2018

# **SB 1298**

Introduced by  
Senators Bradley: Mendez

AN ACT

AMENDING SECTIONS 15-914.02, 41-1279.03 AND 41-1279.04, ARIZONA REVISED  
STATUTES; RELATING TO THE AUDITOR GENERAL.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 15-914.02, Arizona Revised Statutes, is amended  
3 to read:

4 15-914.02. School district and charter school audit

5 A school district OR CHARTER SCHOOL that is subject to audit  
6 pursuant to section 41-1279.03 shall comply with the reporting, follow-up  
7 and hearing participation requirements of that section.

8 Sec. 2. Section 41-1279.03, Arizona Revised Statutes, is amended to  
9 read:

10 41-1279.03. Powers and duties

11 A. The auditor general shall:

12 1. Prepare an audit plan for approval by the committee and report  
13 to the committee the results of each audit and investigation and other  
14 reviews conducted by the auditor general.

15 2. Conduct or cause to be conducted at least biennial financial and  
16 compliance audits of financial transactions and accounts kept by or for  
17 all state agencies subject to the single audit act of 1984 (P.L. 98-502).  
18 The audits shall be conducted in accordance with generally accepted  
19 governmental auditing standards and accordingly shall include tests of the  
20 accounting records and other auditing procedures as may be considered  
21 necessary in the circumstances. The audits shall include the issuance of  
22 suitable reports as required by the single audit act of 1984 (P.L. 98-502)  
23 so the legislature, THE federal government and others will be informed as  
24 to the adequacy of financial statements of the state in compliance with  
25 generally accepted governmental accounting principles and to determine  
26 whether the state has complied with laws and regulations that may have a  
27 material effect on the financial statements and on major federal  
28 assistance programs.

29 3. Perform procedural reviews for all state agencies at times  
30 determined by the auditor general. These reviews may include evaluation  
31 of administrative and accounting internal controls and reports on these  
32 reviews.

33 4. Perform special research requests, special audits and related  
34 assignments as designated by the committee and conduct performance audits,  
35 special audits, special research requests and investigations of any state  
36 agency, whether created by the constitution or otherwise, as may be  
37 requested by the committee.

38 5. Annually on or before the fourth Monday of December, prepare a  
39 written report to the governor and to the committee that contains a  
40 summary of activities for the previous fiscal year.

41 6. In the tenth year and in each fifth year thereafter in which a  
42 transportation excise tax is in effect in a county as provided in section  
43 42-6106 or 42-6107, conduct a performance audit that:

44 (a) Reviews past expenditures and future planned expenditures of  
45 the transportation excise revenues and determines the impact of the

1 expenditures in solving transportation problems within the county and, for  
 2 a transportation excise tax in effect in a county as provided in section  
 3 42-6107, determines whether the expenditures of the transportation excise  
 4 revenues comply with section 28-6392, subsection B.

5 (b) Reviews projects completed to date and projects to be completed  
 6 during the remaining years in which a transportation excise tax is in  
 7 effect. Within six months after each review period, the auditor general  
 8 shall present a report to the speaker of the house of representatives and  
 9 the president of the senate detailing findings and making recommendations.

10 (c) Reviews, determines, reports and makes recommendations to the  
 11 speaker of the house of representatives and the president of the senate  
 12 whether the distribution of highway user revenues complies with title 28,  
 13 chapter 18, article 2.

14 7. If requested by the committee, conduct performance audits of  
 15 counties and incorporated cities and towns receiving highway user revenue  
 16 fund monies pursuant to title 28, chapter 18, article 2 to determine ~~if~~  
 17 ~~WHETHER~~ the monies are being spent as provided in section 28-6533,  
 18 subsection B.

19 8. Perform special audits designated pursuant to law if the auditor  
 20 general determines that there are adequate monies appropriated for the  
 21 auditor general to complete the audit. If the auditor general determines  
 22 the appropriated monies are inadequate, the auditor general shall notify  
 23 the committee.

24 9. Establish a ~~school-wide~~ SCHOOLWIDE audit team in the office of  
 25 the auditor general to conduct performance audits and monitor school  
 26 districts AND CHARTER SCHOOLS to determine the percentage of every dollar  
 27 spent in the classroom by ~~a~~ THE school district OR CHARTER SCHOOL. The  
 28 performance audits shall determine whether school districts AND CHARTER  
 29 SCHOOLS that receive monies from the Arizona structured English immersion  
 30 fund established by section 15-756.04 and the statewide compensatory  
 31 instruction fund established by section 15-756.11 are in compliance with  
 32 title 15, chapter 7, article 3.1. The auditor general shall determine,  
 33 through random selection, the school districts AND CHARTER SCHOOLS to be  
 34 audited each year, subject to review by the joint legislative audit  
 35 committee. A school district OR CHARTER SCHOOL that is subject to an  
 36 audit pursuant to this paragraph shall notify the auditor general in  
 37 writing as to whether the school district OR CHARTER SCHOOL agrees or  
 38 disagrees with the findings and recommendations of the audit and whether  
 39 the school district OR CHARTER SCHOOL will implement the findings and  
 40 recommendations, implement modifications to the findings and  
 41 recommendations or refuse to implement the findings and recommendations.  
 42 The school district OR CHARTER SCHOOL shall submit to the auditor general  
 43 a written status report on the implementation of the audit findings and  
 44 recommendations every six months for two years after an audit conducted  
 45 pursuant to this paragraph. The auditor general shall review the school

