

REFERENCE TITLE: **qualified schools; audits; reporting requirements**

State of Arizona
Senate
Fifty-seventh Legislature
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2026

SB 1702

Introduced by
Senators Diaz: Fernandez, Gonzales, Hatathlie, Kuby, Miranda, Ortiz, Sears

AN ACT

**AMENDING SECTIONS 15-2402, 15-2403 AND 41-1279.03, ARIZONA REVISED
STATUTES; RELATING TO ARIZONA EMPOWERMENT SCHOLARSHIP ACCOUNTS.**

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 15-2402, Arizona Revised Statutes, is amended to
3 read:

4 15-2402. Arizona empowerment scholarship accounts; funds

5 A. Arizona empowerment scholarship accounts are established to
6 provide options for the education of students in this state.

7 B. To enroll a qualified student for an Arizona empowerment
8 scholarship account, the parent of the qualified student must sign an
9 agreement to do all of the following:

10 1. Use a portion of the Arizona empowerment scholarship account
11 monies allocated annually to provide an education for the qualified
12 student in at least the subjects of reading, grammar, mathematics, social
13 studies and science, unless the Arizona empowerment scholarship account is
14 allocated monies according to a transfer schedule other than quarterly
15 transfers pursuant to section 15-2403, subsection G.

16 2. Not enroll the qualified student in a school district or charter
17 school and release the school district from all obligations to educate the
18 qualified student. This paragraph does not:

19 (a) Relieve the school district or charter school that the
20 qualified student previously attended from the obligation to conduct an
21 evaluation pursuant to section 15-766.

22 (b) Require the qualified student to withdraw from ~~a~~ ANY school
23 district or charter school before enrolling for an Arizona empowerment
24 scholarship account if the qualified student withdraws from the school
25 district or charter school before receiving any monies in the qualified
26 student's Arizona empowerment scholarship account.

27 (c) Prevent the qualified student from applying in advance for an
28 Arizona empowerment scholarship account to be funded beginning the
29 following school year, subject to section 15-2403, subsection H.

30 3. Not accept a scholarship from a school tuition organization
31 pursuant to title 43 concurrently with an Arizona empowerment scholarship
32 account for the qualified student in the same year a parent signs the
33 agreement pursuant to this section.

34 4. Use monies deposited in the qualified student's Arizona
35 empowerment scholarship account only for the following expenses of the
36 qualified student:

37 (a) Tuition or fees at a qualified school that requires all
38 teaching staff and personnel who have unsupervised contact with students
39 to be fingerprinted.

40 (b) Textbooks required by a qualified school.

41 (c) If the qualified student meets any of the criteria specified in
42 section 15-2401, paragraph 7, subdivision (a), item (i), (ii) or (iii) as
43 determined by a school district or by an independent third party pursuant
44 to section 15-2403, subsection J, the qualified student may use the
45 following additional services:

1 (i) Educational therapies from a licensed or accredited
2 practitioner or provider, including and up to any amount not covered by
3 insurance if the expense is partially paid by a health insurance policy
4 for the qualified student.

5 (ii) A licensed or accredited paraprofessional or educational aide.

6 (iii) Tuition for vocational and life skills education approved by
7 the department.

8 (iv) Associated goods and services that include educational and
9 psychological evaluations, assistive technology rentals and braille
10 translation goods and services approved by the department.

11 (d) Tutoring or teaching services provided by an individual who is
12 not subject to disciplinary action by the state board of education for
13 immoral or unprofessional conduct pursuant to section 15-505 or 15-534.04
14 or a facility that is accredited by a state, regional or national
15 accrediting organization. The department shall ensure THAT any individual
16 who provides tutoring or teaching services to one or more qualified
17 students pursuant to this subdivision is not subject to disciplinary
18 action by the state board of education. The department shall also remove
19 any individual who is subject to disciplinary action by the state board of
20 education from all platforms that the department provides to parents and
21 qualified students for the purchase of goods or educational services using
22 account monies.

