

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

State of Arizona  
Senate  
Fifty-sixth Legislature  
Second Regular Session  
2024

## **SB 1487**

Introduced by  
Senators Diaz: Alston, Fernandez, Sundareshan; Representative Hernandez A

AN ACT

AMENDING SECTIONS 15-2404 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 15-2404, Arizona Revised Statutes, is amended to  
3 read:

4 15-2404. State control over nonpublic schools; prohibition;  
5 application; reporting requirements; transparency  
6 portal

7 A. EXCEPT AS PROVIDED IN SECTION 15-2402, SUBSECTION J AND THIS  
8 SECTION, this chapter does not ~~permit~~ ALLOW any government agency to  
9 exercise control or supervision over any nonpublic school or homeschool.

10 B. A qualified school that accepts a payment from a parent pursuant  
11 to this chapter is not an agent of the state or federal government.

12 C. A qualified school shall not be required to alter its creed,  
13 practices, admissions policy or curriculum in order to accept students  
14 whose parents pay tuition or fees from an ARIZONA empowerment scholarship  
15 account pursuant to this chapter in order to participate as a qualified  
16 school.

17 D. In any legal proceeding challenging the application of this  
18 chapter to a qualified school, the state bears the burden of establishing  
19 that the law is necessary and does not impose any undue burden on  
20 qualified schools.

21 E. NOTWITHSTANDING SUBSECTIONS C AND D OF THIS SECTION, A QUALIFIED  
22 SCHOOL THAT ACCEPTS A PAYMENT FROM A PARENT OR QUALIFIED STUDENT PURSUANT  
23 TO THIS CHAPTER SHALL DO ALL OF THE FOLLOWING, CONSISTENT WITH THE FAMILY  
24 EDUCATIONAL RIGHTS AND PRIVACY ACT OF 1974 (20 UNITED STATES CODE SECTION  
25 1232g):

26 1. COMPLY WITH THE REPORTING, FOLLOW-UP AND HEARING PARTICIPATION  
27 REQUIREMENTS PRESCRIBED BY SECTION 41-1279.03.

28 2. COMPLY WITH THE FINANCIAL REPORTING REQUIRED PURSUANT TO  
29 SUBSECTION F OF THIS SECTION.

30 3. COMPLY WITH ANY REQUESTS FOR INFORMATION FROM THE DEPARTMENT OR  
31 THE STATE BOARD OF EDUCATION FOR THE PURPOSE OF THE FINANCIAL TRANSPARENCY  
32 PORTAL DEVELOPED PURSUANT TO SUBSECTION G OF THIS SECTION.

33 F. THE STATE BOARD OF EDUCATION SHALL DEVELOP AND ADOPT MINIMUM  
34 FINANCIAL PERFORMANCE REQUIREMENTS FOR QUALIFIED SCHOOLS THAT ACCEPT  
35 PAYMENT FROM A PARENT OR QUALIFIED STUDENT PURSUANT TO THIS CHAPTER AND  
36 PRESCRIBE FINANCIAL REPORTING REQUIREMENTS FOR EACH QUALIFIED SCHOOL THAT  
37 DO ALL OF THE FOLLOWING:

38 1. REQUIRE THE SAME DATA POINTS THAT ARE COLLECTED FROM SCHOOL  
39 DISTRICTS AND CHARTER SCHOOLS PURSUANT TO ANNUAL FINANCIAL AND COMPLIANCE  
40 AUDITS AND FINANCIAL STATEMENT AUDITS REQUIRED UNDER SECTION 15-914.

41 2. REQUIRE ANY DATA OR INFORMATION NECESSARY TO EVALUATE ALL OF THE  
42 FOLLOWING:

43 (a) THE QUALIFIED SCHOOL'S FINANCIAL ABILITY TO CONTINUE OPERATING.

44 (b) WHETHER THE QUALIFIED SCHOOL IS IN FINANCIAL DEFAULT.

1 (c) WHETHER THE QUALIFIED SCHOOL'S OPERATING COSTS EXCEED ITS  
2 AVAILABLE RESOURCES.

3 (d) WHETHER THE QUALIFIED SCHOOL IS ABLE TO PAY DEBT PRINCIPAL,  
4 INTEREST PAYMENTS AND FACILITY COSTS THAT BECOME DUE.

