CHAPTER 192

HOUSE BILL 2179

AN ACT

AMENDING SECTION 15-914.01, ARIZONA REVISED STATUTES; RELATING TO SCHOOL DISTRICT BUDGETING.

(TEXT OF BILL BEGINS ON NEXT PAGE)
Be it enacted by the Legislature of the State of Arizona:

Section 1. Section 15-914.01, Arizona Revised Statutes, is amended to read:

15-914.01. Accounting responsibility; definition
A. School districts may apply to the state board of education to assume accounting responsibility.
B. A school district applying to the state board of education to assume accounting responsibility shall develop and file with the COUNTY SCHOOL SUPERINTENDENT OF THE COUNTY IN WHICH THE SCHOOL DISTRICT IS LOCATED AND THE department of education an accounting responsibility plan and document in the plan:
   1. Administrative and internal accounting controls designed to achieve compliance with the uniform system of financial records and the objectives of this section, including:
      (a) Procedures for approving, preparing and signing vouchers and warrants.
      (b) Procedures to ensure verification of administrators' and teachers' certification records with the department of education for all classroom and administrative personnel required to hold a certificate by the state board of education pursuant to section 15-203 before issuing warrants for their services.
      (c) Procedures to account for all revenues, including allocation of certain revenues to funds.
      (d) Procedures for reconciling the accounting records monthly to the county treasurer.
   2. A compilation of resources required to implement accounting responsibility, including, at a minimum, personnel, training and equipment, and a comprehensive analysis of the budgetary implications of accounting responsibility for the school district and the county treasurer.
C. Prior to January 1 of the fiscal year preceding the fiscal year of implementation and before submitting an application to assume accounting responsibility, a school district shall apply for evaluation by the auditor general. On completion of the evaluation the auditor general may recommend approval or denial of accounting responsibility to the state board of education. The evaluation by the auditor general shall be performed contingent on staff availability and may be billed to the school district at cost. Evaluation at a minimum shall include the following:
   1. The most recent financial statements audited by an independent certified public accountant.
   2. The most recent report on internal control, report on compliance and uniform system of financial records compliance questionnaire prepared by an independent certified public accountant or procedural review completed by the auditor general.
3. The working papers of the independent certified public accountant responsible for auditing the school district, if deemed appropriate by the auditor general.

4. A procedural review if deemed appropriate by the auditor general.

D. BEFORE JANUARY 1 OF THE FISCAL YEAR PRECEDING THE FISCAL YEAR OF IMPLEMENTATION AND BEFORE SUBMITTING AN APPLICATION TO ASSUME ACCOUNTING RESPONSIBILITY, A SCHOOL DISTRICT SHALL APPLY FOR EVALUATION BY THE COUNTY TREASURER OF THE COUNTY IN WHICH THE SCHOOL DISTRICT IS LOCATED. ON COMPLETION OF THE EVALUATION THE COUNTY TREASURER OF THE COUNTY IN WHICH THE SCHOOL DISTRICT IS LOCATED MAY RECOMMEND APPROVAL OR DENIAL OF ACCOUNTING RESPONSIBILITY TO THE STATE BOARD OF EDUCATION. THE EVALUATION BY THE COUNTY TREASURER OF THE COUNTY IN WHICH THE SCHOOL DISTRICT IS LOCATED SHALL BE PERFORMED CONTINGENT ON STAFF AVAILABILITY AND MAY BE BILLED TO THE SCHOOL DISTRICT AT COST. EVALUATION BY THE COUNTY TREASURER AT A MINIMUM SHALL INCLUDE AN ANALYSIS OF THE COMPUTER PROGRAMMING REQUIRED FOR THE COUNTY TO MANAGE THE SCHOOL DISTRICTS FUNDS.

E. F. School districts that are approved by the state board of education to assume accounting responsibility shall contract with an independent certified public accountant for an annual financial and compliance audit. The auditor general may reevaluate the school district annually based on the audit to determine compliance with the uniform system of financial records. If permitted by federal law, a school district may convert to a biennial audit schedule if the previous annual audit conducted pursuant to this subsection did not contain any significant negative findings. If a biennial audit of a school district conducted pursuant to this subsection contains any significant negative findings, the school district shall convert back to an annual audit schedule. If a school district is required to convert back to an annual audit schedule pursuant to this subsection because of significant negative findings, the school district may subsequently convert to a biennial audit schedule if the previous two annual audits did not contain any significant negative findings. For the purposes of this subsection, "significant negative finding" means a finding that results in the issuance of a letter of noncompliance from the auditor general.

E. F. To assume accounting responsibility a school district shall notify the county treasurer and the county school superintendent of its intention before March 1 of the fiscal year preceding the fiscal year of implementation. On notification RECEIPT OF AN ACCOUNTING RESPONSIBILITY PLAN AS PRESCRIBED IN SUBSECTION B OF THIS SECTION, the county treasurer shall establish acceptable standards for interface by school districts with the county treasurer, including specifications for computer hardware and software compatibility and procedures to ensure the capacity of each school district for reconciliation of accounts with those of the county treasurer.
F. G. Any school district that fails to maintain accounting standards as provided by the uniform system of financial records and that is found to be in noncompliance with the uniform system of financial records by the state board of education as provided in section 15-272 is not eligible to participate in the program provided by this section.

G. H. Any school district that has assumed accounting responsibility pursuant to this section, that fails to maintain accounting standards as provided by the uniform system of financial records and that is found to be in noncompliance with the uniform system of financial records by the state board of education as provided in section 15-272 is no longer eligible to participate in the program provided by this section.

H. I. For the purposes of this section, "accounting responsibility" means authority for a school district to operate with full independence from the county school superintendent with respect to revenues and expenditures, including allocating revenues, monitoring vouchers, authorizing and issuing warrants and maintaining and verifying staff records for certification and payroll purposes.

APPROVED BY THE GOVERNOR APRIL 26, 2022.