23 (e) Curricula and supplementary materials.

24 (f) Tuition or fees for a nonpublic online learning program.

25 (g) Fees for a nationally standardized norm-referenced achievement
26 test, an advanced placement examination or any exams related to college or
27 university admission.

28 (h) Tuition or fees at an eligible postsecondary institution.

29 (i) Textbooks required by an eligible postsecondary institution.

30 (j) Fees to manage the Arizona empowerment scholarship account.

31 (k) Services provided by a public school, including individual
32 classes and extracurricular programs.

33 (l) Insurance or surety bond payments.

34 (m) Uniforms purchased from or through a qualified school.

35 (n) If the qualified student meets the criteria specified in
36 section 15-2401, paragraph 7, subdivision (a), item (i), (ii) or (iii) and
37 if the qualified student is in the second year prior to the final year of
38 a contract executed pursuant to this article, costs associated with an
39 annual education plan conducted by an independent evaluation team. The
40 department shall prescribe minimum qualifications for independent
41 evaluation teams pursuant to this subdivision and factors that teams must
42 use to determine whether the qualified student shall be eligible to
43 continue to receive monies pursuant to this article through the school
44 year in which the qualified student reaches twenty-two years of age. An
45 independent evaluation team that provides an annual education plan

pursuant to this subdivision shall submit a written report that summarizes the results of the evaluation to the parent of the qualified student and to the department on or before July 31. The written report submitted by the independent evaluation team is valid for one year. If the department determines that the qualified student meets the eligibility criteria prescribed in the annual education plan, the qualified student is eligible to continue to receive monies pursuant to this article until the qualified student reaches twenty-two years of age, subject to annual review. A parent may appeal the department's decision pursuant to title 41, chapter 6, article 10. As an addendum to a qualified student's final-year contract, the department shall provide the following written information to the parent of the qualified student:

(i) That the qualified student will not be eligible to continue to receive monies pursuant to this article unless the results of an annual education plan conducted pursuant to this subdivision demonstrate that the qualified student meets the eligibility criteria prescribed in the annual education plan.

(ii) That the parent is entitled to obtain an annual education plan pursuant to this subdivision to determine whether the qualified student meets the eligibility criteria prescribed in the annual education plan.

(iii) A list of independent evaluation teams that meet the minimum qualifications prescribed by the department pursuant to this subdivision.

(o) Public transportation services in this state, including a commuter pass for the qualified student, or transportation network services as defined in section 28-9551 between the qualified student's residence and a qualified school in which the qualified student is enrolled.

(p) Computer hardware and technological devices primarily used for an educational purpose. For the purposes of this subdivision, "computer hardware and technological devices":

(i) Includes calculators, personal computers, laptops, tablet devices, microscopes, telescopes and printers.

(ii) Does not include entertainment and other primarily noneducational devices, including televisions, telephones, video game consoles and accessories, and home theatre and audio equipment.

5. Not file an affidavit of intent to homeschool pursuant to section 15-802, subsection B, paragraph 2 or 3.

6. Not use monies deposited in the qualified student's account for any of the following:

(a) Computer hardware or other technological devices, except as otherwise allowed under paragraph 4, subdivision (c) or (p) of this subsection.

(b) Transportation of the pupil, except for transportation services described in paragraph 4, subdivision (o) of this subsection.

1 C. In exchange for the parent's agreement pursuant to subsection B
2 of this section, the department shall transfer from the monies that would
3 otherwise be allocated to a recipient's prior school district, or if the
4 child is currently eligible to attend a preschool program for children
5 with disabilities, a kindergarten program or any of grades one through
6 twelve, the monies that the department determines would otherwise be
7 allocated to a recipient's expected school district of attendance, to the
8 treasurer for deposit into an Arizona empowerment scholarship account an
9 amount that is equivalent to ninety percent of the sum of the base support
10 level and additional assistance prescribed in sections 15-185 and 15-943
11 for that particular student if that student were attending a charter
12 school.