5 (e) THE PERCENTAGE CHANGE OF THE QUALIFIED SCHOOL'S STUDENT COUNT  
6 EACH YEAR.

7 3. SUMMARIZE THE QUALIFIED SCHOOL'S FINANCIAL PERFORMANCE,  
8 INCLUDING WHETHER THE QUALIFIED SCHOOL MEETS THE MINIMUM FINANCIAL  
9 PERFORMANCE REQUIREMENTS ADOPTED PURSUANT TO THIS SUBSECTION.

10 G. THE DEPARTMENT SHALL DEVELOP A FINANCIAL TRANSPARENCY PORTAL  
11 THAT INCLUDES ALL INFORMATION REPORTED PURSUANT TO SUBSECTION F OF THIS  
12 SECTION. THE DEPARTMENT MAY CONTRACT WITH A THIRD PARTY TO DEVELOP AND  
13 MAINTAIN THE PORTAL.

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

16 41-1279.03. Powers and duties

17 A. The auditor general shall:

18 1. Prepare an audit plan for approval by the committee and report  
19 to the committee the results of each audit and investigation and other  
20 reviews conducted by the auditor general.

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

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

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

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

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

7           (a) Reviews past expenditures and future planned expenditures of  
8 the transportation excise revenues and determines the impact of the  
9 expenditures in solving transportation problems within the county and, for  
10 a transportation excise tax in effect in a county as provided in section  
11 42-6107, determines whether the expenditures of the transportation excise  
12 revenues comply with section 28-6392, subsection B.

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

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

22           7. If requested by the committee, conduct performance audits of  
23 counties and incorporated cities and towns receiving Arizona highway user  
24 revenue fund monies pursuant to title 28, chapter 18, article 2 to  
25 determine whether the monies are being spent as provided in section  
26 28-6533, subsection B.

27           8. Perform special audits designated pursuant to law if the auditor  
28 general determines that there are adequate monies appropriated for the  
29 auditor general to complete the audit. If the auditor general determines  
30 the appropriated monies are inadequate, the auditor general shall notify  
31 the [JOINT LEGISLATIVE AUDIT](#) committee. Based on information provided by  
32 the auditor general, for any legislative measure that requires the auditor  
33 general to perform a special audit, the joint legislative budget committee  
34 staff shall notify all the members of the legislature as soon as  
35 practicable of the cost to conduct the special audit.

36           9. Establish a schoolwide audit team in the office of the auditor  
37 general to conduct performance audits and monitor school districts to  
38 determine the percentage of every dollar spent in the classroom by the  
39 school district. Each school district shall prominently post on its  
40 website home page a copy of its profile pages that displays the percentage  
41 of every dollar spent in the classroom by that school district from the  
42 most recent status report issued by the auditor general pursuant to this  
43 paragraph. The auditor general shall determine, through random selection,  
44 the school districts to be audited each year, subject to review by the  
45 joint legislative audit committee. A school district that is subject to

1 an audit pursuant to this paragraph shall notify the auditor general in  
2 writing whether the school district agrees or disagrees with the findings  
3 of the audit and whether the school district will implement the  
4 recommendations, implement modifications to the recommendations or refuse  
5 to implement the recommendations. The school district shall submit to the  
6 auditor general a written status report on the implementation of the audit  
7 recommendations at the request of the auditor general, within the two-year  
8 period following the issuance of an audit conducted pursuant to this  
9 paragraph. The auditor general shall review the school district's  
10 progress toward implementing the recommendations of the audit and provide  
11 status reports of the reviews to the joint legislative audit committee  
12 during this two-year period. The auditor general may review a school  
13 district's progress beyond this two-year period for recommendations that  
14 have not yet been implemented by the school district. The school district  
15 shall participate in any hearing scheduled during this review period by  
16 the joint legislative audit committee or by any other legislative  
17 committee designated by the joint legislative audit committee.

