

REFERENCE TITLE: auditor general; charter schools

State of Arizona
Senate
Fifty-sixth Legislature
First Regular Session
2023

SB 1673

Introduced by
Senators Epstein: Alston, Burch, Diaz, Fernandez, Gabaldón, Gonzales,
Marsh, Miranda, Terán

AN ACT

AMENDING SECTION 15-914.02, ARIZONA REVISED STATUTES; REPEALING SECTION 41-1279.03, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2021, CHAPTER 405, SECTION 25; AMENDING SECTION 41-1279.03, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2019, CHAPTER 3, SECTION 11; AMENDING SECTION 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 districts; charter schools; 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. Repeal

9 Section 41-1279.03, Arizona Revised Statutes, as amended by Laws
10 2021, chapter 405, section 25, is repealed.

11 Sec. 3. Section 41-1279.03, Arizona Revised Statutes, as amended by
12 Laws 2019, chapter 3, section 11, is amended to read:

13 41-1279.03. Powers and duties

14 A. The auditor general shall:

15 1. Prepare an audit plan for approval by the committee and report
16 to the committee the results of each audit and investigation and other
17 reviews conducted by the auditor general.

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

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

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

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

1 6. In the tenth year and in each fifth year thereafter in which a
2 transportation excise tax is in effect in a county as provided in section
3 42-6106 or 42-6107, conduct a performance audit that:

4 (a) Reviews past expenditures and future planned expenditures of
5 the transportation excise revenues and determines the impact of the
6 expenditures in solving transportation problems within the county and, for
7 a transportation excise tax in effect in a county as provided in section
8 42-6107, determines whether the expenditures of the transportation excise
9 revenues comply with section 28-6392, subsection B.

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

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

19 7. If requested by the committee, conduct performance audits of
20 counties and incorporated cities and towns receiving ARIZONA highway user
21 revenue fund monies pursuant to title 28, chapter 18, article 2 to
22 determine whether the monies are being spent as provided in section
23 28-6533, subsection B.

24 8. Perform special audits designated pursuant to law if the auditor
25 general determines that there are adequate monies appropriated for the
26 auditor general to complete the audit. If the auditor general determines
27 the appropriated monies are inadequate, the auditor general shall notify
28 the committee.

29 9. Establish a schoolwide audit team in the office of the auditor
30 general to conduct performance audits and monitor school districts AND
31 CHARTER SCHOOLS to determine the percentage of every dollar spent in the
32 classroom by the school district OR CHARTER SCHOOL. Each school district
33 AND CHARTER SCHOOL shall prominently post on its website home page a copy
34 of its profile pages that displays the percentage of every dollar spent in
35 the classroom by that school district OR CHARTER SCHOOL from the most
36 recent status report issued by the auditor general pursuant to this
37 paragraph. The performance audits shall determine whether school
38 districts AND CHARTER SCHOOLS that receive monies from the Arizona English
39 language learner fund established by section 15-756.04 and the statewide
40 compensatory instruction fund established by section 15-756.11 comply with
41 title 15, chapter 7, article 3.1. The auditor general shall determine,
42 through random selection, the school districts AND CHARTER SCHOOLS to be
43 audited each year, subject to review by the joint legislative audit
44 committee. A school district OR CHARTER SCHOOL that is subject to an
45 audit pursuant to this paragraph shall notify the auditor general in

1 writing whether the school district OR CHARTER SCHOOL agrees or disagrees
 2 with the findings and recommendations of the audit and whether the school
 3 district OR CHARTER SCHOOL will implement the findings and
 4 recommendations, implement modifications to the findings and
 5 recommendations or refuse to implement the findings and recommendations.
 6 The school district OR CHARTER SCHOOL shall submit to the auditor general
 7 a written status report on the implementation of the audit findings and
 8 recommendations every six months for two years after an audit conducted
 9 pursuant to this paragraph. The auditor general shall review the school
 10 district's OR CHARTER SCHOOL'S progress toward implementing the findings
 11 and recommendations of the audit every six months after ~~receipt of~~
 12 RECEIVING the SCHOOL district's OR CHARTER SCHOOL'S status report for two
 13 years. The auditor general may review a school district's OR CHARTER
 14 SCHOOL'S progress beyond this two-year period for recommendations that
 15 have not yet been implemented by the school district OR CHARTER SCHOOL.
 16 The auditor general shall provide a status report of these reviews to the
 17 joint legislative audit committee. The school district OR CHARTER SCHOOL
 18 shall participate in any hearing scheduled during this review period by
 19 the joint legislative audit committee or by any other legislative
 20 committee designated by the joint legislative audit committee.

21 10. Annually review per diem compensation and reimbursement of
 22 expenses for employees of this state and members of a state board,
 23 commission, council or advisory committee by judgmentally selecting
 24 samples and evaluating the propriety of per diem compensation and expense
 25 reimbursements.

26 B. The auditor general may:

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

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

31 C. If approved by the committee, the auditor general may charge a
 32 reasonable fee for the cost of performing audits or providing accounting
 33 services for auditing federal funds, special audits or special services
 34 requested by political subdivisions of this state. Monies collected
 35 pursuant to this subsection shall be deposited in the audit services
 36 revolving fund.

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

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

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

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

8 Sec. 4. Section 41-1279.04, Arizona Revised Statutes, is amended to
9 read:

10 41-1279.04. Authority to examine records; violation;
11 classification

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

27 B. For the purpose of complying with section 41-1279.03, subsection
28 A, paragraphs 4 and 9, the auditor general or the auditor general's
29 authorized representative, in ~~the performance of~~ PERFORMING THE PERSON'S
30 official duties, may attend executive sessions of the governing body of
31 any state agency, ~~or~~ school district OR CHARTER SCHOOL in this state.

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

36 D. Any officer or person who knowingly fails or refuses to ~~permit~~
37 ALLOW such access and examination is guilty of a class 2 misdemeanor.