13 D. The department of education empowerment scholarship account fund
14 is established consisting of monies appropriated by the legislature. The
15 department shall administer the fund. Monies in the fund are subject to
16 legislative appropriation. Monies in the fund shall be used for the
17 department's costs in administering Arizona empowerment scholarship
18 accounts under this chapter. Monies in the fund are exempt from the
19 provisions of section 35-190 relating to lapsing of appropriations. If
20 the number of Arizona empowerment scholarship accounts significantly
21 increases after fiscal year 2020-2021, the department may request an
22 increase in the amount appropriated to the fund in any subsequent fiscal
23 year in the budget estimate submitted pursuant to section 35-113. The
24 department shall list monies in the fund as a separate line item in its
25 budget estimate.

26 E. The state treasurer empowerment scholarship account fund is
27 established consisting of monies appropriated by the legislature. The
28 state treasurer shall administer the fund. Monies in the fund shall be
29 used for the state treasurer's costs in administering the Arizona
30 empowerment scholarship accounts under this chapter. If the number of
31 Arizona empowerment scholarship accounts significantly increases after
32 fiscal year 2020-2021, the state treasurer may request an increase in the
33 amount appropriated to the fund in any subsequent fiscal year in the
34 budget estimate submitted pursuant to section 35-113. Monies in the fund
35 are subject to legislative appropriation. Monies in the fund are exempt
36 from the provisions of section 35-190 relating to lapsing of
37 appropriations. The state treasurer shall list monies in the fund as a
38 separate line item in its budget estimate.

39 F. A parent must renew the qualified student's Arizona empowerment
40 scholarship account on an annual basis. The department of education shall
41 verify that the parent's child is a qualified student as defined in
42 section 15-2401 or 15-2401.01 in the year for which the parent seeks to
43 renew the Arizona empowerment scholarship account. This subsection does
44 not require the department to annually verify the child's disability for

the purpose of section 15-2401, paragraph 7, subdivision (a), item (i), (ii) or (iii), if applicable.

G. Notwithstanding any changes to the student's multidisciplinary evaluation team plan, a student who has previously qualified for an Arizona empowerment scholarship account remains eligible to apply for renewal until the student finishes high school.

H. If a parent does not renew the qualified student's Arizona empowerment scholarship account for a period of three academic years, the department shall notify the parent that the qualified student's account will be closed in sixty calendar days. The notification must be sent through certified mail, email and telephone, if applicable. The parent has sixty calendar days to renew the qualified student's Arizona empowerment scholarship account. If the parent chooses not to renew or does not respond in sixty calendar days, the department shall close the account and any remaining monies shall be returned to the state.

I. A signed agreement under this section constitutes school attendance required by section 15-802.

J. NOTWITHSTANDING SECTION 15-2404, A QUALIFIED SCHOOL OR A PROVIDER OF SERVICES THAT RECEIVES MONIES FROM AN ARIZONA EMPOWERMENT SCHOLARSHIP ACCOUNT PURSUANT TO THIS ARTICLE IS SUBJECT TO THE FOLLOWING REQUIREMENTS:

1. A qualified school or a provider of services purchased pursuant to subsection B, paragraph 4 of this section may not share, refund or rebate any Arizona empowerment scholarship account monies with the parent or qualified student in any manner.

2. A QUALIFIED SCHOOL THAT RECEIVES MONIES FROM AN ARIZONA EMPOWERMENT SCHOLARSHIP ACCOUNT PURSUANT TO THIS ARTICLE SHALL COMPLY WITH ALL OF THE FOLLOWING, CONSISTENT WITH THE FAMILY EDUCATIONAL RIGHTS AND PRIVACY ACT OF 1974 (P.L. 93-380; 88 STAT. 57; 20 UNITED STATES CODE SECTION 1232g):

(a) THE REPORTING, FOLLOW-UP AND HEARING PARTICIPATION REQUIREMENTS PRESCRIBED BY SECTION 41-1279.03, SUBSECTION A, PARAGRAPH 11.