1 district's OR CHARTER SCHOOL'S progress toward implementing the findings  
2 and recommendations of the audit every six months after receipt of the  
3 district's OR THE CHARTER SCHOOL'S status report for two years. The  
4 auditor general may review a school district's OR CHARTER SCHOOL'S  
5 progress beyond this two-year period for recommendations that have not yet  
6 been implemented by the school district OR CHARTER SCHOOL. The auditor  
7 general shall provide a status report of these reviews to the joint  
8 legislative audit committee. The school district OR CHARTER SCHOOL shall  
9 participate in any hearing scheduled during this review period by the  
10 joint legislative audit committee or by any other legislative committee  
11 designated by the joint legislative audit committee.

12 10. Annually review per diem compensation and reimbursement of  
13 expenses for employees of the state and members of a state board,  
14 commission, council or advisory committee by judgmentally selecting  
15 samples and evaluating the propriety of per diem compensation and expense  
16 reimbursements.

17 B. The auditor general may:

18 1. Subject to approval by the committee, adopt rules necessary to  
19 administer the duties of the office.

20 2. Hire consultants to conduct the studies required by subsection  
21 A, paragraphs 6 and 7 of this section.

22 C. If approved by the committee, the auditor general may charge a  
23 reasonable fee for the cost of performing audits or providing accounting  
24 services for auditing federal funds, special audits or special services  
25 requested by political subdivisions of the state. Monies collected  
26 pursuant to this subsection shall be deposited in the audit services  
27 revolving fund.

28 D. The department of transportation, the board of supervisors of a  
29 county that has approved a county transportation excise tax as provided in  
30 section 42-6106 or 42-6107 and the governing bodies of counties, cities  
31 and towns receiving highway user revenue fund monies shall cooperate with  
32 and provide necessary information to the auditor general or the auditor  
33 general's consultant.

34 E. The department of transportation shall reimburse the auditor  
35 general as follows, and the auditor general shall deposit the reimbursed  
36 monies in the audit services revolving fund:

37 1. For the cost of conducting the studies or hiring a consultant to  
38 conduct the studies required by subsection A, paragraph 6, subdivisions  
39 (a) and (b) of this section, from monies collected pursuant to a county  
40 transportation excise tax levied pursuant to section 42-6106 or 42-6107.

41 2. For the cost of conducting the studies or hiring a consultant  
42 pursuant to subsection A, paragraph 6, subdivision (c) and paragraph 7 of  
43 this section, from the Arizona highway user revenue fund.

1           Sec. 3. Section 41-1279.04, Arizona Revised Statutes, is amended to  
2 read:

3           41-1279.04. Authority to examine records; violation;  
4                                   classification

5           A. The auditor general or the auditor general's authorized  
6 representatives, in the performance of official duties, shall have access  
7 to, and authority to examine, any and all books, accounts, reports,  
8 vouchers, correspondence files and other records, bank accounts, criminal  
9 history record information as defined in section 41-1701, money and other  
10 property of any state agency, board, commission, department, institution,  
11 program, advisory council or committee or political subdivision of this  
12 state, whether created by the constitution or otherwise, or such documents  
13 and property of a contractor relating to a contract with this state  
14 pursuant to ~~the provisions of~~ section 35-214. ~~It is the duty of~~ Any  
15 officer or employee of any such agency or political subdivision, having  
16 such records under the officer's or employee's control, ~~to~~ SHALL permit  
17 access to and examination of the records on the request of the auditor  
18 general or the auditor general's authorized representative.

19           B. For the purpose of complying with section 41-1279.03, subsection  
20 A, paragraphs 4 and 9, the auditor general or the auditor general's  
21 authorized representative, in the performance of official duties, may  
22 attend executive sessions of the governing body of any state agency, ~~or~~  
23 school district OR CHARTER SCHOOL in this state.

24           C. For the purpose of auditing the department of revenue, the  
25 auditor general and the auditor general's authorized representatives have  
26 access to state tax returns, except that a report of the auditor general  
27 shall not violate the confidentiality of state tax laws.

28           D. Any officer or person who knowingly fails or refuses to permit  
29 such access and examination is guilty of a class 2 misdemeanor.