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

23 11. ESTABLISH AN AUDIT TEAM IN THE OFFICE OF THE AUDITOR GENERAL TO  
24 CONDUCT AUDITS AND MONITOR QUALIFIED SCHOOLS TO DETERMINE THE PERCENTAGE  
25 OF ARIZONA EMPOWERMENT SCHOLARSHIP ACCOUNT MONIES THAT ARE SPENT IN THE  
26 CLASSROOM BY THE QUALIFIED SCHOOL. NOTWITHSTANDING ANY OTHER LAW, A  
27 QUALIFIED SCHOOL THAT ACCEPTS A PAYMENT FROM A PARENT OR QUALIFIED STUDENT  
28 PURSUANT TO TITLE 15, CHAPTER 19 SHALL PROMINENTLY POST ON ITS WEBSITE  
29 HOME PAGE A COPY OF ITS PROFILE PAGES THAT DISPLAYS THE PERCENTAGE OF  
30 ARIZONA EMPOWERMENT SCHOLARSHIP ACCOUNT MONIES SPENT IN THE CLASSROOM BY  
31 THAT QUALIFIED SCHOOL FROM THE MOST RECENT STATUS REPORT ISSUED BY THE  
32 AUDITOR GENERAL PURSUANT TO THIS PARAGRAPH. THE AUDITOR GENERAL SHALL  
33 DETERMINE, THROUGH RANDOM SELECTION, THE QUALIFIED SCHOOLS TO BE AUDITED  
34 EACH YEAR, SUBJECT TO REVIEW BY THE JOINT LEGISLATIVE AUDIT COMMITTEE. A  
35 QUALIFIED SCHOOL THAT IS SUBJECT TO AN AUDIT PURSUANT TO THIS PARAGRAPH  
36 SHALL NOTIFY THE AUDITOR GENERAL IN WRITING WHETHER THE QUALIFIED SCHOOL  
37 AGREES OR DISAGREES WITH THE FINDINGS AND RECOMMENDATIONS OF THE AUDIT AND  
38 WHETHER THE QUALIFIED SCHOOL WILL IMPLEMENT THE FINDINGS AND  
39 RECOMMENDATIONS, IMPLEMENT MODIFICATIONS TO THE FINDINGS AND  
40 RECOMMENDATIONS OR REFUSE TO IMPLEMENT THE FINDINGS AND RECOMMENDATIONS.  
41 THE QUALIFIED SCHOOL SHALL SUBMIT TO THE AUDITOR GENERAL A WRITTEN STATUS  
42 REPORT ON THE IMPLEMENTATION OF THE AUDIT FINDINGS AND RECOMMENDATIONS  
43 EVERY SIX MONTHS FOR TWO YEARS AFTER THE COMPLETION OF AN AUDIT CONDUCTED  
44 PURSUANT TO THIS PARAGRAPH. THE AUDITOR GENERAL SHALL REVIEW THE  
45 QUALIFIED SCHOOL'S PROGRESS TOWARD IMPLEMENTING THE FINDINGS AND

1 RECOMMENDATIONS OF THE AUDIT EVERY SIX MONTHS AFTER RECEIVING THE  
2 QUALIFIED SCHOOL'S STATUS REPORT FOR TWO YEARS. THE AUDITOR GENERAL MAY  
3 REVIEW A QUALIFIED SCHOOL'S PROGRESS BEYOND THIS TWO-YEAR PERIOD FOR  
4 RECOMMENDATIONS THAT HAVE NOT YET BEEN IMPLEMENTED BY THE QUALIFIED  
5 SCHOOL. THE AUDITOR GENERAL SHALL PROVIDE A STATUS REPORT OF THESE  
6 REVIEWS TO THE JOINT LEGISLATIVE AUDIT COMMITTEE. THE QUALIFIED SCHOOL  
7 SHALL PARTICIPATE IN ANY HEARING SCHEDULED DURING THIS REVIEW PERIOD BY  
8 THE JOINT LEGISLATIVE AUDIT COMMITTEE OR BY ANY OTHER LEGISLATIVE  
9 COMMITTEE DESIGNATED BY THE JOINT LEGISLATIVE AUDIT COMMITTEE. FOR THE  
10 PURPOSES OF THIS PARAGRAPH, "QUALIFIED SCHOOL" HAS THE SAME MEANING  
11 PRESCRIBED IN SECTION 15-2401.

12 B. The auditor general may:

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

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

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

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

30 E. The department of transportation or the county transportation  
31 excise tax recipients shall reimburse the auditor general as follows, and  
32 the auditor general shall deposit the reimbursed monies in the audit  
33 services revolving fund:

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

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