(b) THE FINANCIAL REPORTING REQUIRED PURSUANT TO SECTION 15-2403, SUBSECTION I, PARAGRAPH 2.

(c) ANY REQUESTS FOR INFORMATION FROM THE DEPARTMENT OR THE STATE BOARD OF EDUCATION FOR THE PURPOSE OF THE FINANCIAL TRANSPARENCY PORTAL DEVELOPED PURSUANT TO SECTION 15-2403, SUBSECTION L, PARAGRAPH 3.

K. Notwithstanding subsection H of this section, on the qualified student's graduation from a postsecondary institution or after any period of four consecutive years after high school graduation in which the student is not enrolled in an eligible postsecondary institution, but not before this time as long as the account holder continues using a portion of account monies for allowable expenses each year and is in good standing, the qualified student's Arizona empowerment scholarship account shall be closed and any remaining monies shall be returned to the state.

1 L. Monies received pursuant to this article do not constitute
2 taxable income to the parent of the qualified student.

3 Sec. 2. Section 15-2403, Arizona Revised Statutes, is amended to
4 read:

5 15-2403. Arizona empowerment scholarship accounts;
6 administration; appeals; risk-based audits; rules;
7 policy handbook

8 A. The treasurer may contract with private financial management
9 firms to manage Arizona empowerment scholarship accounts.

10 B. The department shall conduct or contract for annual audits of
11 Arizona empowerment scholarship accounts to ensure compliance with section
12 15-2402, subsection B, paragraph 4. The department shall also conduct or
13 contract for random, quarterly and annual audits of Arizona empowerment
14 scholarship accounts as needed to ensure compliance with section 15-2402,
15 subsection B, paragraph 4. The department, in consultation with the
16 office of the auditor general, shall develop risk-based auditing
17 procedures for audits conducted pursuant to this subsection.

18 C. The department shall annually review a sample of Arizona
19 empowerment scholarship accounts, selected at random, to determine whether
20 the parent or qualified student is in compliance with the terms of the
21 contract, applicable laws, rules and orders relating to the Arizona
22 empowerment scholarship accounts program. The Arizona empowerment
23 scholarship account of a parent or qualified student who is in good
24 standing may be randomly selected pursuant to this subsection only one
25 time during any five-year period. The department may remove any parent or
26 qualified student from eligibility for an Arizona empowerment scholarship
27 account if the parent or qualified student fails to comply with the terms
28 of the contract or applicable laws, rules or orders or knowingly misuses
29 monies or knowingly fails to comply with the terms of the contract with
30 intent to defraud and shall notify the treasurer. The department shall
31 notify the treasurer to suspend the account of a parent or qualified
32 student and shall notify the parent or qualified student in writing that
33 the account has been suspended and that no further transactions will be
34 allowed or disbursements made. The notification shall specify the reason
35 for the suspension and state that the parent or qualified student has
36 fifteen days, not including weekends, to respond and take corrective
37 action. If the parent or qualified student refuses or fails to contact
38 the department, furnish any information or make any report that may be
39 required for reinstatement within the fifteen-day period, the department
40 may remove the parent or qualified student pursuant to this subsection.

41 D. A parent may appeal to the state board of education any
42 administrative decision the department makes pursuant to this article,
43 including determinations of allowable expenses, removal from the program
44 or enrollment eligibility. The department shall notify the parent in
45 writing that the parent may appeal any administrative decision under this

1 article and the process by which the parent may appeal at the same time
2 the department notifies the parent of an administrative decision under
3 this article. The state board of education shall establish an appeals
4 process, and the department shall post this information on the
5 department's website in the same location as the policy handbook developed
6 pursuant to subsection K of this section.

7 E. A parent may represent himself or herself or designate a
8 representative, not necessarily an attorney, before any appeals hearing
9 held pursuant to this section. Any designated representative who is not
10 an attorney admitted to practice may not charge for any services rendered
11 in connection with the hearing. The fact that a representative
12 participated in the hearing or assisted the account holder is not grounds
13 for reversing any administrative decision or order if the evidence
14 supporting the decision or order is substantial, reliable and probative.

15 F. The state board of education may refer cases of substantial
16 misuse of monies to the attorney general for the purpose of collection or
17 for the purpose of a criminal investigation if the state board of
18 education obtains evidence of fraudulent use of an account.

19 G. The department shall make quarterly transfers of the amount
20 calculated pursuant to section 15-2402, subsection C to the treasurer for
21 deposit in the Arizona empowerment scholarship account of each qualified
22 student, except the department may make transfers according to another
23 transfer schedule if the department determines a transfer schedule other
24 than quarterly transfers is necessary to operate the Arizona empowerment
25 scholarship account.

26 H. The department shall accept applications between July 1 and June
27 30 of each year. The department shall issue an award letter to eligible
28 applicants within thirty days after receipt of a completed application and
29 all required documentation. If an eligible applicant completes an
30 application in advance for an Arizona empowerment scholarship account to
31 be funded beginning on a later date, the department may enroll the
32 eligible applicant on the later date, except that the department may not
33 enroll the applicant more than two fiscal quarters after the fiscal
34 quarter in which the application is completed or on a date that is after
35 March 31 and before July 1. If an eligible applicant completes an
36 application after March 31 and before July 1, the department shall enroll
37 the applicant on or after July 1. The department shall enroll all other
38 eligible applicants when the department issues an award letter pursuant to
39 this subsection. This subsection does not allow a qualified student to
40 receive monies in an Arizona empowerment scholarship account while the
41 qualified student is enrolled in a school district or charter school. On
42 or before September 1 and November 1 of each year, the department shall
43 furnish to the joint legislative budget committee and the governor's
44 office of strategic planning and budgeting an estimate of the amount
45 required to fund Arizona empowerment scholarship accounts for the

1 following fiscal year. The department shall include in its budget request
2 for the following fiscal year the amount estimated pursuant to section
3 15-2402, subsection C for each qualified student.

4 I. The state board of education:

5 1. May adopt rules and policies necessary to administer Arizona
6 empowerment scholarship accounts, including rules and policies:

7 ~~1.~~ (a) For establishing an appeals process pursuant to subsection
8 D of this section.

9 ~~2.~~ (b) For conducting or contracting for examinations of the use
10 of account monies, consistent with subsection L of this section.

11 ~~3.~~ (c) For conducting or contracting for random, quarterly and
12 annual reviews of accounts.

13 ~~4.~~ (d) For establishing or contracting for the establishment of an
14 online anonymous fraud reporting service.

15 ~~5.~~ (e) For establishing an anonymous telephone hotline for fraud
16 reporting.

17 ~~6.~~ (f) That require a surety bond or insurance for account
18 holders.

19 2. SHALL DEVELOP AND ADOPT MINIMUM FINANCIAL PERFORMANCE
20 REQUIREMENTS FOR QUALIFIED SCHOOLS THAT RECEIVE MONIES FROM AN ARIZONA
21 EMPOWERMENT SCHOLARSHIP ACCOUNT PURSUANT TO THIS ARTICLE AND PRESCRIBE
22 FINANCIAL REPORTING REQUIREMENTS FOR EACH QUALIFIED SCHOOL THAT DO ALL OF
23 THE FOLLOWING:

24 (a) REQUIRE THE SAME DATA POINTS THAT ARE COLLECTED FROM SCHOOL
25 DISTRICTS AND CHARTER SCHOOLS PURSUANT TO ANNUAL FINANCIAL AND COMPLIANCE
26 AUDITS AND FINANCIAL STATEMENT AUDITS REQUIRED UNDER SECTION 15-914.

27 (b) REQUIRE ANY DATA OR INFORMATION NECESSARY TO EVALUATE ALL OF
28 THE FOLLOWING:

29 (i) THE QUALIFIED SCHOOL'S FINANCIAL ABILITY TO CONTINUE OPERATING.

30 (ii) WHETHER THE QUALIFIED SCHOOL IS IN FINANCIAL DEFAULT.

31 (iii) WHETHER THE QUALIFIED SCHOOL'S OPERATING COSTS EXCEED ITS
32 AVAILABLE RESOURCES.

33 (iv) WHETHER THE QUALIFIED SCHOOL IS ABLE TO PAY DEBT PRINCIPAL,
34 INTEREST PAYMENTS AND FACILITY COSTS THAT BECOME DUE.

35 (v) THE PERCENTAGE CHANGE OF THE QUALIFIED SCHOOL'S STUDENT COUNT
36 EACH YEAR.

37 (c) SUMMARIZE THE QUALIFIED SCHOOL'S FINANCIAL PERFORMANCE,
38 INCLUDING WHETHER THE QUALIFIED SCHOOL MEETS THE MINIMUM FINANCIAL
39 PERFORMANCE REQUIREMENTS ADOPTED PURSUANT TO THIS PARAGRAPH.

40 J. The department shall contract with an independent third party
41 for the purposes of determining whether a qualified student is eligible to
42 receive educational therapies or services pursuant to section 15-2402,
43 subsection B, paragraph 4, subdivision (c). If during any period on or
44 after January 1, 2023 the department fails to ensure that a contract with
45 an independent third party is in effect, during that period:

1 1. The county school superintendent of each county may approve a
2 list of independent third parties within the county whose evaluation may
3 be used to determine whether a qualified student who resides within the
4 county is eligible to receive educational therapies or services pursuant
5 to section 15-2402, subsection B, paragraph 4, subdivision (c).

6 2. If the county school superintendent of a county does not provide
7 a list of approved independent third parties within ninety days after the
8 beginning of any period during which the department does not have a
9 contract with an independent third party in effect as described in this
10 subsection, the parent of a qualified student who resides within the
11 county has the right to obtain an independent educational evaluation from
12 a qualified examiner to determine whether the qualified student is
13 eligible to receive educational therapies or services pursuant to section
14 15-2402, subsection B, paragraph 4, subdivision (c). The expense for an
15 educational evaluation undertaken pursuant to this paragraph shall be
16 provided by the school district within which the qualified student resides
17 and that serves the grade level of the qualified student. For the
18 purposes of this paragraph, "qualified examiner" means a licensed
19 physician, psychiatrist or psychologist.

20 K. On or before July 1 of each year, the department shall develop
21 an applicant and participant handbook that includes information relating
22 to policies and processes of Arizona empowerment scholarship accounts.
23 The policy handbook shall comply with the rules adopted by the state board
24 of education pursuant to this section. The department shall post the
25 handbook on the department's website.

26 L. The department shall:

27 1. Establish and maintain an online database of allowable and
28 disallowed categories of expenses and provide a link to the database on
29 the department's website.

30 2. Allow the use of account monies to reimburse the parent of a
31 qualified student or a qualified student for the purchase of a good or
32 educational service that is an allowable expense pursuant to section
33 15-2402, subsection B.

34 3. DEVELOP A FINANCIAL TRANSPARENCY PORTAL THAT INCLUDES ALL
35 INFORMATION REPORTED PURSUANT TO SUBSECTION I, PARAGRAPH 2 OF THIS
36 SECTION. THE DEPARTMENT MAY CONTRACT WITH A THIRD PARTY TO DEVELOP AND
37 MAINTAIN THE PORTAL.

38 M. Except for cases in which the attorney general determines that a
39 parent or account holder has committed fraud, any expenditure from an
40 Arizona empowerment scholarship account for a purchase that the department
41 determines is not an allowable expense pursuant to section 15-2402 and
42 that is subsequently repaid by the parent or account holder shall be
43 credited back to the Arizona empowerment scholarship account balance
44 within thirty days after the receipt of payment.

1 N. If, in response to an appeal of an administrative decision made
2 by the department, the state board of education issues a stay of an
3 Arizona empowerment scholarship account suspension pursuant to rules
4 adopted by the board, the department may not withhold funding or contract
5 renewal for the account holder because of the appealed administrative
6 decision during the stay unless directed by the board to do so.

7 Sec. 3. Section 41-1279.03, Arizona Revised Statutes, is amended to
8 read:

9 41-1279.03. Powers and duties

10 A. The auditor general shall:

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

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

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

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

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

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

43 (a) Reviews past expenditures and future planned expenditures of
44 the transportation excise revenues and determines the impact of the
45 expenditures in solving transportation problems within the county and, for

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

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

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

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

18 8. Perform special audits designated pursuant to law if the auditor
19 general determines that there are adequate monies appropriated for the
20 auditor general to complete the audit. If the auditor general determines
21 the appropriated monies are inadequate, the auditor general shall notify
22 the [JOINT LEGISLATIVE AUDIT](#) committee. Based on information provided by
23 the auditor general, for any legislative measure that requires the auditor
24 general to perform a special audit, the joint legislative budget committee
25 staff shall notify all the members of the legislature as soon as
26 practicable of the cost to conduct the special audit.

27 9. Establish a schoolwide audit team in the office of the auditor
28 general to conduct performance audits and monitor school districts to
29 determine the percentage of every dollar spent in the classroom by the
30 school district. Each school district shall prominently post on its
31 website home page a copy of its profile pages that displays the percentage
32 of every dollar spent in the classroom by that school district from the
33 most recent status report issued by the auditor general pursuant to this
34 paragraph. The auditor general shall determine, through random selection,
35 the school districts to be audited each year, subject to review by the
36 joint legislative audit committee. A school district that is subject to
37 an audit pursuant to this paragraph shall notify the auditor general in
38 writing whether the school district agrees or disagrees with the findings
39 of the audit and whether the school district will implement the
40 recommendations, implement modifications to the recommendations or refuse
41 to implement the recommendations. The school district shall submit to the
42 auditor general a written status report on the implementation of the audit
43 recommendations at the request of the auditor general, within the two-year
44 period following the issuance of an audit conducted pursuant to this
45 paragraph. The auditor general shall review the school district's

1 progress toward implementing the recommendations of the audit and provide
2 status reports of the reviews to the joint legislative audit committee
3 during this two-year period. The auditor general may review a school
4 district's progress beyond this two-year period for recommendations that
5 have not yet been implemented by the school district. The school district
6 shall participate in any hearing scheduled during this review period by
7 the joint legislative audit committee or by any other legislative
8 committee designated by the joint legislative audit committee.

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

14 11. ESTABLISH AN AUDIT TEAM IN THE OFFICE OF THE AUDITOR GENERAL TO
15 CONDUCT AUDITS AND MONITOR QUALIFIED SCHOOLS TO DETERMINE THE PERCENTAGE
16 OF ARIZONA EMPOWERMENT SCHOLARSHIP ACCOUNT MONIES THAT ARE SPENT IN THE
17 CLASSROOM BY THE QUALIFIED SCHOOL. NOTWITHSTANDING ANY OTHER LAW, A
18 QUALIFIED SCHOOL THAT ACCEPTS MONIES FROM AN ARIZONA EMPOWERMENT
19 SCHOLARSHIP ACCOUNT PURSUANT TO TITLE 15, CHAPTER 19 SHALL PROMINENTLY
20 POST ON ITS WEBSITE HOME PAGE A COPY OF ITS PROFILE PAGES THAT DISPLAYS
21 THE PERCENTAGE OF ARIZONA EMPOWERMENT SCHOLARSHIP ACCOUNT MONIES SPENT IN
22 THE CLASSROOM BY THAT QUALIFIED SCHOOL FROM THE MOST RECENT STATUS REPORT
23 ISSUED BY THE AUDITOR GENERAL PURSUANT TO THIS PARAGRAPH. THE AUDITOR
24 GENERAL SHALL DETERMINE, THROUGH RANDOM SELECTION, THE QUALIFIED SCHOOLS
25 TO BE AUDITED EACH YEAR, SUBJECT TO REVIEW BY THE JOINT LEGISLATIVE AUDIT
26 COMMITTEE. A QUALIFIED SCHOOL THAT IS SUBJECT TO AN AUDIT PURSUANT TO
27 THIS PARAGRAPH SHALL NOTIFY THE AUDITOR GENERAL IN WRITING WHETHER THE
28 QUALIFIED SCHOOL AGREES OR DISAGREES WITH THE FINDINGS AND RECOMMENDATIONS
29 OF THE AUDIT AND WHETHER THE QUALIFIED SCHOOL WILL IMPLEMENT THE FINDINGS
30 AND RECOMMENDATIONS, IMPLEMENT MODIFICATIONS TO THE FINDINGS AND
31 RECOMMENDATIONS OR REFUSE TO IMPLEMENT THE FINDINGS AND RECOMMENDATIONS.
32 THE QUALIFIED SCHOOL SHALL SUBMIT TO THE AUDITOR GENERAL A WRITTEN STATUS
33 REPORT ON THE IMPLEMENTATION OF THE AUDIT FINDINGS AND RECOMMENDATIONS
34 EVERY SIX MONTHS FOR TWO YEARS AFTER THE COMPLETION OF AN AUDIT CONDUCTED
35 PURSUANT TO THIS PARAGRAPH. THE AUDITOR GENERAL SHALL REVIEW THE
36 QUALIFIED SCHOOL'S PROGRESS TOWARD IMPLEMENTING THE FINDINGS AND
37 RECOMMENDATIONS OF THE AUDIT EVERY SIX MONTHS AFTER RECEIVING THE
38 QUALIFIED SCHOOL'S STATUS REPORT FOR TWO YEARS. THE AUDITOR GENERAL MAY
39 REVIEW A QUALIFIED SCHOOL'S PROGRESS BEYOND THIS TWO-YEAR PERIOD FOR
40 RECOMMENDATIONS THAT HAVE NOT YET BEEN IMPLEMENTED BY THE QUALIFIED
41 SCHOOL. THE AUDITOR GENERAL SHALL PROVIDE A STATUS REPORT OF THESE
42 REVIEWS TO THE JOINT LEGISLATIVE AUDIT COMMITTEE. THE QUALIFIED SCHOOL
43 SHALL PARTICIPATE IN ANY HEARING SCHEDULED DURING THIS REVIEW PERIOD BY
44 THE JOINT LEGISLATIVE AUDIT COMMITTEE OR BY ANY OTHER LEGISLATIVE
45 COMMITTEE DESIGNATED BY THE JOINT LEGISLATIVE AUDIT COMMITTEE. FOR THE

1 PURPOSES OF THIS PARAGRAPH, "QUALIFIED SCHOOL" HAS THE SAME MEANING
2 PRESCRIBED IN SECTION 15-2401.

3 B. The auditor general may:

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

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

8 C. If approved by the committee, the auditor general may charge a
9 reasonable fee for the cost of performing audits or providing accounting
10 services for auditing federal funds, special audits or special services
11 requested by political subdivisions of this state. Monies collected
12 pursuant to this subsection shall be deposited in the audit services
13 revolving fund.

14 D. The department of transportation, the county treasurer, the
15 county transportation excise tax recipients, ~~and~~ the board of supervisors
16 of a county that has approved a county transportation excise tax as
17 provided in section 42-6106 or 42-6107 and the governing bodies of
18 counties, cities and towns receiving Arizona highway user revenue fund
19 monies shall cooperate with and provide necessary information to the
20 auditor general or the auditor general's consultant.

21 E. The department of transportation or the county transportation
22 excise tax recipients shall reimburse the auditor general as follows, and
23 the auditor general shall deposit the reimbursed monies in the audit
24 services revolving fund:

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

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